SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

$21,000,000

CITY OF OAKLAND

GENERAL OBLIGATION BONDS (SERIES 2006, MEASURE G)

Dated as of June 28, 2006

Closing: June 28, 2006

SQUIRE, SANDERS & DEMPSEY L.L.P.
BOND COUNSEL

$21,000,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

TRANSCRIPT OF PROCEEDINGS

Sale Date: June 14, 2006
Pre-closing: June 27, 2006, 2:00 p.m.
Closing: June 28, 2006, 8:00 a.m.

Pre-closing and Closing to be held at the offices of:

Squire, Sanders & Dempsey, L.L.P.
One Maritime Plaza, Suite 300
San Francisco, California, 94108

DEFINITIONS AND ABBREVIATIONS

Bonds	$21,000,000 City of Oakland General Obligation Bonds (Series 2006, Measure G)
Bond Counsel	Squire, Sanders & Dempsey L.L.P. ("SSD")
Bond Insurer	Ambac Assurance Corporation ("Ambac")
City	City of Oakland, California (the "City")
City Attorney	John Russo ("City Attorney")
Financial Advisor	Public Financial Management, Inc. ("PFM")
Fiscal Agent	Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company) ("BNY")
Fiscal Agent Agreement	First Supplemental Agreement to Fiscal Agent Agreement, between the City and the Fiscal Agent, dated as of June 1, 2006
Purchaser	Bear, Stearns Securities Corporation ("Bear Stearns")
Treasury Manager	Katano Kasaine

DISTRIBUTION OF TRANSCRIPTS

After the Closing, Bond Counsel will assemble and distribute Transcripts of the Proceedings in three-ring binders as follows, with priority for original documents as set forth below:

Purchaser (1 bound Transcript)
Bond Insurer (2 unbound Transcripts)
Fiscal Agent (1 bound Transcript)
City/Treasury Manager (3 bound transcripts)
City Attorney (1 bound Transcript)
Financial Advisor (1 bound Transcript)
Bond Counsel (1 bound Transcript)

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Kathleen Salen-Boyd by [illegible]

Oakland City Attorney's Office

OFFICE OF THE CITY CLERK OAKLAND

2006 APR 12 AM 11:12

OAKLAND CITY COUNCIL

Resolution No. 79869 C.M.S.

RESOLUTION AUTHORIZING AND DIRECTING THE SALE OF NOT TO EXCEED $21,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF OAKLAND, CALIFORNIA, GENERAL OBLIGATION BONDS (SERIES 2006, MEASURE G) AND LEVYING AN *AD VALOREM* TAX WITH RESPECT THERETO; AUTHORIZING THE PUBLICATION OF NOTICE OF INTENTION TO SELL; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FISCAL AGENT AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; APPROVING THE RETENTION OF BOND COUNSEL AND OTHER AGENTS; AUTHORIZING PAYMENT OF COSTS OF ISSUANCE; AND AUTHORIZING NECESSARY ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the City of Oakland (the "City") is a municipal corporation and charter city duly organized and existing under the Constitution and laws of the State of California and its charter (the "Charter"); and

WHEREAS, the provisions of Article 1, Chapter 4, Division 4 of Title 4 (commencing with Section 43600) and Article 4.5, Chapter 4, Division 4 of Title 4 (commencing with Section 53506) of the California Government Code (collectively, the "Act") authorize local governments to issue general obligation bonds to finance the acquisition and improvement of real property serving municipal purposes upon full compliance therewith; and

WHEREAS, on March 5, 2002 more than two-thirds of the qualified voters of the City approved a proposition ("Measure G") and thereby authorized the issuance by the City of its general obligation bonds in an amount not to exceed $59,000,000 to acquire, renovate, improve, construct and finance existing and additional educational facilities at the Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center, as further described in Measure G (the "Project"); and

WHEREAS, pursuant to Measure G, the City has previously issued its City of Oakland General Obligation Bonds (Series 2002A, Measure G) in the aggregate principal amount of $38,000,000; and

WHEREAS, the City Council has determined it is necessary and desirable to issue an additional series of bonds pursuant to Measure G in order to finance additional portions of the cost of the Project for the Oakland Museum of California and the Oakland Zoo, on the conditions set forth in this Resolution;

NOW, THEREFORE, BE IT RESOLVED, as follows:

Section 1. Conditions Precedent. All conditions, things and acts required by law to exist, to happen and to be performed precedent to and in connection with the issuance of the City of Oakland, California General Obligation Bonds (Series 2006, Measure G) exist, have happened and been performed in due time, form and manner, in accordance with applicable law, and the City is now authorized pursuant to the Charter and applicable law to incur indebtedness in the manner and form provided in this Resolution, as may be supplemented from time to time.

Section 2. Issuance of Bonds. The City Council hereby authorizes the issuance of its general obligation bonds which shall be designated the "City of Oakland, California General Obligation Bonds (Series 2006, Measure G)" (the "Bonds") in an aggregate amount of not to exceed of $21,000,000, subject to the terms and conditions set forth in the Official Notice Inviting Bids (described below in Section 8) and to the following:

(a) The Bonds shall not have a true interest cost in excess of eight percent (8%). For purposes of this paragraph, true interest cost means that nominal annual interest rate which, when compounded semiannually and used to discount all payments of principal and interest payable on the Bonds to the dated date of such Bonds results in an amount equal to the principal amount of such Bonds plus the amount of any premium, if any, offered (disregarding for the purposes of the calculation the accrued interest to the date of delivery of the Bonds);

(b) Costs incurred in connection with the issuance of the Bonds (excluding underwriters discount and any cost of credit enhancement) shall not exceed two percent (2%) of the aggregate principal amount of the Bonds; and

(c) Any original issue premium upon the purchase of the Bonds shall not exceed two percent (2%) of the aggregate principal amount of the Bonds;

Section 3. Form of Bonds. The form of the Bonds, in substantially the form attached as Exhibit A to the First Supplemental Agreement (described below), is hereby approved and adopted. The City Administrator (the "City Administrator") is hereby authorized and directed to approve and to execute the Bonds by manual or facsimile signature; and the Clerk of the City (the "City Clerk") is hereby authorized and directed to attest, by manual or facsimile signature and to cause the seal of the City to be reproduced or impressed on the Bonds, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 4. Fiscal Agent Agreement. The form of the First Supplemental Agreement dated as of June 1, 2006 (the "First Supplemental Agreement") to the Fiscal Agent Agreement, dated as of November 1, 2002 (collectively, the "Fiscal Agent Agreement"), between the City and the fiscal agent named therein (the "Fiscal Agent"), in substantially the form of the First

Supplemental Agreement on file with the City Clerk, is hereby approved and adopted. The Director of the Finance and Management Agency is hereby authorized and directed to execute, the City Administrator is hereby authorized and directed to approve and the City Clerk is hereby authorized to attest to, the First Supplemental Agreement in substantially such form, with such changes, additions, amendments or modifications (including but not limited to changes, additions, amendments or modifications necessary to obtain ratings on the Bonds), which are approved by the Director of the Finance and Management Agency, in consultation with the City Attorney (the "City Attorney"), in the interest of the City, such approval to be conclusively evidenced by said execution. The City hereby agrees to comply with, or cause to be complied with, all covenants of the City set forth in the Fiscal Agent Agreement, as supplemented by the First Supplemental Agreement, including, but not limited to, covenants with the owners of the Bonds that the City shall not take any action, or fail to take any action, if such action or failure would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Internal Revenue Code of 1986, as amended.

Section 5. Tax Levy. For the purpose of paying the principal of and interest on the Bonds as it becomes due, the City Council at the time of fixing the general tax levy shall continue to fix, and in the manner provided for such general tax levy, levy and collect annually each year an *ad valorem* tax in an amount sufficient to pay the principal of and interest on the Bonds when due until all outstanding Bonds have been paid, or provision for their payment has been made in accordance with the Fiscal Agent Agreement; provided, however, that if the City Council expects to sell any Bonds at such time that the principal of or interest on such Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal or interest, the City, at the time of fixing the annual tax levy, may levy a tax in an amount sufficient to pay that portion of the principal of and interest on the Bonds which it expects will become due before the proceeds of the next succeeding tax levy will be available.

Said tax shall be in addition to all other taxes levied for City purposes and shall be collected at the same time and in the same manner as other taxes of the City are collected.

Pursuant to this Resolution, the City hereby pledges as security for the Bonds and the interest thereon, the proceeds of said tax. The Director of the Finance and Management Agency is hereby directed to transfer the proceeds of the aforementioned tax to the Fiscal Agent for deposit into the 2006 Debt Service Account established under the Fiscal Agent Agreement for the Bonds. Such fund or funds shall be kept separate and apart from all other funds. The Director of the Finance and Management Agency shall also transfer to the Fiscal Agent for deposit into the 2006 Debt Service Account from the proceeds of sale of the Bonds, any moneys received on account of any premium paid on such Bonds and interest accrued on such Bonds to the date of payment of the purchase price thereof. So long as any of the Bonds are outstanding, moneys in said funds shall be used solely for the purpose of paying the principal of and interest on the Bonds as such principal and interest shall become due and payable; provided, however, that when all of the principal and interest on all of the Bonds has been paid, any balance of money then remaining in said funds shall be transferred by the Fiscal Agent to the City for deposit into the General Fund of the City.

Section 6. Appointment of Depositories and Other Agents. The Director of the Finance and Management Agency is hereby authorized and directed to appoint from time to time one or more depositories for the Bonds as she may deem desirable. The Director of the Finance and Management Agency is hereby also authorized and directed to appoint from time to time one or more agents as she may deem necessary or desirable. To the extent permitted by applicable law, and under the supervision of the Director of the Finance and Management Agency, such agents may serve as paying agent, fiscal agent or registrar for the Bonds, or financial printer or may assist the Director of the Finance and Management Agency in performing any or all of such functions and other duties as the Director of the Finance and Management Agency shall determine. Such agents shall serve under such terms and conditions as the Director of the Financial Management Agency shall determine. The Director of the Finance and Management Agency may remove or replace agents appointed pursuant to this section at any time.

Section 7. Authorization of Sale and Award of Bid. The Director of the Finance and Management Agency is hereby authorized and directed to establish a date, time and place to receive bids for the purchase of the Bonds as described in and subject to the terms and conditions of the Official Notice Inviting Bids (described below). The Director of the Finance and Management Agency is authorized to receive bids for the purchase of the Bonds, and to award such Bonds to the bidder whose responsible bid for the Bonds results in the lowest true interest cost to the City, all in accordance with and determined by the procedures described in the Official Notice Inviting Bids, as approved by the Director of the Finance and Management Agency, whose approval shall be evidenced by executing a counterpart of the final Official Notice Inviting Bids.

Section 8. Form of Notice Inviting Bids. The form of proposed Official Notice Inviting Bids, in substantially the form, on file with the City Clerk (the "Official Notice Inviting Bids"), inviting bids for the Bonds, is hereby approved and adopted with such changes, additions, amendments or modifications as may be made in accordance with Section 13 hereof.

Section 9. Notice of Intention to Sell. The City Clerk is hereby authorized and directed to cause to be published once in the Oakland Tribune, a newspaper of general circulation and circulated within the boundaries of the City and once in The Bond Buyer, a financial publication generally circulated throughout the State of California, a Notice of Intention to Sell the Bonds, no later than five days prior to the sale date, in a form as approved by the Director of the Finance and Management Agency.

Section 10. Official Statement. The Director of the Finance and Management Agency is hereby authorized and directed, in consultation with the City Attorney, to prepare a preliminary official statement for the Bonds authorized by this Resolution. The form of proposed preliminary official statement (the "Preliminary Official Statement"), in substantially the form presented to this City Council and on file with the City Clerk, is hereby approved and adopted with such changes, additions, amendments or modifications as may be made in accordance with Section 13 hereof. The Director of the Finance and Management Agency is hereby authorized to cause the distribution of a Preliminary Official Statement for the Bonds, deemed final by this City Council for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and the City Administrator and the Director of the Finance and Management Agency are each separately authorized to execute a certificate to the effect that the Preliminary Official Statement is "deemed final" by the City. The City Administrator and the Director of the Finance and Management Agency are each separately authorized and directed to sign a final Official Statement for the Bonds. The Director of the Finance and Management Agency is hereby authorized and directed to cause to be printed and mailed, or electronically posted and made available, to prospective bidders of the

Bonds copies of the Preliminary Official Statement. The Director of the Finance and Management Agency is hereby authorized and directed to cause to be printed and delivered to the purchaser of the Bonds copies of the final Official Statement in substantially the form of the final Preliminary Official Statement, with such changes, additions, amendments or modifications as may be made in accordance with Section 13 hereof.

Section 11. Appointment of Bond Counsel and Financial Advisor. The retention of the law firm of Squire, Sanders & Dempsey L.L.P. as bond counsel to the City in connection with the issuance of the Bonds is hereby approved. The City Attorney is hereby authorized to negotiate and execute contractual agreements with Squire, Sanders & Dempsey L.L.P. in connection with the issuance of the Bonds. The retention of the firm of Public Financial Management, Inc. as financial advisor to the City on this issuance is hereby approved. The Director of the Finance and Management Agency is hereby authorized to negotiate and execute contractual agreements with Public Financial Management, Inc. in connection with the issuance of the Bonds.

Section 12. Payment of Costs of Issuance. The Director of the Finance and Management Agency is hereby authorized and directed to pay, or cause to be paid on behalf of the City, the costs of issuance associated with the Bonds.

Section 13. Modification to Documents. Any City official authorized by this Resolution to execute any document is hereby further authorized, in consultation with the Director of the Finance and Management Agency and the City Attorney, to approve and make such changes, additions, amendments or modifications to the document or documents the official is authorized to execute as may be necessary or advisable, provided that such changes, additions, amendments or modifications shall (a) not authorize an aggregate principal amount of Bonds in excess of $21,000,000 and (b) comply with the limitations on the use of the proceeds of the Bonds set forth in Section 2 of Resolution No. 76887 adopted by this Council on December 4, 2001. The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 14. Ratification. All actions heretofore taken by the officials, employees and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 15. General Authority. The Mayor, the City Administrator, the Director of the Finance and Management Agency, the City Clerk, and any other officials of the City and their duly authorized deputies and agents are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents including an Continuing Disclosure Certificate, a Tax Compliance Certificate, letters of representation to any depository for the Bonds, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, and to effectuate the purposes thereof and of the documents herein approved in accordance with this Resolution.

The Director of the Finance and Management Agency may designate in writing one or more persons to perform any act which such Director is authorized by this Resolution to perform.

MAY 2 2006

IN COUNCIL, OAKLAND, CALIFORNIA, __________, 2006

PASSED BY THE FOLLOWING VOTE:

AYES - BRUNNER, KERNIGHAN, NADEL, QUAN, BROOKS, REID, CHANG, AND PRESIDENT DE LA FUENTE — 8

NOES - Ø

ABSENT- Ø

ABSTENTIONS - Ø

ATTEST: Latonda Simmons

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

$21,000,000
CITY OF OAKLAND, CALIFORNIA
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE OF THE CITY CLERK REGARDING BOND RESOLUTION

I, LaTonda Simmons, City Clerk of the City of Oakland (the "City"), do hereby certify that:

1. Attached hereto is a full, true, and correct copy of Resolution No. 79869 C.M.S. duly adopted at a regular meeting of the City Council of the City duly and regularly and legally held at the regular meeting place thereof on May 2, 2006 authorizing issuance of the Series 2006, Measure G Bonds, of which meeting all of the members of said City Council had due notice and at which a quorum of the members thereof were present.

2. I do hereby further certify that I have carefully compared the same with the originals or certified copies of said documents on file and of record in my office and that said documents are full, true, and correct copies of the originals, that said documents have not been amended, modified, or rescinded, and that the same are each now in full force and effect.

Dated: June 28, 2006

By: LaTonda Simmons
LaTonda Simmons
City Clerk of the City of Oakland

Number	UNITED STATES OF AMERICA	Amount
RD-1	STATE OF CALIFORNIA	$200,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.500%	1/15/2007	June 28, 2006	672240PE2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-2	STATE OF CALIFORNIA	$375,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2008	June 28, 2006	672240PF9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-3	STATE OF CALIFORNIA	$390,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
3.750%	1/15/2009	June 28, 2006	672240PG7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE HUNDRED NINETY THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-4	STATE OF CALIFORNIA	$400,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
3.750%	1/15/2010	June 28, 2006	672240PH5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-5	STATE OF CALIFORNIA	$415,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2011	June 28, 2006	672240PJ1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FIFTEEN THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-6	STATE OF CALIFORNIA	$435,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2012	June 28, 2006	672240PK8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED THIRTY-FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-7	STATE OF CALIFORNIA	$450,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2013	June 28, 2006	672240PL6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED FIFTY THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-8	STATE OF CALIFORNIA	$470,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2014	June 28, 2006	672240PM4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED SEVENTY THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-9	STATE OF CALIFORNIA	$490,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2015	June 28, 2006	672240PN2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR HUNDRED NINETY THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-10	STATE OF CALIFORNIA	$510,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.000%	1/15/2016	June 28, 2006	672240PP7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED TEN THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-11	STATE OF CALIFORNIA	$530,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.125%	1/15/2017	June 28, 2006	672240PQ5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED THIRTY THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number | UNITED STATES OF AMERICA | Amount

RD-12 | STATE OF CALIFORNIA | $550,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.250%	1/15/2018	June 28, 2006	672240PR3

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED FIFTY THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-13	STATE OF CALIFORNIA	$575,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.250%	1/15/2019	June 28, 2006	672240PS1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-14	STATE OF CALIFORNIA	$595,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.250%	1/15/2020	June 28, 2006	672240PT9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED NINETY-FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-15	STATE OF CALIFORNIA	$625,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.500%	1/15/2021	June 28, 2006	672240PU6

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIX HUNDRED TWENTY-FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-16	STATE OF CALIFORNIA	$3,600,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
5.000%	1/15/2026	June 28, 2006	672240PV4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THREE MILLION SIX HUNDRED THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-17	STATE OF CALIFORNIA	$4,585,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
5.000%	1/15/2031	June 28, 2006	672240PW2

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FOUR MILLION FIVE HUNDRED EIGHTY-FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

Number	UNITED STATES OF AMERICA	Amount
RD-18	STATE OF CALIFORNIA	$5,805,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
4.500%	1/15/2036	June 28, 2006	672240PX0

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE MILLION EIGHT HUNDRED FIVE THOUSAND DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

"Business Day" means any day other than a Saturday, Sunday, legal holiday or other day on which the City, or commercial banking institutions in the State of California or in the state in which designated corporate trust office of the Fiscal Agent is located, are authorized or required by law to be closed. Terms used herein which are not defined herein shall have the meaning set forth in the Resolution and the Fiscal Agent Agreement.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying interest rates and maturities), designated "City of Oakland, General Obligation Bonds (Series 2006, Measure G)", in the original aggregate principal amount of $21,000,000 (the "Series 2006 Bonds"), and is authorized, issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of said State, the Charter of the City and of Resolution No. 79869 C.M.S. adopted by the City Council of the City (the "City Council") on May 2, 2006 (the "Resolution") and the Fiscal Agent Agreement dated as of June 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement").

Copies of the Resolution and the Fiscal Agent Agreement are on file at the office of the Director of the City's Finance and Management Agency and at the designed corporate trust office of the Fiscal Agent. Reference is hereby made to the Resolution and the Fiscal Agent Agreement and any and all supplements thereto and modifications and amendments thereof, for a description of: the covenants securing the Series 2006 Bonds; the rights of the Registered Owners of the Series 2006 Bonds; the terms and conditions upon which the Series 2006 Bonds are issued; the terms and provisions upon which this Bond shall cease to be entitled to any lien, benefit or security under the Resolution; and for the other terms and provisions thereof, to all of which the Registered Owner assents, by acceptance hereof.

All covenants, agreements and obligations of the City under the Resolution may be discharged and satisfied at or prior to the maturity or redemption of this Bond if moneys or certain Federal Securities specified in the Fiscal Agent Agreement shall have been deposited in a separate trust to provide for payment thereof.

The Series 2006 Bonds are issuable as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof, provided that no bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Fiscal Agent Agreement, this Bond may be exchanged for a like aggregate principal amount of bonds of the same series and maturity of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at the designated office of the Fiscal Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, and upon surrender and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized denomination or denominations for the same series and same aggregate principal amount will be issued to the transferee in exchange herefor.

The Series 2006 Bonds maturing on or before January 15, 2016, shall not be subject to redemption before their stated maturity. The Series 2006 Bonds maturing on or after January 15, 2017, are subject to optional redemption prior to maturity on or after January 15, 2016, at the option of the City, from any source of available funds held therefor, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity) at a redemption price equal to 100% of the principal amount of Bonds called for redemption, without premium, together with accrued but unpaid interest to the date fixed for redemption.

Notice of redemption shall be given by mail, postage prepaid, to the Registered Owner hereof, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, but neither failure to mail such notice or any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the bonds then called for redemption, and such cancellation and annulment shall not be a default hereunder.

The Series 2006 Bonds maturing on January 15, 2026, January 15, 2031 and January 15, 2036 are Term Bonds and are subject to mandatory sinking account redemption, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, without premium, on the dates and in the amounts set forth below:

Bond Maturing January 15, 2026

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2022	$650,000
January 15, 2023	685,000
January 15, 2024	720,000
January 15, 2025	755,000
January 15, 2026*	790,000

*Final Maturity

Bond Maturing January 15, 2031

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2027	$830,000
January 15, 2028	870,000
January 15, 2029	915,000
January 15, 2030	960,000
January 15, 2031	1,010,000

*Final Maturity

Bond Maturing January 15, 2036

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2032	$1,060,000
January 15, 2033	1,110,000
January 15, 2034	1,160,000
January 15, 2035	1,210,000
January 15, 2036	1,265,000

*Final Maturity

The City shall have the right to rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Registered Owners of the Series 2006 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds are not available in the Redemption Account in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2006 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Registered Owner of any bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

If this Bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The City and Fiscal Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and Fiscal Agent shall not be affected by any notice to the contrary.

The Fiscal Agent Agreement permits certain amendments or supplements to the Series 2006 Bonds and the Fiscal Agent Agreement to be made without the consent of or notice to the Registered Owners, and other amendments or supplements thereto to be made with the consent of the Registered Owners of not less than 60% of the aggregate principal amount of the Series 2006 Bonds and Series 2002 Bonds (as defined in the Fiscal Agent Agreement) then outstanding.

The City Council of the City hereby certifies and declares that the total amount of indebtedness of said City, including the amount of this Bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond, that this Bond is in the form prescribed by order of the City Council duly made and entered on its minutes and shall be payable out of the interest and sinking fund of said City, and the money for the redemption of this Bond, and the payment of interest thereon, shall be raised by taxation upon the taxable property of said City.

This Bond shall not be entitled to any benefit under the Resolution and the Fiscal Agent Agreement or become valid or obligatory for any purpose, until this Bond shall have been authenticated by the Fiscal Agent by execution of the Fiscal Agent's Certificate of Authentication hereon.

IN WITNESS WHEREOF the City Council the City of Oakland has caused this Bond to be executed under the official seal of the City of Oakland, or a facsimile thereof, by the City Administrator of the City of Oakland and to be attested by the City Clerk, all as of June 28, 2006.

CITY OF OAKLAND, CALIFORNIA

By:____________________
City Administrator

ATTEST: ____________________
LATONDA SIMMONS
City Clerk

FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION

This is one of the Series 2006 Bonds described in the within-mentioned Fiscal Agent Agreement.

Date of Authentication: June 28, 2006

The Bank of New York Trust Company, N.A., as
Fiscal Agent

By:____________________________
Authorized Signatory

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. 25482BE (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

FORM OF OPINION OF BOND COUNSEL

The following is a true copy of the text of the opinion rendered to the City of Oakland by Squire, Sanders & Dempsey L.L.P. in connection with the original issuance of the Bonds. This opinion is dated as of and premised on the transcript of proceedings examined and the law in effect on the date of the original delivery of the Bonds. A signed copy of that opinion is on file in the office of the Fiscal Agent.

The Bank of New York Trust Company, N.A., as Fiscal Agent

By: ______________________
Authorized Signatory

June 28, 2006

To: City of Oakland

We have acted as Bond Counsel to the City of Oakland, California (the "City"), in connection with the issuance by the City of $21,000,000 aggregate principal amount of its City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), dated as the date hereof. The Bonds are issued under and pursuant to an Resolution of the City Council adopted on May 2, 2006 (the "Resolution"), a Fiscal Agent Agreement, dated as of November 1, 2002 as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), (the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), the Charter of the City and the provisions of the Governmental Code of the State of California. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Fiscal Agent Agreement.

In our capacity as Bond Counsel, we have reviewed: the Resolution; the Fiscal Agent Agreement; the Tax Compliance Certificates of the City, of certain other organizations using the facilities to be financed with the Bonds (the "Facility Users") and of the original purchaser of the Bonds, dated the date hereof (collectively the "Tax Certificate"); other certifications of the City, the Fiscal Agent and others as to certain factual matters; and such other certificates, documents, opinions of the City Attorney and other matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City in the Resolution, the Fiscal Agent Agreement, the Tax Compliance Certificate and other relevant documents to which it is a party, and of the Facility Users in the Tax Certificate. The accuracy of certain of those representations and certifications, and compliance by the City and the Facilities Users with certain of those covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations of the City under the Resolution, the Bonds and the Fiscal Agent Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion relating thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Resolution has been duly and validly adopted, the Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and each constitutes the valid, legal and binding obligation of the City.

2. The Bonds constitute the valid and binding general obligations of the City.

3. The City Council of the City has the power and is obligated, and in the Fiscal Agent Agreement has covenanted, to levy ad valorem taxes on all property within the City's boundaries subject to such taxes by the City, which taxes are unlimited as to rate or amount (except certain personal property which is taxable at limited rates), for payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

/s/ Squire, Sanders & Dempsey L.L.P.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned __________ (the "Transferor"), hereby sells, assigns and transfers unto __________ (the "Transferee"), whose address is ________________________ and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ________________________ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Dated: ________________

Signature Guarantee: ______________________________________

NOTE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this ______________________________ assignment correspond(s) with the name as it NOTE: Signature(s) must be appears upon the face of the within Bond in guaranteed by an eligible guarantor every particular, without alteration or institution pursuant to securities enlargement or any change whatever and name, and Exchange Commission Rule address and the Social Security Number or federal 17A(d)(15) employee identification number of the Transferee is supplied.

4

FIRST SUPPLEMENTAL AGREEMENT

Dated as of June 1, 2006

to

FISCAL AGENT AGREEMENT

by and between

THE CITY OF OAKLAND

and

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(successor to BNY Western Trust Company),
as Fiscal Agent

Dated as of November 1, 2002

Relating to

City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

Squire, Sanders & Dempsey L.L.P.
Bond Counsel

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FIRST SUPPLEMENTAL AGREEMENT

THIS FIRST SUPPLEMENTAL AGREEMENT is made and entered into as of June 1, 2006 (the "First Supplemental Agreement"), by and between the CITY OF OAKLAND, a charter city duly organized and validly existing under the Constitution and laws of the State of California (the "City") and THE BANK OF NEW YORK TRUST COMPANY, N.A. (successor to BNY Western Trust Company), a national banking association organized and existing under the laws of the United States, as fiscal agent (the "Fiscal Agent"), and supplements the Fiscal Agent Agreement, dated as of November 1, 2002, between the City and the Fiscal Agent (the "Original Agreement"):

WITNESSETH

WHEREAS, this First Supplemental Agreement is supplemental to the Original Agreement (as so supplemented, and as it may from time to time be further supplemented and amended pursuant to its terms, the "Fiscal Agent Agreement"), between the City and the Fiscal Agent; and

WHEREAS, on March 5, 2002 more than two-thirds of the qualified voters of the City of Oakland, California (the "City") approved Measure G and thereby authorized the issuance by the City of its general obligation bonds in an amount not to exceed $59,000,000 (the "Bonds") to finance the acquisition, renovation, improvement and construction of existing and additional educational facilities at Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center, as further described in Measure G; and

WHEREAS, the provisions of Chapter 4 (commencing with section 43600) of Division 4 of Title 4 of the California Government Code and, to the extent applicable, Article 3.7 (commencing with section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Act") empower the City to issue general obligation bonds which are authorized by two-thirds of the qualified electors of the City; and

WHEREAS, the City Council adopted Resolution No. 77157 C.M.S. on May 28, 2002 authorizing the issuance of the first series of the City's General Obligation Bonds designated the "City of Oakland, General Obligation Bonds (Series 2002A, Measure G)" (the "Series 2002 Bonds"), in an aggregate principal amount of $38,000,000; and

WHEREAS, the City Council adopted Resolution No. 79869 C.M.S. on May 2, 2006 (the "2006 Resolution") authorizing the second and final series of the Bonds designated the "City of Oakland, General Obligation Bonds (Series 2006, Measure G)" (the "Series 2006 Bonds") in an aggregate amount of $21,000,000; and

WHEREAS, the Series 2006 Bonds will be payable from proceeds of the annual general tax levy in accordance with the 2006 Resolution; and

WHEREAS, the execution of this First Supplemental Agreement by the City and the Fiscal Agent is necessary and desirable to set forth certain provisions of the Series 2006 Bonds and to provide for the repayment thereof; and

WHEREAS, the City has determined that all conditions, things and acts required by law (a) to exist, happen and be performed precedent to and in connection with the execution and delivery of this First Supplemental Agreement, and (b) to make the Series 2006 Bonds, when authenticated by the Fiscal Agent and issued as in the Fiscal Agent Agreement provided, valid binding general obligations of the City in accordance with their terms, will exist have happened and have been performed in regular and due time, form and manner as required by law.

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL AGREEMENT WITNESSETH:

ARTICLE I

DEFINITIONS; AUTHORITY; RELATIONSHIP WITH ORIGINAL AGREEMENT

SECTION 1.01 Definitions

Unless the context otherwise requires, the terms defined in Article I of the Original Agreement shall for all purposes hereof and of any certificate, opinion, request or other document herein mentioned have the meanings specified in the Original Agreement.

In addition, the following terms shall have the following meanings.

Act

The term "Act" for the Series 2006 Bonds means the Act (as defined in the Original Agreement) and Article 4.5, Chapter 4, Division 4 of Title 4 (commencing for the Series 2006 Bonds with Section 53506) in effect on the date of adoption hereof and as amended hereafter.

Bonds; Serial Bonds; Series 2006 Bonds; Term Bonds

The term "Bonds" means the Series 2002 Bonds and the Series 2006 Bonds.

The term "Serial Bonds" means Bonds for which no Mandatory Sinking Account Payments are provided.

The term "Series 2006 Bonds" means the City of Oakland General Obligation Bonds, (Series 2006, Measure G).

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire the Series 2006 Bonds on or before their specified maturity dates.

Bond Insurer

The term "Bond Insurer" for the Series 2006 Bonds means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Bond Insurance

The term "Bond Insurance" for the Series 2006 Bonds means the municipal bond insurance policy issued by the Bond Insurer.

Closing Date

The term "Closing Date" for the Series 2006 Bonds means June 28, 2006, the date of delivery of the Series 2006 Bonds to the Original Purchaser.

2006 Costs of Issuance Account

The term "2006 Costs of Issuance Account" for the Series 2006 Bonds means the account by that name established under Section 4.05 hereof to pay Costs of Issuance for Series 2006 Bonds.

2006 Debt Service Account

The term "2006 Debt Service Account" for the Series 2006 Bonds means the account of that name established pursuant to Section 4.01 hereof to pay Debt Service on the Series 2006 Bonds.

Fiscal Agent Agreement

The term "Fiscal Agent Agreement" for the Series 2006 Bonds means the Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by this First Supplemental Agreement, dated as of June 1, 2006, by and between the City and the Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2006 Proceeds Account

The term "2006 Proceeds Account" for the Series 2006 Bonds means the account by that name established by Section 4.02 hereof.

Project Managers

The term "Project Manager" means: (a) in the case of those portions of the Project relating to the Oakland Museum, the Executive Director of the Oakland Museum of California Foundation; and (b) in the case of those portions of the Project relating to the Oakland Zoo, the Executive Director of the East Bay Zoological Society; or their designees.

2006 Rebate Account

The term "2006 Rebate Account" for the Series 2006 Bonds means the account of that name established pursuant to Section 4.03 hereof.

2006 Redemption Account

The term "2006 Redemption Account" for the Series 2006 Bonds means the account of that name established by Section 4.04 hereof.

Representative of the City

The term "Representative of the City" means the City Administrator of the City or his designee, the Director of the Finance and Management Agency of the City or his designee, or any other person authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Fiscal Agent Agreement and the Series 2006 Bonds.

2006 Resolution

The term "2006 Resolution" means Resolution No. 79869 C.M.S. adopted by the City Council on May 2, 2006 authorizing the issuance, sale and delivery of the Series 2006 Bonds.

2006 Tax Certificate

The term "2006 Tax Certificate" for the Series 2006 Bonds means the Tax Compliance Certificate dated the date of initial delivery thereof and executed and delivered by the City relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

SECTION 1.02 Authority

This First Supplemental Agreement is entered into pursuant to the authority of clauses (i) and (iv) of the second paragraph of Section 7.01 of the Original Agreement.

SECTION 1.03 Relationship with Original Agreement

Except as in this First Supplemental Agreement expressly provided, every term and condition contained in the Original Agreement shall apply to this First Supplemental Agreement and to the Series 2006 Bonds with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplemental Agreement and the terms of the Series 2006 Bonds.

The First Supplemental Agreement and all the terms and provisions herein contained shall form part of the Fiscal Agent Agreement as fully and with the same effect as if all such terms and provisions had been set forth in the Fiscal Agent Agreement is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as supplemented and amended hereby.

ARTICLE II

THE SERIES 2006 BONDS

SECTION 2.01 Terms of Series 2006 Bonds

(a) Form of Series 2006 Bonds. The Series 2006 Bonds shall be substantially in the form set forth as Exhibit A hereto. The Series 2006 Bonds shall issued be in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

(b) Maturities; Interest. The Series 2006 Bonds shall be dated the Closing Date, and shall bear interest on January 15 and July 15 of each year, commencing January 15, 2007. The Series 2006 Bonds shall mature on January 15 of each of the years, and in the amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of 12-30 day months) each as follows:

Maturity Date (January 15)	Principal Amount	Interest Rate
2007	$ 200,000	4.500%
2008	375,000	4.000
2009	390,000	3.750
2010	400,000	3.750
2011	415,000	4.000
2012	435,000	4.000
2013	450,000	4.000
2014	470,000	4.000
2015	490,000	4.000
2016	510,000	4.000
2017	530,000	4.125
2018	550,000	4.250
2019	575,000	4.250
2020	595,000	4.250
2021	625,000	4.500
2026	3,600,000	5.000
2031	4,585,000	5.000
2036	5,805,000	4.500

(c) Optional Redemption of Series 2006 Bonds. The Series 2006 Bonds maturing on or before January 15, 2016, shall not be subject to redemption before their stated maturity. The Series 2006 Bonds maturing on or after January 15, 2017, are subject to optional redemption prior to maturity on or after January 15, 2016, at the option of the City, from any source of available funds held therefor, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity) at a redemption price equal to 100% of the principal amount of Bonds called for redemption, without premium, together with accrued but unpaid interest to the date fixed for redemption.

(d) Mandatory Sinking Account Redemption. The Series 2006 Bonds maturing on January 15, 2026, January 15, 2031 and January 15, 2036 are Term Bonds and are subject to mandatory sinking account redemption, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, without premium, on the dates and in the amounts set forth below:

Bond Maturing January 15, 2026

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2022	$650,000
January 15, 2023	685,000
January 15, 2024	720,000
January 15, 2025	755,000
January 15, 2026*	790,000

*Maturity

Bond Maturing January 15, 2031

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2027	$ 830,000
January 15, 2028	870,000
January 15, 2029	915,000
January 15, 2030	960,000
January 15, 2031	1,010,000

*Maturity

Bond Maturing January 15, 2036

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2032	$1,060,000
January 15, 2033	1,110,000
January 15, 2034	1,160,000
January 15, 2035	1,210,000
January 15, 2036	1,265,000

*Maturity

In the event of a partial optional redemption or purchase for cancellation of a Term Bond within a maturity, the amount of future sinking fund redemptions with respect to such maturity will be reduced as specified in writing by a Representative of the City to take into account such partial redemption or purchase or if no certificate is delivered in inverse order thereof.

ARTICLE III

ISSUANCE OF SERIES 2006 BONDS; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE SERIES 2006 BONDS

SECTION 3.01 Issuance and Delivery of Series 2006 Bonds

At any time after the adoption of the 2006 Resolution, the City may issue and deliver the Series 2006 Bonds to the Original Purchaser in the aggregate principal amount of Twenty-One Million Dollars ($21,000,000).

The officers of the City are hereby directed to cause the Series 2006 Bonds to be prepared in sufficient quantity for delivery to the purchasers thereof, such Series 2006 Bonds to be typewritten and the blanks therein to be completed in accordance with this Fiscal Agent Agreement, to procure their execution by the proper officers of the City, and to deliver the Series 2006 Bonds when so executed to the purchaser thereof in exchange for the purchase price thereof.

The Fiscal Agent is hereby authorized to authenticate and deliver the Series 2006 Bonds to the Original Purchaser, upon receipt of a Written Request of the City.

SECTION 3.02 Application of Proceeds of Sale of Series 2006 Bonds

Upon the receipt of payment for the Series 2006 Bonds, the proceeds thereof shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over such proceeds as follows:

(a) Deposit $20,816,076.58 in the 2006 Proceeds Account;

(b) Deposit $183,923.42 in the 2006 Costs of Issuance Account; and

(c) Deposit $2,402.50 in the 2006 Debt Service Account.

ARTICLE IV

FUNDS AND ACCOUNTS; APPLICATION OF SERIES 2006 BOND PROCEEDS; SECURITY FOR THE SERIES 2006 BONDS

SECTION 4.01 2006 Debt Service Account

(a) Establishment 2006 Debt Service Account. There is hereby created, as an account within the General Fund of the City, the "City of Oakland General Obligation Bonds, Series 2006 Debt Service Account" (the "2006 Debt Service Account"), which shall be held by the Treasurer in trust and which shall be kept separate and apart from all other funds of the City and accounts held hereunder.

(b) Administration and Disbursements From 2006 Debt Service Account. In addition to all other taxes, a continuing ad valorem tax shall be levied upon all property within the City subject to taxation by the City during the period the Series 2006 Bonds are outstanding in an amount sufficient to pay the principal of (whether at maturity or by Mandatory Sinking Account redemption) and interest on the Series 2006 Bonds when due. Provisions shall be made for the levy and collection of such taxes in a manner provided by law. The City shall set aside collection from such tax when received by the City in the 2006 Debt Service Account.

All moneys in the 2006 Debt Service Account shall be used and withdrawn by the Treasurer solely for the purpose of paying the principal of and interest on the Series 2006 Bonds as the same shall become due and payable (whether at maturity or by Mandatory Sinking Account redemption). On the second Business Day preceding each Interest Payment Date for the Series 2006 Bonds, commencing January 11, 2007 the Treasurer shall transfer to the Fiscal Agent moneys on deposit in the 2006 Debt Service Account for application by the Fiscal Agent on the next succeeding Interest Payment Date to the payment of principal of (whether at maturity or by Mandatory Sinking Account redemption) and interest on the Series 2006 Bonds. The Fiscal Agent shall deposit and apply such moneys pursuant to Section 4.06 hereof. Upon payment in full of the Series 2006 Bonds, any moneys held in the 2006 Debt Service Account shall be transferred to the City's General Fund, to be used for any lawful purpose.

SECTION 4.02 2006 Proceeds Account

(a) Establishment of 2006 Proceeds Account Subaccounts. There is hereby created, as an account held by the Fiscal Agent, in trust, the "City of Oakland General Obligation Bonds Series 2006 Proceeds Account" (the "2006 Proceeds Account"), which shall be maintained by the Fiscal Agent as a separate account, distinct from all other funds of the Fiscal Agent. Within the 2006 Proceeds Account, the Fiscal Agent shall establish and maintain two separate subaccounts to be known as the "Zoo Subaccount," and the "Museum Subaccount." The Fiscal Agent shall, on receipt thereof, deposit the portion of the Series 2006 Bond proceeds designated in Section 3.02(b) into each of the subaccounts established herein as follows: $13,074,076.18 into the Zoo Subaccount and $7,742,000.40 into the Museum Subaccount.

(b) Reserved.

(c) Administration and Disbursements From 2006 Proceeds Account. Amounts in the 2006 Proceeds Account shall be disbursed for Project Costs and for any 2006 Costs of Issuance not paid from the 2006 Costs of Issuance Account. Upon receipt by the Fiscal Agent of a requisition in substantially the form attached hereto as Exhibit B executed by a Project Manager and approved by a Representative of the City, the Fiscal Agent shall immediately disburse funds in accordance with the requisition.

(d) Transfer of Funds from 2006 Proceeds Account. Amounts, if any, remaining in the 2006 Proceeds Account on the date of receipt of a Written Request of the City certifying that no further amounts are required to be disbursed for costs and expenses of the Project, shall be transferred by the Fiscal Agent to the City for deposit in the 2006 Debt Service Account, shall be invested at a yield not in excess of the yield of the Series 2006 Bonds and shall be used for payment of Debt Service on the Series 2006 Bonds on the next Interest Payment Date for the Series 2006 Bonds in accordance with Section 4.01(b) hereof, and the 2006 Proceeds Account shall be closed.

SECTION 4.03 Establishment and Application of 2006 Rebate Account

For the Series 2006 Bonds, there is hereby created a special fund held by the Fiscal Agent, in trust, the "City of Oakland General Obligation Bonds, Series 2006 Rebate Account" (the "2006 Rebate Account"), which account shall be maintained by the Fiscal Agent as a separate account apart from all other funds established and held by the Fiscal Agent hereunder. In accordance with the provisions of the 2006 Tax Certificate, the City shall deposit moneys into the 2006 Rebate Account and engage a rebate analyst. Amounts on deposit in the 2006 Rebate Account shall only be applied to payments made to the United States or otherwise transferred to other accounts or funds established hereunder in accordance with the 2006 Tax Certificate for the Series 2006 Bonds.

SECTION 4.04 2006 Redemption Account

(a) Establishment of 2006 Redemption Account. There is hereby created, as a subaccount within the General Fund of the City, the "City of Oakland General Obligation Bonds, 2006 Redemption Account" (the "2006 Redemption Account"), which shall be held by the Treasurer in trust and which shall be separate and apart from all other funds of the City

(b) Administration and Disbursement From 2006 Redemption Account. The 2006 Redemption Account shall be maintained by the Treasurer to pay for the optional redemption of the Series 2006 Bonds.

Any funds legally available may, at the option of the City, be paid to the Treasurer for deposit in the 2006 Redemption Account and application to the redemption of the Series 2006 Bonds in accordance with their terms.

SECTION 4.05 2006 Costs of Issuance Account

There is hereby created an account designated "City of Oakland General Obligation Bonds, Series 2006 Costs of Issuance Account" (the "2006 Costs of Issuance Account"), which account shall be held by the Fiscal Agent in trust and which shall be kept separate from any other funds of the City or accounts established hereunder. Upon receipt of a Written Request of the City, all money in the 2006 Costs of Issuance Account shall be disbursed by the Fiscal Agent to pay the 2006 Costs of Issuance of the Series 2006 Bonds. On January 1, 2007, or upon earlier Written Request of the City, any remaining balance in the 2006 Costs of Issuance Account shall be transferred to the 2006 Proceeds Account and the 2006 Cost of Issuance Account shall be closed.

SECTION 4.06 Bond Payment Fund

The Fiscal Agent shall deposit moneys received from the City pursuant to Section 4.01(b) into a trust fund known as the "City of Oakland General Obligation Bonds, Bond Payment Fund" (the "Bond Payment Fund"), which Fund shall be used by the Fiscal Agent solely to pay principal of (whether at maturity or by Mandatory Sinking Account redemption) and interest on the Series 2006 Bonds.

SECTION 4.07 Investment of Moneys

All moneys held by the Fiscal Agent in (i) the Bond Payment Fund, (ii) any fund or account established pursuant to Section 2.02(e) of the Fiscal Agent Agreement for optional redemption of Series 2006 Bonds, and (iii) any fund or account held by the Fiscal Agent hereafter shall be invested solely in Authorized Investments, as provided in the Fiscal Agent Agreement.

SECTION 4.08 Bond Insurance

As long as the Bond Insurance shall be in full force and effect, the City and the Fiscal Agent agree to comply with the following provisions:

(a) At least one business day prior to all Interest Payment Dates, the Fiscal Agent will determine whether there will be sufficient funds in the 2006 Debt Service Account to pay the principal of or interest on the Series 2006 Bonds on such Interest Payment Date. If the Fiscal Agent determines that there will be insufficient funds in the 2006 Debt Service Account, the Fiscal Agent shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series 2006 Bonds to which such deficiency is applicable and whether such Series 2006 Bonds will be deficient as to principal or interest, or both. If the Fiscal Agent has not so notified the Bond Insurer at least one business day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Series 2006 Bonds on or before the first business day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Fiscal Agent.

(b) The Fiscal Agent shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Fiscal Agent and all records relating to the 2006 Debt Service Account maintained under this Fiscal Agent Agreement.

(c) The Fiscal Agent shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Series 2006 Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Series 2006 Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Series 2006 Bonds surrendered to the Insurance Trustee by the registered owners of Series 2006 Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Fiscal Agent shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Series 2006 Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Series 2006 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2006 Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Fiscal Agent and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Series 2006 Bonds for payment thereon first to the Fiscal Agent who shall note on such Series 2006 Bonds the portion of the principal paid by the Fiscal Agent and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Fiscal Agent has notice that any payment of principal of or interest on a Series 2006 Bond which has become due for payment and which is made to a Holder by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Fiscal Agent shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Fiscal Agent shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series 2006 Bonds which have been made by the Fiscal Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(f) The Bond Insurer shall, to the extent it makes payment of principal of or interest on Series 2006 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Fiscal Agent shall note the

Bond Insurer's rights as subrogee on the registration books of the City maintained by the Fiscal Agent upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Series 2006 Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Fiscal Agent shall note the Bond Insurer's rights as subrogee on the registration books of the City maintained by the Fiscal Agent upon surrender of the Series 2006 Bonds by the registered owners thereof together with proof of the payment of principal thereof.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01 Moneys Held in Trust

All amounts held in any fund or account established hereunder (other than the 2006 Rebate Account) are held in trust for the benefit of the registered Owners of the Series 2006 Bonds and are hereby irrevocably pledged to the payment of the principal of and interest and premium, if any, on the Series 2006 Bonds as provided herein, and such amounts shall not be used for any other purpose while any of the Series 2006 Bonds remain Outstanding; provided, however, that out of such amounts there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon all moneys on deposit in the funds and accounts established hereunder (other than the 2006 Rebate Accounts) for the payment of the interest on and principal of the Series 2006 Bonds in accordance with the terms hereof and thereof.

SECTION 5.02 Tax Covenants for Series 2006 Bonds

(a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2006 Bonds in such manner and to such extent as may be necessary so that:

(i) the Series 2006 Bonds will not (A) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the code, or (B) be treated other than as bonds to which Section 103(a) of the Code applies, and

(ii) the interest thereon will not be treated as a preference item under Section 57 of the code.

(b) The City further covenants:

(i) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2006 Bonds to be and remain excluded from gross income for federal income tax purposes,

(ii) that it will not take or authorize to be taken any actions that would adversely affect that exclusion, and

(iii) that it, or persons acting for it, will, among other acts of compliance, (A) apply the proceeds of the Series 2006 Bonds to the governmental purposes of the borrowing, (B) restrict the yield on investment property, (C) make timely and adequate payments to the federal government as required under the 2006 Tax Certificate of the City relating to the Series 2006 Bonds, (D) maintain books and records and make calculations and reports, and (E) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(c) In furtherance of this covenant, the City shall assure that:

(i) not in excess of ten percent (10%) of the Proceeds of the Series 2006 Bonds (as defined in the 2006 Tax Certificate) is used for Private Business Use (as defined in the 2006 Tax Certificate) if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the principal and interest due on the Series 2006 Bonds during the term thereof is, under the terms of the Series 2006 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for a Private Business Use; and

(ii) in the event that both (A) an amount in excess of five percent (5%) of the Proceeds of the Series 2006 Bonds is used for a Private Business Use and (B) an amount in excess of five percent (5%) of the principal or five percent (5%) of the principal and interest due on the Series 2006 Bonds during the term thereof is, under the terms of the Series 2006 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said five percent (5%) of Proceeds of the Series 2006 Bonds used for a Private Business Use shall be used for a Private Business Use that is related to the governmental use of the Proceeds.

The City shall assure that not in excess of five percent (5%) of the Proceeds of the Series 2006 Bonds or $5,000,000, whichever is less, are used, directly or indirectly, to make or finance a loan to any Private Persons (as defined in the 2006 Tax Certificate).

(d) Pursuant to the 2006 Resolution, the Representative of the City has been authorized to and shall:

(i) make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Series 2006 Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2006 Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, Rebate Amount (as defined in

Attachment A-1 of the 2006 Tax Certificate), or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by the Representative of the City,

(ii) take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2006 Bonds, and

(iii) give one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the Series 2006 Bonds, setting forth the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2006 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Series 2006 Bonds.

(e) In furtherance of this covenant, the City agrees to comply with the 2006 Tax Certificate.

(f) This covenant shall survive the payment, refunding or defeasance of the Series 2006 Bonds.

ARTICLE VI

MISCELLANEOUS

SECTION 6.01 Effective Date of First Supplemental Agreement

This First Supplemental Agreement shall take effect upon its execution and delivery.

SECTION 6.02 Execution in Counterparts

The First Supplemental Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 6.03 Captions

The captions and table of contents of this First Supplemental Agreement are for convenience only and shall not affect the construction thereof.

[Balance of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Agreement as of the date and year first above written.

Approved:

By: Deborah A. Edgerly
City Administrator

CITY OF OAKLAND

By: Katano Kasaine
Treasury Manager

Attest:

By: LaTonda Simmons
City Clerk

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Fiscal Agent

By: ______________________________
Authorized Officer

IN WITNESS WHEREOF, the parties hereto have executed this First Supplemental Agreement as of the date and year first above written.

Approved:

By: ______________________
City Administrator

Attest:

By: ______________________
City Clerk

CITY OF OAKLAND

By: ______________________
Treasury Manager

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
as Fiscal Agent

By: ______________________
Authorized Officer

EXHIBIT A

[FORM OF SERIES 2006 BOND]

Number	UNITED STATES OF AMERICA	Amount
RD-1	STATE OF CALIFORNIA	$_______

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
_____%			

REGISTERED OWNER:

PRINCIPAL AMOUNT: ____________ DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on January 15, 2007 and thereafter on July 15 and January 15 in each year *provided,* if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further,* that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of The Bank of New York Trust Company, N.A., as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

"Business Day" means any day other than a Saturday, Sunday, legal holiday or other day on which the City, or commercial banking institutions in the State of California or in the state in which designated corporate trust office of the Fiscal Agent is located, are authorized or required by law to be closed. Terms used herein which are not defined herein shall have the meaning set forth in the Resolution and the Fiscal Agent Agreement.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying interest rates and maturities), designated "City of Oakland, General Obligation Bonds (Series 2006, Measure G)", in the original aggregate principal amount of $21,000,000 (the "Series 2006 Bonds"), and is authorized, issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of said State, the Charter of the City and of Resolution No. 79869 C.M.S. adopted by the City Council of the City (the "City Council") on May 2, 2006 (the "Resolution") and the Fiscal Agent Agreement dated as of June 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement").

Copies of the Resolution and the Fiscal Agent Agreement are on file at the office of the Director of the City's Finance and Management Agency and at the designed corporate trust office of the Fiscal Agent. Reference is hereby made to the Resolution and the Fiscal Agent Agreement and any and all supplements thereto and modifications and amendments thereof, for a description of: the covenants securing the Series 2006 Bonds; the rights of the Registered Owners of the Series 2006 Bonds; the terms and conditions upon which the Series 2006 Bonds are issued; the terms and provisions upon which this Bond shall cease to be entitled to any lien, benefit or security under the Resolution; and for the other terms and provisions thereof, to all of which the Registered Owner assents, by acceptance hereof.

All covenants, agreements and obligations of the City under the Resolution may be discharged and satisfied at or prior to the maturity or redemption of this Bond if moneys or certain Federal Securities specified in the Fiscal Agent Agreement shall have been deposited in a separate trust to provide for payment thereof.

The Series 2006 Bonds are issuable as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof, provided that no bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Fiscal Agent Agreement, this Bond may be exchanged for a like aggregate principal amount of bonds of the same series and maturity of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at the designated office of the Fiscal Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, and upon surrender and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized denomination or denominations for the same series and same aggregate principal amount will be issued to the transferee in exchange herefor.

The Series 2006 Bonds maturing on or before January 15, 2016, shall not be subject to redemption before their stated maturity. The Series 2006 Bonds maturing on or after January 15, 2017, are subject to optional redemption prior to maturity on or after January 15, 2016, at the option of the City, from any source of available funds held therefor, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity) at a redemption price equal to 100% of the principal amount of Bonds called for redemption, without premium, together with accrued but unpaid interest to the date fixed for redemption.

Notice of redemption shall be given by mail, postage prepaid, to the Registered Owner hereof, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, but neither failure to mail such notice or any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the bonds then called for redemption, and such cancellation and annulment shall not be a default hereunder.

The Series 2006 Bonds maturing on January 15, 2026, January 15, 2031 and January 15, 2036 are Term Bonds and are subject to mandatory sinking account redemption, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, without premium, on the dates and in the amounts set forth below:

Bond Maturing January 15, 2026

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2022	$650,000
January 15, 2023	685,000
January 15, 2024	720,000
January 15, 2025	755,000
January 15, 2026*	790,000

*Final Maturity

Bond Maturing January 15, 2031

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2027	$830,000
January 15, 2028	870,000
January 15, 2029	915,000
January 15, 2030	960,000
January 15, 2031	1,010,000

*Final Maturity

Bond Maturing January 15, 2036

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2032	$1,060,000
January 15, 2033	1,110,000
January 15, 2034	1,160,000
January 15, 2035	1,210,000
January 15, 2036	1,265,000

*Final Maturity

The City shall have the right to rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Registered Owners of the Series 2006 Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds are not available in the Redemption Account in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Series 2006 Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Registered Owner of any bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

If this Bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The City and Fiscal Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and Fiscal Agent shall not be affected by any notice to the contrary.

The Fiscal Agent Agreement permits certain amendments or supplements to the Series 2006 Bonds and the Fiscal Agent Agreement to be made without the consent of or notice to the Registered Owners, and other amendments or supplements thereto to be made with the consent of the Registered Owners of not less than 60% of the aggregate principal amount of the Series 2006 Bonds and Series 2002 Bonds (as defined in the Fiscal Agent Agreement) then outstanding.

The City Council of the City hereby certifies and declares that the total amount of indebtedness of said City, including the amount of this Bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond, that this Bond is in the form prescribed by order of the City Council duly made and entered on its minutes and shall be payable out of the interest and sinking fund of said City, and the money for the redemption of this Bond, and the payment of interest thereon, shall be raised by taxation upon the taxable property of said City.

This Bond shall not be entitled to any benefit under the Resolution and the Fiscal Agent Agreement or become valid or obligatory for any purpose, until this Bond shall have been authenticated by the Fiscal Agent by execution of the Fiscal Agent's Certificate of Authentication hereon.

IN WITNESS WHEREOF the City Council the City of Oakland has caused this Bond to be executed under the official seal of the City of Oakland, or a facsimile thereof, by the City Administrator of the City of Oakland and to be attested by the City Clerk, all as of June 28, 2006.

____
City Administrator of the City of Oakland

[SEAL]

Attest:

____
City Clerk

[FORM OF FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]

This is one of the Series 2006 Bonds described in the within-mentioned Fiscal Agent Agreement.

Date of Authentication:

The Bank of New York Trust Company, N.A., as Fiscal Agent

By:________________________________
Authorized Signatory

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. 25482BE (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned __________ (the "Transferor"), hereby sells, assigns and transfers unto __________ (the "Transferee"), whose address is ______________________ and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF TRANSFEREE

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints ______________________ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Dated: _______________

Signature Guarantee: ____________________________________

NOTE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this ______________________________ assignment correspond(s) with the name as it NOTE: Signature(s) must be appears upon the face of the within Bond in guaranteed by an eligible guarantor every particular, without alteration or institution pursuant to securities enlargement or any change whatever and name, and Exchange Commission Rule address and the Social Security Number or federal 17A(d)(15) employee identification number of the Transferee is supplied.

EXHIBIT B

FORM OF
REQUISITION NO. __
FROM 2006 PROCEEDS ACCOUNT

The undersigned hereby states and certifies as follows:

(a) the undersigned is a "Project Manager" as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Agreement"), between the City and The Bank of New York Trust Company, N.A. (the "Fiscal Agent");

(b) the Fiscal Agent is hereby requested to disburse from the [Museum] [Zoo] Subaccount of the 2006 Proceeds Account established pursuant to Section 4.02 of the First Supplemental Agreement the following amounts for payment or reimbursement of previous payments to the payees listed below:

Name and Address	Nature of Obligation	Amount of Payment

(c) the amounts to be disbursed are for payment or reimbursements of previous payments of Project Costs (as such term is defined in the Agreement);

(d) the amounts to be disbursed constitute Project Costs and said amounts are or were [required to be disbursed pursuant to a contract entered into therefore by or on behalf of the City] *or* [necessarily and reasonably incurred and that said amounts are not being paid in advance of the time, if any, fixed for payment];

(e) the use and intended use of the facilities financed with this disbursement will not violate the restrictions on Private Business Use in Section 5.02 of the Agreement.

(f) attached hereto is an invoice for each such amount;

(g) no amount set forth above was included in any certificate requesting disbursement previously filed with the Fiscal Agent.

Dated: ____________

PROJECT MANAGER

By:______________________________
Title:

Dated: ____________

APPROVED:

By: ____________________________
Representative of the City

cc: [Project Manager]

FISCAL AGENT AGREEMENT

by and between

THE CITY OF OAKLAND

and

BNY WESTERN TRUST COMPANY,
as Fiscal Agent

Dated as of November 1, 2002

Relating to

City of Oakland
General Obligation Bonds
(Series 2002A, Measure G)

Squire, Sanders & Dempsey L.L.P.
Bond Counsel

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FISCAL AGENT AGREEMENT

THIS FISCAL AGENT AGREEMENT, made and entered into as of November 1, 2002 (this "Fiscal Agent Agreement"), by and between the CITY OF OAKLAND, a charter city duly organized and validly existing under the Constitution and laws of the State of California (the "City") and BNY Western Trust Company, a banking corporation organized and existing under the laws of the State of California, as fiscal agent (the "Fiscal Agent"):

WITNESSETH

WHEREAS, on March 5, 2002 more than two-thirds of the qualified voters of the City of Oakland, California (the "City") approved Measure G and thereby authorized the issuance by the City of its general obligation bonds in an amount not to exceed $59,000,000 (the "Bonds") to finance the acquisition, renovation, improvement and construction of existing and additional educational facilities at Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center, as further described in Measure G; and

WHEREAS, the provisions of Chapter 4 (commencing with section 43600) of Division 4 of Title 4 of the California Government Code and, to the extent applicable, Article 3.7 (commencing with section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (collectively, the "Act") empower the City to issue general obligation bonds which are authorized by two-thirds of the qualified electors of the City; and

WHEREAS, the City Council adopted Resolution No. 77157 C.M.S. on May 28, 2002 (the "Resolution") authorizing the issuance of the first series of the City's General Obligation Bonds designated the "City of Oakland, General Obligation Bonds (Series 2002A, Measure G)" (the "Series 2002 Bonds"), in an aggregate principal amount not to exceed $42,000,000; and

WHEREAS, the Bonds will be payable from proceeds of the annual general tax levy in accordance with the Resolution; and

WHEREAS, the execution of this Fiscal Agent Agreement by the City and the Fiscal Agent is necessary and desirable to set forth certain provisions of the Bonds and to provide for the repayment thereof; and

WHEREAS, the City has determined that all conditions, things and acts required by law to exist, happen and be performed precedent to and in connection with the issuance of the Series 2002 Bonds exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized to issue the Series 2002 Bonds;

NOW, THEREFORE, THIS FISCAL AGENT AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Fiscal Agent Agreement according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to set forth the terms and conditions upon and subject to which the Bonds are to be issued and paid, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and the Fiscal Agent hereby agree, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE 1

DEFINITIONS; CITY ACTIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Article shall for all purposes hereof and of any certificate, opinion, request or other document herein mentioned have the meanings herein specified.

Act

The term "Act" means, collectively, Chapter 4 of Division 4 of Title 4 of the California Government Code and, to the extent applicable to the City, Article 3.7 of Chapter 4 (commencing with section 53720) of Part 1 of Division 2 of Title 5 of the California Government Code, as each is in effect on the date of adoption hereof and as amended hereafter.

Article; Section and subdivision

The terms "Article," "Section" and "subdivision" mean, respectively, the corresponding Article, Section or subdivision of this Fiscal Agent Agreement.

Authorized Investments

The term "Authorized Investments" means any of the following, to the extent lawful:

(1)(A) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"),

(B) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America,

(C) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

(D) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The following obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(A) Federal Home Loan Mortgage Corporation (FHLMC) (i) participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) and (ii) senior debt obligations.

(B) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.

(C) Federal Home Loan Banks (FHL Banks) consolidated debt obligations.

(D) Federal National Mortgage Association (FNMA) (i) senior debt obligations and (ii) mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

(E) Student Loan Marketing Association (SLMA) senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(F) Financing Corporation (FICO) debt obligations.

(G) Resolution Funding Corporation (REFCORP) debt obligations.

(4) Negotiable certificates of deposit of any bank the obligations of which are rated at least "A" by S&P, "A2" by Moody's or "A" by Fitch.

(5) Bankers' acceptances of any bank the short-term obligations of which are rated at least (A-1) by S&P, "P-1" by Moody's or "F-1" by Fitch.

(6) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million, including Fiscal Agent and its affiliates.

(7) Commercial paper rated "A-1" by S&P, "P-1" by Moody's or "F-1" by Fitch.

(8) Money market funds rated in the top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations, including funds for which the Fiscal Agent and its affiliates provide investment advisory or other management services.

(9) "State Obligations," which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's or "A" by S&P, or better, or any obligations fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1" by S&P or "P-1" by Moody's.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P or "Aa" or better by Moody's.

(10) Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated "A" or better by S&P and Moody's or (1) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation (SIPC); or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the City.

(11) Investment agreements with a domestic or foreign bank, corporation, or financial institution the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt of the guarantor, or, in the case of an insurance company, claims paying ability, is rated at least "A" by S&P and "A" by Moody's.

(12) Forward purchase agreements with a domestic or foreign bank, corporation, or financial institution the long-term debt of which, or in the case of a guaranteed corporation the long-term debt of the guarantor, or, in the case of an insurance company, claims paying ability, is rated at least "A" by S&P and "A" by Moody's. The securities purchased pursuant to such agreement shall be limited to securities eligible under the City's Investment Policy.

(13) State of California Local Agency Investment Fund to the extent any funds to be invested by the City are subject to withdrawal by the City directly.

(14) Any other investment permitted under the City's then-current Investment Policy.

Bond Counsel

The term "Bond Counsel" means Squire, Sanders & Dempsey L.L.P., San Francisco, California, or any other attorney or firm of attorneys selected by the City which is recognized for expertise in rendering opinions as to the legality and tax exempt status of securities issued by public entities.

Bond Payment Fund

The Term "Bond Payment Fund" means the fund of that name established pursuant to Section 4.06 of this Fiscal Agent Agreement.

Bondholder; holder of Bonds; Bondowner; Owner; registered owner

The term "Bondholder" or "holder of Bonds" or "Bondowner" or "Owner" or "registered owner" means the person or persons in whose name or names a Bond shall be registered on the books of the City kept for that purpose in accordance with the terms of this Fiscal Agent Agreement.

Bonds; Serial Bonds; Term Bonds

The term "Bonds" means the Series 2002 Bonds and each other series of the City's General Obligation Bonds authorized by Measure G which the City may issue after the Series 2002 Bonds.

The term "Serial Bonds" means Bonds for which no Mandatory Sinking Account Payments are provided.

The term "Series 2002 Bonds" means the City of Oakland General Obligation Bonds, (Series 2002, Measure G).

The term "Term Bonds" means Bonds which are payable on or before their specified maturity dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire the Bonds on or before their specified maturity dates.

Bond Insurer

The term "Bond Insurer" means Financial Guaranty Insurance Company, a New York Stock Insurance Company.

Bond Insurance

The term "Bond Insurance" means the municipal bond new money insurance policy issued by the Bond Insurer.

Business Day

The term "Business Day" means any day other than a Saturday, Sunday, legal holiday or other day on which the City, or commercial banking institutions in the State or the state in which the Principal Corporate Trust Office of the Fiscal Agent is located, are authorized or required by law to be closed.

Certificate of the City

The term "Certificate of the City" means an instrument in writing signed by a Representative of the City.

City

The term "City" means the City of Oakland, California, a municipal corporation and chartered city duly organized and existing under and by virtue of its charter and the laws and the constitution of the State.

Closing Date

The term "Closing Date" for the Series 2002 Bonds means November 6, 2002, the date of delivery of the Series 2002 Bonds to the Original Purchaser.

Code

The term "Code" means the Internal Revenue Code of 1986. the regulations (whether proposed, temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable to the Series 2002 Bonds. Unless otherwise indicated, reference to a Section means that Section of the Code, including any applicable successor section or provision and such applicable Treasury regulations, rulings announcements, notices, procedures and determinations pertinent to that Section.

Contractor

The term "Contractor" means the contractor(s) or vendor(s) from whom the City has ordered or caused to be ordered or with whom the City has contracted or caused to be contracted with respect to the construction of the Project, or any portion of the Project.

Costs of Issuance

The term "Costs of Issuance" means all of the costs and expenses of issuing the Bonds, including but not limited to, all printing and document preparation expenses in connection with this Fiscal Agent Agreement, the Bonds and the Official Statement pertaining to the Bonds and any and all other agreements, instruments, certificates or other documents prepared in connection therewith; rating agency fees; CUSIP service bureau charges; legal fees and expenses of counsel with respect to the financing; the initial fees and expenses of any Fiscal Agent; financial advisory fees; costs of obtaining credit ratings and insurance on the Bonds; fees for the execution, transportation and safekeeping of the Bonds; and other fees and expenses incurred in connection with the issuance of the Bonds, including the administrative costs of the City.

Costs of Issuance Account

The term "Costs of Issuance Account" means the account by that name established under Section 4.05 hereof to pay Costs of Issuance.

Debt Service

The term "Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which before the beginning of such period has been paid or deemed paid pursuant to Section 2.10 hereof.

Debt Service Account

The term "Debt Service Account" means the account of that name established pursuant to Section 4.01 of this Fiscal Agent Agreement.

Depository

The term "Depository" means initially DTC, or any other securities depository subsequently acting as Depository pursuant to Section 2.09(a) hereof.

DTC

The term "DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

Defeasance Securities

"Defeasance Securities" means any of the following which at the time of purchase are legal investments under the laws of the State for moneys proposed to be invested therein:

A. United States Treasury Certificates, Notes and Bonds (including State and Local Government Series -- "SLGS").

B. Direct and general obligations of the United States of America (including obligations issued or held in book-entry form of the books of the Department of the Treasury), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including evidence of direct ownership of proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying United States obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States obligations and (c) the underlying United States obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated.

C. Resolution Funding Corp. (REFCORP) Securities; provided, that only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

D. Pre-refunded municipal bonds rated in the highest Rating Category by the Rating Agencies. If however, the issue is only rated by S&P (i.e., there is no Moody's or Fitch rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or AAA rated pre-refunded municipal to satisfy this condition.

Fiscal Agent

The term "Fiscal Agent" means BNY Western Trust Company, having its principal office located in San Francisco, California, its successors and assignees appointed by the City and acting as paying agent, registrar, fiscal agent and authenticating agent for the Bonds.

Fiscal Agent Agreement

The term "Fiscal Agent Agreement" means this Fiscal Agent Agreement, dated as of November 1, 2002, by and between the City and the Fiscal Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Fitch

The term "Fitch" means Fitch Ratings, or its successors or assigns, and, if such corporation as dissolved or liquidated or no longer performs the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Representative of the City and approved by the Fiscal Agent.

Information Services

The term "Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Interactive Data Corporation's "Bond Service," 22 Cortland Street, New York, New York 10007; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Service's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard & Poor's Corporation's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called Bonds, or such services as the City may designate in a Certificate of the City delivered to the Fiscal Agent.

Interest Payment Date

The term "Interest Payment Date" means a date on which interest on the Bonds becomes due and payable.

Investment Policy

The term "Investment Policy" means the written City of Oakland Investment Policy dated July __, 2002, as it may from time to time be amended or supplemented.

Letter of Representations

The term "Letter of Representations" means the letter of the City delivered to and accepted by DTC on or prior to the issuance of the Bonds setting forth the basis on which DTC serves as securities depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

Mandatory Sinking Account Payments

The term "Mandatory Sinking Account Payments" means the amount of money required by or pursuant to this Fiscal Agent Agreement to be paid by the City on any Sinking Account Payment Date toward the retirement of any particular Term Bonds on or prior to their respective stated maturities.

Moody's

"Moody's" means Moody's Investors Service, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Representative of the City and approved by the Fiscal Agent.

Nominee

The term "Nominee" means initially, CEDE & Co., as nominee of DTC or the nominee of any subsequent Depository, as determined from time to time pursuant to Section 2.09 hereof.

Original Purchaser

The term "Original Purchaser" means the first purchaser of each series of the Bonds from the City.

Outstanding

The term "Outstanding" means all Bonds except --

(1) Bonds theretofore canceled by the City and the Fiscal Agent or surrendered to the Fiscal Agent for cancellation;

(2) Bonds paid or deemed to have been paid within the meaning of Section 2.10; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the City and authenticated by the Fiscal Agent pursuant hereto.

Person

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust or any other legal entity, any unincorporated organization or a government or political subdivision thereof.

Principal Corporate Trust Office

"Principal Corporate Trust Office" means the office of the Fiscal Agent at which any particular time its corporate trust business shall be administered, or such other office as it shall designate, except that with respect to presentation of Bonds for payment, transfer or exchange, such term means the office or agency of the Fiscal Agent at which its corporate agency business shall then be conducted.

Principal Payment Date

The term "Principal Payment Date" means any date on which the principal of the Bonds is scheduled to be paid.

Proceeds Account

The term "Proceeds Account" means the account by that name established by Section 4.02.

Project

The term "Project" means the acquisition, renovation, improvement and construction of additional educational facilities at the Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center and the financing and/or reimbursement of prior expenditures relating to existing and/or future improvements at their facilities, and all other costs necessary or convenient for the foregoing, as further described in Measure G, which includes but is not limited to the facilities set forth on Exhibit C hereto.

Project Costs

The term "Project Costs" means all costs permitted by Measure G to be paid from the Bonds including: (a) all costs of payment of, or reimbursement for, acquisition, construction, installation and equipment of the Project including, but not limited to, architect and engineering fees, Contractor payments, costs of feasibility and other reports, inspection costs, performance bond premiums and permit fees, principal of and interest on financings to pay costs of the foregoing, and other costs incurred by the Project Manager for administering the Project construction and design, provided that any such costs are directly related to the acquisition or improvement of real property; and (b) Costs of Issuance.

Project Managers

The term "Project Manager" means in the case those portions of the Project: relating to the Science Center, the Executive Director of the Chabot Space & Science Center Foundation; in the case of those portions of the Project relating to the Oakland Museum, the Executive Director of the Oakland Museum of California Foundation; and in the case of those portions of the Project relating to the Oakland Zoo, the Executive Director of the East Bay Zoological Society; or their designees.

Rating Agency

The term "Rating Agency" means each of Moody's, S&P, Fitch or any other nationally recognized bond rating agency or agencies then maintaining a rating on the Bonds, but, in each instance, only so long as Moody's, S&P, Fitch or other nationally recognized rating agency then maintains a rating on the Bonds.

Rating Category

The term "Rating Category" means, with respect to any Federal Security, one of the generic categories of rating by the Rating Agencies applicable to such Federal Security without regard to any refinement or graduation by a plus or minus sign or a numeral.

Rebate Account

The term "Rebate Account" means the accounts of that name established pursuant to Section 4.03 of this Fiscal Agent Agreement.

Record Date

The term "Record Date" means the first day of the month preceding any Interest Payment Date.

Redemption Account

The term "Redemption Account" means the account of that name established by Section 4.04 of the Fiscal Agent Agreement.

Representative of the City

The term "Representative of the City" means the City Manager of the City or his designee, the Director of the Financial Services Agency of the City or her designee, or any other person authorized by resolution of the City Council of the City to act on behalf of the City with respect to this Fiscal Agent Agreement and the Bonds.

Resolution

The term "Resolution" means Resolution No. 77157 C.M.S. adopted by the City Council on May 28, 2002 authorizing the issuance, sale and delivery of the Series 2002 Bonds and each other resolution authorizing issuance, sale and delivery of a series of the Bonds.

Securities Depositories

The term "Securities Depositories" means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax- (516) 227-4039 or (516) 227-4190, or such other addresses and/or such other securities depositories as the City may designate.

Sinking Account Payment Date

The term "Sinking Account Payment Date" means any date on which Mandatory Sinking Account Payments on the Bonds are scheduled to be paid.

S&P

"S&P" means Standard & Poor's, a division of McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Representative of the City and approved by the Fiscal Agent.

State

The term "State" means the State of California.

Tax Certificate

The term "Tax Certificate" means for the Series 2002 Bonds, the Tax Compliance Certificate dated the date of initial delivery thereof and executed and delivered by the City relating to the requirements of certain provisions of the Code, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

Treasurer

The term "Treasurer" means the Treasurer of the City or other duly appointed officer of the City authorized by the City Council by resolution to perform the functions of the treasurer.

Written Request of the City

The term "Written Request of the City" means an instrument in writing signed by a Representative of the City, or by any other officer of the City duly authorized by the City and listed on a Written Request of the City for that purpose.

SECTION 1.02 Actions by City. Except as otherwise expressly provided herein, for all purposes of this Fiscal Agent Agreement, the Representative of the City shall be authorized to act upon behalf of the City.

ARTICLE II

THE BONDS

SECTION 2.01 Terms of the Bonds - Generally; Terms of Series 2002 Bonds.

(a) Bonds. Bonds shall be substantially in the form set forth as Exhibit A hereto. The Bonds shall issued be in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof.

(b) CUSIP Identification Numbers. The CUSIP identification numbers shall be imprinted on the Bonds, but such numbers shall not constitute a part of the contract evidenced by the Bonds and any error or omission with respect thereto shall not constitute cause for refusal by any purchaser of the Bonds to accept delivery of and pay for the Bonds. In addition, failure on the part of the City to use such CUSIP numbers in any notice to Owners of the Bonds shall not constitute an event of default or any violation of the City's contract with such Owners and shall not impair the effectiveness of any such notice.

(c) Interest. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the Record Date next preceding any Interest Payment Date to the Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date or unless it is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its dated date (unless otherwise provided in the applicable Resolution); provided, however, that if, at the time of authentication of any Bond, interest is in default on Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds.

(d) Payment. The principal of the Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the office of the Fiscal Agent. The interest on the Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Fiscal Agent as the owner thereof as of the close of business on the Record Date, whether or not such day is a Business Day.

Payment of the interest on any Bond shall be paid by check or draft mailed to such Owner at such Owner's address as it appears on such registration books as of the Record Date; provided, however, if any Interest Payment Date occurs on a day that is not a Business Day then such payment shall be made on the next succeeding Business Day, and provided, further, that the registered Owner of an aggregate principal amount of at least $1,000,000 principal amount of Bonds may submit a written request to the Fiscal Year on or before a Record Date preceding an Interest Payment Date for payment of interest by wire transfer.

(e) Series 2002 Bonds; Maturities; Interest. The Series 2000 Bonds shall be dated the Closing Date, and shall bear interest on January 15 and July 15 of each year, commencing January 15, 2004. The Series 2002 Bonds shall mature on January 15 of each of the years, and in the amounts, and shall bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of 12-30 day months) each as follows:

Maturity Date (January 15)	Principal Amount	Interest Rate
2004	25,000	3.750%
2005	660,000	3.750%
2006	680,000	3.750%
2007	705,000	3.750%
2008	740,000	5.000%
2009	775,000	5.000%
2010	820,000	5.000%
2011	860,000	5.000%
2012	905,000	5.000%
2013	950,000	5.000%
2014	1,000,000	5.000%
2015	1,045,000	5.000%
2016	1,105,000	5.000%
2017	1,160,000	5.000%
2018	1,220,000	5.000%
2019	1,285,000	5.000%
2022	4,260,000	5.000%
2027	8,670,000	5.000%
2032	11,135,000	5.000%

SECTION 2.02 Redemption of Bonds.

(a) Optional Redemption of Series 2002 Bonds. The Series 2002 Bonds maturing on or before January 15, 2012, shall not be subject to optional redemption before their stated maturity. The Bonds maturing on or after January 15, 2013, are subject to optional redemption prior to maturity on or after January 15, 2012, at the option of the City, from any source of available funds held therefor, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City), at the following redemption prices (expressed as percentages of the principal amount thereof to be redeemed) plus accrued but unpaid interest to the date fixed for redemption:

Redemption Dates (Dates Inclusive)	Redemption Price
January 15, 2013 and hereafter	100%

(b) Mandatory Sinking Account Redemption. The Series 2002 Bonds maturing on January 15, 2022, January 15, 2027 and January 15, 2032 are Term Bonds and are subject to mandatory sinking account redemption, at a redemption price of 100 percent of the principal amount redeemed plus interest accrued to the redemption date, on the dates and in the amounts set forth below:

Bond Maturing January 15, 2002

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2020	$1,345,000
January 15, 2021	$1,420,000
January 15, 2022*	$1,495,000*

*Final Maturity

Bond Maturing January 15, 2027

Sinking Account Payment Date	Principal Amount
January 15, 2023	$1,565,000
January 15, 2024	$1,645,000
January 15, 2025	$1,730,000
January 15, 2026	$1,820,000
January 15, 2027*	$1,910,000*

*Final Maturity

Bond Maturing January 15, 2032

Sinking Account Payment Date	Principal Amount
January 15, 2028	$2,015,000
January 15, 2029	$2,110,000
January 15, 2030	$2,220,000
January 15, 2031	$2,335,000
January 15, 2032*	$2,455,000*

*Final Maturity

In the event of a partial optional redemption or purchase for cancellation of a Term Bond within a maturity, the amount of future sinking fund redemptions with respect to such maturity will be reduced as specified in writing by a Representative of the City to take into account such partial redemption or purchase or if no certificate is delivered in inverse order thereof.

(c) Selection of Bonds for Redemption. Whenever less than all the Outstanding Bonds maturing on any one date are called for redemption on any one date, the Fiscal Agent shall select the Bonds or portions thereof (in denominations of $5,000 or any integral multiple thereof) to be redeemed from the Outstanding Bonds of the series selected by the City for redemption and not previously redeemed, by lot, in any manner which the Fiscal Agent deems fair.

(d) Notice of Redemption. Notice of any redemption of Bonds shall be mailed, postage prepaid, to the respective registered Owners thereof at the addresses appearing on the bond registration books not less than thirty (30) nor more than sixty (60) days prior to the redemption date. For the Bonds being redeemed, the notice of redemption shall (a) state the redemption date; (b) state the redemption price; (c) state the series and the dates of maturity of such Bonds and, if less than all of any such maturity is called for redemption, the distinctive numbers of such Bonds of such maturity to be redeemed and the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each such Bond; (e) require that such Bonds be surrendered by the Owners at the office of the Fiscal Agent; and (f) give notice that further interest on such Bonds will not accrue after the designated redemption date if funds sufficient to redeem such Bonds are held by the Fiscal Agent on the redemption date.

The actual receipt by the Owner of any Bond to be redeemed of notice of such redemption shall not be a condition precedent to redemption, and failure to receive such notice shall not affect, the validity of the proceedings for the redemption of such Bonds or the cessation of interest on the date fixed for redemption.

At least twenty-five (25) days before the redemption date, notice shall be given by (i) registered or certified mail, postage prepaid, (ii) overnight delivery service, to each of the Information Services and the Securities Depositories, or (iii) by such other means acceptable to such institutions.

The notice or notices required for redemption shall be given by the Fiscal Agent. A certificate by said Fiscal Agent that notice of call and redemption has been given to Owners of Bonds as herein provided shall be conclusive as against all parties, and no Owner whose Bond is called for redemption may object thereto or object to the cessation of interest on the fixed redemption date by any claim or showing that said Owner failed to actually receive such notice of call and redemption. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation and annulment shall not be a default hereunder.

The City shall have the right to rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds are not available in the respective Redemption Account in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

(e) Payment of Bonds Called for Redemption. Prior to the time the City determines to optionally call and redeem any of the Bonds, the Fiscal Agent shall establish (i) an escrow fund with an escrow agent or (ii) a Redemption Account to be described or known as the "City of Oakland General Obligation Bonds, Redemption Account." Prior to or on the redemption date there shall be set aside in said escrow fund or Redemption Account moneys available for the purpose and sufficient to redeem, as in this Fiscal Agent Agreement provided, the Bonds designated in said notice of redemption. Said moneys must be set aside in said escrow fund or Redemption Account solely for that purpose and shall be applied on or after the redemption date to payment for the Bonds to be redeemed upon presentation and surrender of such Bonds, and shall be used only for that purpose. After all of the Bonds have been redeemed and cancelled or paid and cancelled, any moneys remaining in said escrow fund or Redemption Account shall be transferred to the General Fund of the City (the "General Fund"); provided, however, if the remaining moneys are part of the proceeds of refunding bonds, said moneys shall be transferred to the fund created for the payment of principal of and interest on such refunding bonds.

When notice of redemption has been given and when the amount necessary for the redemption of the Bonds called for redemption (principal, premium, if any and interest accrued to the redemption date) is set aside for that purpose in said escrow fund or Redemption Account, as provided for herein, the Bonds designated for redemption shall become due and payable on the date fixed for redemption, such Bonds shall be redeemed and paid at said redemption price out of said escrow fund or Redemption Account, and no interest will accrue on such Bonds called for redemption after the date fixed for redemption in such notice, and the Owners of said Bonds so called for redemption after such redemption date shall look for the payment of such Bonds only to said escrow fund or Redemption Account. All Bonds redeemed shall be cancelled forthwith by the Fiscal Agent and shall not be reissued.

SECTION 2.03 Execution of Bonds. The Bonds shall be executed on behalf of the City by the facsimile signatures of its Manager and its City Clerk who are in office on the date of this Fiscal Agent Agreement or at any time thereafter, and the seal of the City shall be impressed, imprinted or reproduced by facsimile thereon. If any officer whose signature appears on any Bond ceases to be such officer before delivery of any Bonds to the Original Purchaser thereof, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the Original Purchaser. Any Bond may be signed and attested on behalf of the City by such persons as at the actual date of the execution of such Bond shall be the proper officers of the City although at the nominal date of such Bond any such person shall not have been such officer of the City.

Only such of the Bonds as shall bear thereon a certificate of authentication and registration in the form attached hereto as Exhibit A, executed by the Fiscal Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Fiscal Agent Agreement, and such certificate of the Fiscal Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Fiscal Agent Agreement.

The Fiscal Agent shall assign each Bond authenticated and registered a distinctive letter, or number, or letter and number, and shall maintain a record thereof which shall be available for inspection.

SECTION 2.04 Transfer of Bonds; Registered Owner Treated as Owner. (a) Any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.06 hereof, by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Fiscal Agent.

Whenever any Bond or Bonds shall be surrendered for transfer, the designated City officials shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds of the same series and maturity, for a like aggregate principal amount. The Fiscal Agent shall require the payment by any Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of any Bond shall be required to be made by the Fiscal Agent during the period from the Record Date next preceding each Interest Payment Date to such Interest Payment Date or after a notice of redemption shall have been mailed with respect to such Bond.

(b) The City and the Fiscal Agent may deem and treat the registered Owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the City nor the Fiscal Agent shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such Bond shall be made only to such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability on such Bonds to the extent of the sum or sums so paid.

SECTION 2.05 Exchange of Bonds. Bonds may be exchanged at the Principal Office of the Fiscal Agent for a like aggregate principal amount of other authorized denominations of the same maturity and the same series. The Fiscal Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

No exchange of Bonds shall be required to be made by the Fiscal Agent during the period from the Record Date next preceding each Interest Payment Date to such Interest Payment Date or after a notice of redemption shall have been mailed with respect to such Bond.

SECTION 2.06 Bond Registration Books. The Fiscal Agent will keep or cause to be kept, at the office of the Fiscal Agent sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the City upon reasonable notice, and, upon presentation for such purpose, the Fiscal Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

SECTION 2.07 Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, and may contain such reference to any of the provisions of this Fiscal Agent Agreement as may be appropriate. Every temporary Bond shall be executed by the City upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Office of the Fiscal Agent and the Fiscal Agent shall deliver in exchange for such temporary Bonds shall be entitled to the same benefits pursuant to this Fiscal Agent Agreement as definitive Bonds executed and delivered hereunder.

SECTION 2.08 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated the City, at the expense of the Owner of said Bond, shall execute, and the Fiscal Agent shall thereupon authenticate and delivery, a new Bond of same series and like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Fiscal Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Fiscal Agent shall be canceled by it and delivered to, or upon the order of, the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Fiscal Agent and, if such evidence is satisfactory to the Fiscal Agent and indemnity satisfactory to the Fiscal Agent shall be given, the City, at the expense of the Owner, shall execute, and the Fiscal Agent shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen. The City may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the City and the Fiscal Agent in the premises. Any Bond issued under the provisions of this Section 2.08 in lieu of any bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Fiscal Agent Agreement with all other Bonds issued pursuant to this Fiscal Agent Agreement.

SECTION 2.09 Book-Entry System.

(a) Appointment of Depository. DTC is hereby appointed as depository for the Bonds. The Bonds shall be delivered initially issued in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered in the bond register in the name of the Nominee.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the City and the Fiscal Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which the Nominee or the participant of DTC holds an interest in the Bonds. Without limiting the generally of the immediately preceding sentence, the City and the Fiscal Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant of DTC with respect to any ownership interest in the Bonds, (ii) the delivery to any participant of DTC or any other person, other than a Owner as shown in the bond register, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the City elects to redeems the Bonds in part, or (iv) the payment to any participant of DTC or any other person, other than an Owner as shown in the bond register, of any amount with respect to principal, premium, if any, or interest represented by the Bonds or (v) any consent given or other action taken by the Depository as owner of the Bonds.

The City and the Fiscal Agent may treat and consider the person in whose name each Bond is registered as the Registered Owner in the bond register as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest represented by such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Fiscal Agent shall pay all principal, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the bond register, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, premium, if any, and interest represented by the Bonds to the extent of the sum or sums so paid. No person other than an Owner as shown in the bond register, shall receive a Bond evidencing the obligation of the City to make payments of principal, premium, if any, and interest pursuant to this Fiscal Agent Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the City shall promptly deliver a copy of the same to the Fiscal Agent.

Notwithstanding any other provision of this Fiscal Agent Agreement to the contrary, so long as any Book-Entry Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Letter of Representations or as otherwise instructed by the Depository.

(b) Letter of Representations. In order to qualify the Book-Entry Bonds for the Depository's book-entry system, the City and the Fiscal Agent, if they have not done so prior to issuance of the Series 2002 Bonds, shall execute and deliver to such Depository a letter reasonably acceptable to the Fiscal Agent representing such matters as shall be necessary to so qualify the Bonds. Upon the written acceptance by the Fiscal Agent of the form of such letter, the Fiscal Agent shall agree to take all action reasonably necessary for all representations of the Fiscal Agent in such letter with respect to the Fiscal Agent to at all times be complied with. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the City or the Fiscal Agent any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. In addition to the execution and delivery of such letter, the City may take any such other actions, not inconsistent with this Fiscal Agent Agreement, as are reasonably necessary to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as securities depository for the Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Fiscal Agent and the City of such determination, then the City will discontinue the book-entry system with the Depository. If the City determines to replace the Depository with another qualified securities depository, the City shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturities of such Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such bond register in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging such Bonds shall designate, in accordance with provisions of Sections 2.04 and 2.05 hereof.

SECTION 2.10 Defeasance. All the Bonds or any portion of the Bonds may be defeased and be deemed paid prior to maturity in the following ways:

(a) By irrevocably depositing with the Fiscal Agent or other fiduciary, in trust, an amount of cash which together with amounts then on deposit in the Debt Service Account, is sufficient, without reinvestment, to pay and discharge all of the Bonds Outstanding to be defeased (including all principal, interest and premium, if any) at their stated maturity date or prior redemption date; or

(b) By irrevocably depositing with the Fiscal Agent or other fiduciary, in trust, Defeasance Securities not subject to call (except pre-refunded municipal bonds subject to irrevocable call for redemption), together with cash, if required, in such amount as will, without reinvestment, in the opinion of an independent certified public accountant or an independent financial consulting firm of recognized standing in the field of municipal bonds, together with interest to accrue thereon and moneys then on deposit in the appropriate Debt Service Account together with the interest to accrue thereon, be fully sufficient to pay and discharge all of the Bonds to be defeased (including all principal and interest and premium, if any) at their stated maturity date or prior redemption date;

then, notwithstanding that any of the Bonds shall not have been surrendered for payment, all payment obligations of the City with respect to all said Bonds shall cease and terminate, except only the obligation of the City to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) of this Section, to the Owners of said Bonds not so surrendered and paid all sums due with respect thereto; provided that (i) the City shall have received a verification report from an independent certified public accountant or an independent financial consulting firm of recognized standing in the field of municipal bonds, stating that the escrow is sufficient to satisfy the standards of this Section 2.10, and (ii) if any such Bonds are to be redeemed prior to the maturity thereof, notice of that redemption shall have been duly given or irrevocable provision satisfactory to the Fiscal Agent shall have been duly made for the giving of that notice.

ARTICLE III

ISSUANCE OF SERIES 2002 BONDS; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE BONDS

SECTION 3.01 Issuance, Award and Delivery of Bonds. At any time after the adoption of the Resolution for the Series 2002 Bonds, the City may issue and deliver the Series 2002 Bonds to the Original Purchaser in the aggregate principal amount of Thirty Eight Million Dollars ($38,000,000).

The officers of the City are hereby directed to cause each series of the Bonds to be prepared in sufficient quantity for delivery to the purchasers thereof, such Bonds to be word processed and the blanks therein to be completed in accordance with this Fiscal Agent Agreement, to procure their execution by the proper officers of the City, and to deliver the Bonds when so executed to the purchaser thereof in exchange for the purchase price thereof.

The Fiscal Agent is hereby authorized to authenticate and deliver the Series 2002 Bonds to the Original Purchases, upon receipt of a Written Request of the City.

SECTION 3.02 Application of Proceeds of Sale of Series 2002 Bonds. Upon the receipt of payment for the Series 2002 Bonds, the proceeds thereof shall be paid to the Fiscal Agent, who shall forthwith set aside, pay over such proceeds as follows:

(a) Deposit the amount of $37,726,450.42 in the Proceeds Account;

(b) Deposit $204,200.00 in the Costs of Issuance Account; and

(c) Payment of $69,349.58 as part of Costs of Issuance, as set forth in the Written Request.

SECTION 3.03 Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be dependent upon the completion of the Project or upon the performance by any person of their obligation with respect to the Project.

SECTION 3.04 Security for the Bonds. The Bonds are general obligations of the City and the City Council has the power, is obligated and hereby covenants to levy *ad valorem* taxes upon all property within the City subject to taxation by the City, without limitation of rate or amount, for the payment of the Bonds and the interest thereon, in accordance with Section 43632 of the Act.

ARTICLE IV

FUNDS AND ACCOUNTS; APPLICATION OF BOND PROCEEDS; SECURITY FOR THE BONDS

SECTION 4.01 Debt Service Accounts.

(a) Establishment Debt Service Account. There is hereby created, as accounts within the General Fund of the City, the "City of Oakland General Obligation Bonds, Series 2002 Debt Service Account" (the "Debt Service Account"), which shall be held by the Treasurer in trust and which shall be kept separate and apart from all other funds of the City and accounts held hereunder, into which shall be paid on receipt thereof, the portion of the Bond proceeds designated in Section 3.02(c).

(b) Administration and Disbursements From Debt Service Accounts. In addition to all other taxes, a continuing *ad valorem* tax shall be levied upon all property within the City subject to taxation by the City during the period the Bonds are outstanding in an amount sufficient to pay the principal of (whether at maturity or by Mandatory Sinking Account redemption) and interest on the Bonds, when due. Provisions shall be made for the levy and collection of such taxes in a manner provided by law. The City shall set aside collection from such tax when received by the City in the Debt Service Account.

All moneys in the Debt Service Account shall be used and withdrawn by the Treasurer solely for the purpose of paying the principal of and interest on the applicable series of Bonds as the same shall become due and payable (whether at maturity or by Mandatory Sinking Account redemption). On January 14 and July 14 in each year commencing January 14, 2004 and on the date prior to each other Interest Payment Date for the Bonds, the Treasurer shall transfer to the Fiscal Agent moneys on deposit in the Debt Service Account for application by the Fiscal Agent on the next succeeding Interest Payment Date to the payment of principal of (whether at maturity or by Mandatory Sinking Account redemption) and interest on the Bonds. The Fiscal Agent shall deposit and apply such moneys pursuant to Section 4.06. Upon payment in full of the Bonds, any moneys held in the Debt Service Account shall be transferred to the City's General Fund, to be used for any lawful purpose.

SECTION 4.02 Proceeds Account.

(a) Establishment of Proceeds Account Subaccounts. There is hereby created, as an account held by the Fiscal Agent, in trust, the "City of Oakland General Obligation Bonds Series 2002 Proceeds Account" (the "Proceeds Account"), which shall be maintained by the Fiscal Agent as a separate account, distinct from all other funds of the Fiscal Agent. Within the Proceeds Account, the Fiscal Agent shall establish and maintain three separate subaccounts to be known as the "Zoo Subaccount," the "Museum Subaccount," and the "Chabot Subaccount." The Fiscal Agent shall on receipt thereof, deposit the portion of the Bond proceeds designated in Section 3.02(b) into each of the subaccounts established herein as follows: $8,339,846.43 into the Zoo Subaccount; $17,671,922.21 into the Museum Subaccount; and $11,714,681.78 into the Chabot Subaccount.

(b) Administration and Disbursements From Proceeds Account. Amounts in the Proceeds Account shall be disbursed for Project Costs and any Costs of Issuance not paid from the Costs of Issuance Account. Upon receipt by the Fiscal Agent of a requisition in substantially the form attached hereto as Exhibit B executed by a Project Representative and approved by a Representative of the City, the Fiscal Agent shall immediately disburse funds in accordance with the requisition.

(c) Transfer of Funds. Amounts, if any, remaining in the Proceeds Account on the date of receipt of a Written Request of the City certifying that no further amounts are required to be disbursed for costs and expenses of the Project, shall be transferred by the Fiscal Agent to the City for deposit in the Debt Service Account, shall be invested at a yield not in excess of the yield of the Bonds and shall be used for payment of debt service on the Bonds on the next Interest Payment Date for the Bonds in accordance with Section 4.01(b) hereof, and the Proceeds Account shall be closed.

SECTION 4.03 Establishment and Application of Rebate Account. For the Series 2002 Bonds, there is hereby created a special fund held by the Fiscal Agent, in trust, the "City of Oakland General Obligation Bonds, Series 2002 Rebate Account" (the "Rebate Account"), which accounts shall be maintained by the Fiscal Agent as a separate account apart from all other funds established and held by the Fiscal Agent hereunder. In accordance with the provisions of the Tax Certificate, the City shall deposit moneys into the Rebate Account and engage a rebate analyst. Amounts on deposit in the Rebate Account shall only be applied to payments made to the United States or otherwise transferred to other accounts or funds established hereunder in accordance with the Tax Certificate.

SECTION 4.04 Redemption Accounts.

(a) Establishment of Redemption Account. There is hereby created, as a subaccount within the General Fund of the City, the "City of Oakland General Obligation Bonds, Redemption Account" (the "Redemption Account"), which shall be held by the Treasurer in trust and which shall be separate and apart from all other funds of the City.

(b) Administration and Disbursement From Redemption Account. The Redemption Account shall be maintained by the Treasurer to pay for the optional redemption of the Bonds.

Any funds legally available may, at the option of the City, be paid to the Treasurer for deposit in the Redemption Account and application to the redemption of the Bonds in accordance with their terms.

SECTION 4.05 Costs of Issuance Account. There is hereby created an account designated "City of Oakland General Obligation Bonds, Series 2002 (the "Costs of Issuance Account"), which account shall be held by the Fiscal Agent in trust and which shall be kept separate from any other funds of the City or accounts established hereunder. Upon receipt of a Written Request of the City, all money in the Costs of Issuance Account shall be disbursed by the Fiscal Agent to pay the Costs of Issuance of the Bonds. On January 1, 2003, or upon earlier Written Request of the City, any remaining balance in the Costs of Issuance Fund shall be transferred to the Proceeds Account and the Cost of Issuance Account shall be closed.

SECTION 4.06 Bond Payment Fund. The Fiscal Agent shall deposit moneys received from the City pursuant to Section 4.01(b) into a trust fund known as the "City of Oakland General Obligation Bonds, Bond Payment Fund", which Fund shall be used by the Fiscal Agent solely to pay principal of (whether at maturity or by Mandatory Sinking Account redemption) and interest on the Bonds.

SECTION 4.07 Investment of Moneys. All moneys held by the Fiscal Agent in (i) the Bond Payment Fund, (ii) any fund or account established pursuant to Section 2.02(e) for optional redemption of Bonds, and (iii) any fund or account held by the Fiscal Agent hereafter shall be invested solely in Authorized Investments. Any funds deposited or on deposit with the Fiscal Agent shall be invested or re-invested at the direction of a Representative of the City. The Fiscal Agent may conclusively rely on any investment direction given (or purported to be given) by an Representative of the City in making any investment of moneys held by the Fiscal Agent in any fund or account under this Fiscal Agent Agreement; specifically, the Fiscal Agent may conclusively assume that any investment directed by the City shall be an Authorized Investment and the Fiscal Agent shall have no obligation to investigate or confirm such assumption.

If no direction is received from the City, the Fiscal Agent is instructed to invest such funds in a money market fund rated "AAAm" or better by S&P including funds for which the Fiscal Agent, its affiliates or subsidiaries provide investment advisory or other management or custodial services. The City hereby irrevocably affirms that any such fund shall constitute an Authorized Investment. For investment purposes the Fiscal Agent may commingle the funds and accounts established hereunder, but shall account for each separately. The Fiscal Agent, or its affiliates, may act as principal or agent in the acquisition or disposition of investments hereunder. The earnings from each fund, account and subaccount shall be retained therein; provided that after payment by the Fiscal Agent of principal of and interest on the Bonds, any investment earnings remaining in the funds and accounts shall be paid by the Fiscal Agent to the City, upon direction from a Representative of the City.

SECTION 4.08 Bond Insurance. If the Treasurer has not transferred to the Fiscal Agent by each January 14 and July 14, commencing January 14, 2004, moneys for application by the Fiscal Agent on the next succeeding Interest Payment Date to the payment of principal and interest on the Bonds as provided under Section 4.01(b), the Fiscal Agent shall notify the Bond Insurer by (A) telephonic or telegraphic notice, subsequently confirmed in writing, or (B) written notice by registered or certified mail. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable, and whether such Bonds will be deficient as to principal, interest, or both.

In addition to those rights granted the Bond Insurer under this Fiscal Agent Agreement, the Bond Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance, and to evidence such subrogation (A) in the case of subrogation as to claims for past due interest, the Fiscal Agent shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Fiscal Agent upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Bondholders, and (B) in the case of subrogation as to claims for past due principal, the Fiscal Agent shall note the Bond Insurer's rights as subrogee on the registration books maintained by the Fiscal Agent upon surrender of the Bonds by the Bondholders thereof together with proof of the payment of principal thereof.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01 Moneys Held in Trust. All amounts held in any fund or account established hereunder (other than the Rebate Accounts) are held in trust for the benefit of the registered Owners of the Bonds and are hereby irrevocably pledged to the payment of the principal of and interest and premium, if any, on the Bonds as provided herein, and such amounts shall not be used for any other purpose while any of the Bonds remain Outstanding; provided, however, that out of such amounts there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon all moneys on deposit in the funds and accounts established hereunder (other than the Rebate Accounts) for the payment of the interest on and principal of the Bonds in accordance with the terms hereof and thereof.

SECTION 5.02 Tax Covenants for Series 2002 Bonds. (a) The City covenants that it will use, and will restrict the use and investment of, the proceeds of the Series 2002 Bonds in such manner and to such extent as may be necessary so that (i) the Series 2002 Bonds will not (A) constitute private activity bonds, arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the code, or (B) be treated other than as bonds to which Section 103(a) of the Code applies, and (ii) the interest thereon will not be treated as a preference item under Section 57 of the code.

(b) The City further covenants (i) that it will take or cause to be taken such actions that may be required of it for the interest on the Series 2002 Bonds to be and remain excluded from gross income for federal income tax purposes, (ii) that it will not take or authorize to be taken any actions that would adversely affect that exclusion, and (iii) that it, or persons acting for it, will, among other acts of compliance, (1) apply the proceeds of the Series 2002 Bonds to the governmental purposes of the borrowing, (2) restrict the yield on investment property, (3) make timely and adequate payments to the federal government as required under the Tax Certificate of the City relating to the Series 2002 Bonds, (4) maintain books and records and make calculations and reports, and (5) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

(c) In furtherance of this covenant, the City shall assure that (i) not in excess of ten percent (10%) of the Proceeds of the Series 2002 Bonds (as defined in the Tax Certificate) is used for Private Business Use (as defined in the Tax Certificate) if, in addition, the payment of more than ten percent (10%) of the principal or ten percent (10%) of the principal and interest due on the Series 2002 Bonds during the term thereof is, under the terms of the Series 2002 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for a Private Business Use or in payments in respect of property used or to be used for a Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for a Private Business Use; and (ii) in the event that both (1) in excess of five percent (5%) of the Proceeds of the Series 2000 Bonds are used for a Private Business Use, and (2) an amount in excess of five percent (5%) of the principal or five percent (5%) of the principal and interest due on the Series 2002 Bonds during the term thereof is, under the terms of the Series 2002 Bonds or any underlying arrangement, directly or indirectly, secured by any interest in property used or to be used for said Private Business Use or in payments in respect of property used or to be used for said Private Business Use or is to be derived from payments, whether or not to the City, in respect of property or borrowed money used or to be used for said Private Business Use, then said excess over said five percent (5%) of Proceeds of the Series 2000 Bonds used for a Private Business Use shall be used for a Private Business Use related to the governmental use of the proceeds.

The City shall assure that not in excess of five percent (5%) of the Proceeds of the Series 2002 Bonds or $5,000,000, whichever is less, are used, directly or indirectly, to make or finance a loan to any Private Persons (as defined in the Tax Certificate).

(d) Pursuant to the Resolution for the Series 2002 Bonds, the Representative of the City has been authorized to and shall (i) make or effect any election, selection, designation, choice, consent, approval, or waiver on behalf of the City with respect to the Series 2002 Bonds as the City is permitted or required to make or give under the federal income tax laws, including, without limitation thereto, any of the elections provided for in Section 148(f)(4)(B) and (C) of the Code or available under Section 148 of the Code, for the purpose of assuring, enhancing or protecting favorable tax treatment or status of the Series 2002 Bonds or interest thereon or assisting compliance with requirements for that purpose, reducing the burden or expense of such compliance, reducing the rebate amount or payments of penalties, or making payments of special amounts in lieu of making computations to determine, or paying, Rebate Amount (as defined in the Tax Certificate), or obviating those amounts or payments, as determined by that officer, which action shall be in writing and signed by the Representative of the City, (ii) take any and all other actions, make or obtain calculations, make payments, and make or give reports, covenants and certifications of and on behalf of the City, as may be appropriate to assure the exclusion of interest from gross income and the intended tax status of the Series 2002 Bonds, and (iii) give one or more appropriate certificates of the City, for inclusion in the transcript of proceedings for the Series 2002 Bonds, setting forth the reasonable expectations of the City regarding the amount and use of all the proceeds of the Series 2002 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of the interest on and the tax status of the Series 2002 Bonds.

(e) In furtherance of this covenant, the City agrees to comply with the Tax Certificate.

(f) This covenant shall survive the payment, refunding or defeasance of the Bonds.

SECTION 5.03 Payment of Claims. The City will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Project which might impair the security of the Bonds. Nothing herein contained shall require the City to make any such payment so long as the City in good faith shall contest the validity of said claims.

SECTION 5.04 Books and Accounts. The City will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the City in which complete and correct entries shall be made of all transactions relating to the Project. Such books of record and accounts shall at all time during business hours be subject to the inspection of the Fiscal Agent and the Owners of not less than ten percent (10%) of the principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

SECTION 5.05 Protection of Security and Rights of Bondowners. The City will preserve and protect the security of the Bonds and the rights of the Bondowners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any of the Bonds by the City, the Bonds shall be incontestable by the City.

ARTICLE VI

THE FISCAL AGENT

SECTION 6.01 Appointment of Fiscal Agent. The Fiscal Agent is hereby appointed fiscal agent, registrar and paying agent by the City for the purpose of receiving all moneys required to be deposited with the Fiscal Agent hereunder and to allocate, use and apply the same as provided in this Fiscal Agent Agreement. The City agrees that it will maintain a Fiscal Agent which shall be a corporation or association organized under the laws of any state, the United States of America, or the District of Columbia, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least seventy-five million dollars ($75,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such corporation or association publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 6.01, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Fiscal Agent shall cease to be eligible in accordance with the provisions of this Section 6.01, the Fiscal Agent shall resign immediately in the manner and with the effect specified in Section 6.05 hereof.

The Fiscal Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption and to cancel all Bonds upon payment thereof. The Fiscal Agent shall keep records in accordance with corporate trust industry standards of all funds administered by it and of all Bonds paid and discharged. The Fiscal Agent shall be compensated for its services rendered pursuant to the provisions of this Fiscal Agent Agreement in accordance with a separate written fee agreement between the City and the Fiscal Agent.

SECTION 6.02 Acceptance of Trusts. The Fiscal Agent hereby accepts the trusts imposed upon it by this Fiscal Agent Agreement and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Fiscal Agent undertakes to perform such duties and only such duties as are specifically set forth in this Fiscal Agent Agreement and no implied duties or obligations shall be read into this Fiscal Agent Agreement against the Fiscal Agent.

(b) No provision in this Fiscal Agent Agreement shall require the Fiscal Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. The Fiscal Agent shall be entitled to interest on any funds advanced by it hereunder at the maximum rate permitted by law.

(c) The Fiscal Agent shall not be responsible for any recital herein or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds delivered hereunder or intended to be secured hereby.

(d) The Fiscal Agent shall not be accountable for the use of any Bonds delivered hereunder or the proceeds thereof. The Fiscal Agent, in its individual or any other capacity, may become the Owner or pledgee of Bonds secured hereby with the same rights which it would have if it were not the Fiscal Agent; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Fiscal Agent; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Bonds then Outstanding.

(e) In the absence of bad faith, active or passive negligence, willful misconduct or breach of duty on its part, the Fiscal Agent shall be protected in acting or refraining from acting upon any notice, request, consent, requisition, certificate, order, affidavit, facsimile, letter, electronic mail, telegram or other paper or document believed by it to be genuine and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Fiscal Agent in good faith pursuant to this Fiscal Agent Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds authenticated and registered in exchange therefor or in place thereof. The Fiscal Agent shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless such person is the registered owner as shown on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Fiscal Agent shall be entitled to rely upon a certificate signed by a Representative of the City as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Fiscal Agent has been given notice or is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient. The Fiscal Agent may accept a certificate of a Representative of the City to the effect that an authorization in the form therein set forth has been adopted by the City, as conclusive evidence that such authorization has been duly adopted, and is in full force and effect. The Fiscal Agent may consult with counsel, which counsel shall be experienced in providing opinions to trustee banks in connection with municipal bond issues, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(g) The permissive right of the Fiscal Agent to do things enumerated in this Fiscal Agent Agreement shall not be construed as a duty and the Fiscal Agent shall not be answerable for other than its bad faith, active or passive negligence, willful misconduct or breach of duty on its part. The immunities and exceptions from liability of the Fiscal Agent shall extend to its officers, directors, employees and agents.

(h) Notwithstanding anything elsewhere in this Fiscal Agent Agreement with respect to the authentication and registration of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Fiscal Agent Agreement, the Fiscal Agent shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Fiscal Agent for the purpose of establishing the right of the City to the withdrawal of any cash, or the taking of any other action by the Fiscal Agent.

(i) All moneys received by the Fiscal Agent shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Fiscal Agent shall not be responsible or liable for any loss suffered in connection with any investment of moneys made by it in accordance with Article IV of this Fiscal Agent Agreement.

(j) The Fiscal Agent shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Fiscal Agent, or exercising any trust or power conferred upon the Fiscal Agent, under this Fiscal Agent Agreement.

(k) Under no circumstances shall the Fiscal Agent be liable in its individual capacity for the obligations evidenced by the Bonds.

(l) The Fiscal Agent makes no representations as to the validity or sufficiency of the Bonds and shall incur no responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon it. The Fiscal Agent makes no representations and shall have no responsibility for any official statement or other offering material prepared or distributed with respect to the Bonds.

(m) In accepting the trust hereby created, the Fiscal Agent acts solely as Fiscal Agent for the Owners and not in its individual capacity, and all persons, including without limitation the Owners and the City, having any claim against the Fiscal Agent arising from this Fiscal Agent Agreement shall look only to the funds and accounts held by the Fiscal Agent hereunder for payment except as otherwise provided herein for the Fiscal Agent's bad faith, active or passive negligence, willful misconduct or breach of duty.

(n) The City, to the extent permitted by law, shall indemnify the Fiscal Agent and hold it harmless against any loss, claim, liability, expenses or advances, including, but not limited to fees and expenses of counsel and other experts, incurred or made without negligent acts or omissions, bad faith or willful misconduct on the part of the Fiscal Agent arising out of: (i) the Fiscal Agent's acceptance or administration of the trust under the Fiscal Agent Agreement, or the exercise or performance of any of its powers or duties hereunder; and (ii) 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 light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Bonds. The Fiscal Agent's rights to payment of its fees and expenses and indemnification shall survive its resignation or removal and final payment or defeasance of the Bonds.

SECTION 6.03 Fees, Charges and Expenses of Fiscal Agent. The Fiscal Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances and expenditures, including but not limited to, advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys or other experts employed by the Fiscal Agent in connection with such services, in accordance with a separate written fee agreement with the City, and the Fiscal Agent shall, in the Event of Default, have a first and prior lien on the funds held hereunder to secure the same. The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law.

SECTION 6.04 Removal of Fiscal Agent. Upon thirty (30) days' notice, the City or the Owners of a majority of the aggregate principal amount of Bonds then Outstanding may, remove the Fiscal Agent initially appointed, and any successor thereto, by an instrument in writing delivered to the Fiscal Agent, and may appoint a successor or successors thereto; provided that any such successor shall be a corporation or association meeting the requirements set forth in Section 8.01 hereof.

SECTION 6.05 Resignation by Fiscal Agent. The Fiscal Agent and any successor Fiscal Agent may, at any time, resign by giving sixty (60) days' written notice by registered or certified mail to the City.

SECTION 6.06 Appointment of Successor Fiscal Agent. In the event of the removal or resignation of the Fiscal Agent pursuant to Sections 6.04 or 6.05 hereof, the City shall promptly appoint a successor Fiscal Agent. In the event the City shall, for any reason whatsoever, fail to appoint a successor Fiscal Agent within thirty (30) days following the delivery to the Fiscal Agent of the instrument described in Section 6.04 hereof or within sixty (60) days following the receipt of notice by the City pursuant to Section 8.07 hereof, the Fiscal Agent may apply to a court of competent jurisdiction at the expense of the City for the appointment of a successor Fiscal Agent meeting the requirements of Section 8.01 hereof. Any such successor Fiscal Agent appointed by such court shall become the successor Fiscal Agent hereunder notwithstanding any action by the City purporting to appoint a successor Fiscal Agent following the expiration of such thirty (30) or sixty (60) day period.

Any resignation or removal of the Fiscal Agent and appointment of a successor Fiscal Agent shall become effective only upon acceptance of appointment by the successor Fiscal Agent.

SECTION 6.07 Merger or Consolidation. Any company or association into which the Fiscal Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company or association to which the Fiscal Agent may sell or transfer all or substantially all of its corporate trust business, provided that such company or association shall be eligible under Section 6.01 hereof, shall be the successor to the Fiscal Agent and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

ARTICLE VII

AMENDMENT OF OR SUPPLEMENT TO THE FISCAL AGENT AGREEMENT

SECTION 7.01 Amendments Permitted. This Fiscal Agent Agreement and the rights and obligations of the Owners of the Bonds under the Bonds may be modified or amended at any time by a supplemental fiscal agent agreement which shall become effective when the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.03 hereof, shall have been filed with the Fiscal Agent. No such modification or amendment shall (i) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (ii) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to a modification of or supplement to this Fiscal Agent Agreement, or (iii) modify any of the rights or obligations of the Fiscal Agent without its written assent thereto. Any such supplemental fiscal agent agreement shall become effective as provided in Section 7.02 hereof.

This Fiscal Agent Agreement and the rights and obligations of the Owners of the Bonds may be modified or amended at any time by a supplemental fiscal agent agreement, without the consent of any such Owners, but only to the extent permitted by law and only (i) to add to the covenants and agreements of the City, (ii) to cure, correct or supplement any ambiguous or defective provision contained herein or therein and which shall not, in the opinion of the Fiscal Agent, materially adversely affect the interests of the Owners of the Bonds, (iii) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of the Fiscal Agent, materially adversely affect the interests of the Owners of the Bonds; (iv) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Bonds, (v) to make additions, deletions or modifications as may be necessary or appropriate in connection with the issuance of additional series of the Bonds, (vi) to add to the rights of the Fiscal Agent, or (vii) to maintain the rating or ratings assigned to the Bonds. Any such supplemental fiscal agent agreement shall become effective upon execution and delivery by the parties hereto or thereto, as the case may be.

The Fiscal Agent may obtain an opinion of independent counsel that any amendment entered into hereunder complies with the provisions of this Article VII and the Fiscal Agent may rely conclusively on such opinion.

SECTION 7.02 Procedure for Amendment with Written Consent of Bond Owners. This Fiscal Agent Agreement may be amended by supplemental fiscal agent agreement as provided in this Section 7.02 in the event the consent of the Owners of the Bonds is required pursuant to Section 7.01 hereof. A copy of such supplemental fiscal agent agreement, together with a request to the Bond Owners for their consent thereto, shall be mailed by first class mail, postage prepaid, by the Fiscal Agent at the expense of the City, to each Owner of a Bond at his address as set forth on the bond registration books of the Fiscal Agent, unless an Owner waives such notice; provided failure to mail copies of such supplemental fiscal agent agreement and request shall not affect the validity of the supplemental fiscal agent agreement when assented to as in this Section 7.02 provided.

Such supplemental fiscal agent agreement shall not become effective unless there shall be filed with the Fiscal Agent the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 7.03 hereof) and a notice shall have been mailed as provided hereinafter in this Section 7.02. Each such consent shall be effective only if accompanied by proof of ownership of the Bonds for which such consent is given. Any such consent shall be binding upon the Owner of the Bond giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Fiscal

Agent prior to the date when the notice hereinafter in this Section 7.02 provided for has been mailed.

After the Owners of the required percentage of Bonds shall have filed their consents to such supplemental fiscal agent agreement, the Fiscal Agent shall mail by first class mail, postage prepaid, a notice at the expense of the City to the Owners of the Bonds in the manner hereinbefore provided in this Section 7.02 for the mailing of such supplemental fiscal agent agreement of the notice of adoption thereof, stating in substance that such supplemental fiscal agent agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 7.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental fiscal agent agreement or consents thereto). A record, consisting of the papers required by this Section 7.02 to be filed with the Fiscal Agent, shall be conclusive proof of the matters therein stated. Such supplemental fiscal agent agreement shall become effective upon the mailing of such last-mentioned notice, and such supplemental fiscal agent agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

SECTION 7.03 Disqualified Bonds. Bonds owned or held by or for the account of the City or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the City (except any Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in this Fiscal Agent Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Fiscal Agent Agreement; *provided, however,* that the Fiscal Agent shall not be liable for determining whether Bonds are owned or held by the City or any such other person unless such Bonds are registered in the name of the City or such other person on the bond registration books of the Fiscal Agent.

SECTION 7.04 Effect of Supplemental Fiscal Agent Agreement. From and after the time any supplemental fiscal agent agreement becomes effective pursuant to this Article VII, this Fiscal Agent Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Bonds Outstanding, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental fiscal agent agreement shall be deemed to be part of the terms and conditions of this Fiscal Agent Agreement for any and all purposes.

SECTION 7.05 Endorsement or Replacement of Bonds Delivered After Amendments. The City may determine that Bonds delivered after the effective date of any action taken as provided in this Article VII shall bear a notation, by endorsement or otherwise, in form approved by the Fiscal Agent, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for such purpose at the Fiscal Agent's principal corporate trust office, a suitable notation shall be made on such Bond. The City may determine that the delivery of substitute Bonds, so modified as in the opinion of the City is necessary to conform to such Bond Owners' action, as necessary and such substitute Bonds shall thereupon be prepared, authenticated and registered. In that case, upon demand of the Owner of any Bond then Outstanding, such substitute Bond shall be exchanged at the Fiscal Agent's principal corporate trust office, at the expense of the City for a Bond of the same character then Outstanding, upon surrender of such Outstanding Bond.

SECTION 7.06 Amendatory Endorsement of Bonds. The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him, provided that proper notation thereof is made on such Bonds.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01 Notices. All written notices to be given under this Fiscal Agent Agreement shall be given by first class mail, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States first class mail, postage prepaid to the address set forth below:

If to the City: City of Oakland
150 Frank Ogawa Plaza, Suite 5215
Oakland, California 94612
Attention: Director, Financial Services Agency

If to the Fiscal Agent: BNY Western Trust Company
550 Kearny Street, Suite 600
San Francisco, CA 94108-2527

SECTION 8.02 Governing Law. This Fiscal Agent Agreement shall be construed and governed in accordance with the laws of the State.

SECTION 8.03 Binding Effect; Successors. This Fiscal Agent Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Fiscal Agent Agreement the City or the Fiscal Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Fiscal Agent Agreement contained by or on behalf of the City or the Fiscal Agent shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 8.04 Execution in Counterparts. This Fiscal Agent Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 8.05 Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Fiscal Agent Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Fiscal Agent Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Fiscal Agent Agreement as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 8.06 Payments Due on Other than Business Day. If the date for making any payment or the day or last date for performance of any act or the exercising of any right, as provided in this Fiscal Agency Agreement, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Fiscal Agency Agreement, and no interest shall accrue for the period after such nominal date.

SECTION 8.07 Separability of Invalid Provisions. In case any one or more of the provisions contained in this Fiscal Agent Agreement or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Fiscal Agent Agreement, and this Fiscal Agent Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Fiscal Agent Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Bonds pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Fiscal Agent Agreement may be held illegal, invalid or unenforceable.

[Balance of page intentionally blank]

IN WITNESS WHEREOF, the parties hereto have executed this Fiscal Agent Agreement as of the date and year first above written.

Approved:

By: Robert C. Bobb
City Manager

CITY OF OAKLAND

By:
Treasury Manager

Attest:

By: Deborah Lowell
Assistant City Clerk

BNY Western Trust Company as Fiscal Agent

By: Milly Canessa
Its:
Milly P. Canessa
Assistant Vice President

EXHIBIT A

[FORM OF BOND]

Number	UNITED STATES OF AMERICA	Amount
RD-1	STATE OF CALIFORNIA	$________

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES ______,MEASURE G)

Interest Rate	Maturity Date	Dated Date	CUSIP Number
_____%			

REGISTERED OWNER:

PRINCIPAL AMOUNT: ____________ DOLLARS

THE CITY OF OAKLAND, State of California, Alameda County (herein called the "City"), acknowledges itself indebted to and promises to pay to the Registered Owner hereof or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (hereinafter defined) next preceding the date of authentication of this Bond (unless this bond is authenticated as of the day during the period from the fifteenth day of the month preceding any interest payment date (the "Record Date") to such Interest Payment Date, inclusive, in which event it shall bear interest from such Interest Payment Date, or unless this bond is authenticated on or before its first Interest Payment Date, in which event it shall bear interest from its Dated Date) until payment of such principal sum, at the interest rate per annum stated above calculated on the basis of a 360-day year comprised of twelve 30-day months, payable on July 15, 2004 and thereafter on July 15 and January 15 in each year *provided*, if any interest payment date occurs on a day that is not a Business Day (as defined below), then such payment shall be made on the next succeeding day that is a Business Day and *provided, further*, that the Registered Owner of this Bond in an aggregate principal amount of at least $1,000,000 may submit a written request to the Treasurer on or before the Record Date preceding any interest payment date for payment of interest hereon by wire transfer. The principal hereof is payable to the Registered Owner hereof upon the surrender hereof at the designated office of BNY Western Trust Company, as fiscal agent (together with its successors, the "Fiscal Agent"). The interest hereon is payable to the person whose name appears on the bond registration books of the Fiscal Agent as the Registered Owner hereof as of the close of business on the Record Date immediately preceding an interest payment date, whether or not such day is a Business Day, such interest to be paid by check or draft mailed on the Interest Payment Date to such Registered Owner at the Owner's address as it appears on such registration books.

"Business Day" means any day other than a Saturday, Sunday, legal holiday or other day on which the City, or commercial banking institutions in the State of California or in the state in which designated corporate trust office of the Fiscal Agent is located, are authorized or required by law to be closed. Terms used herein which are not defined herein shall have the meaning set forth in the Resolution and the Fiscal Agent Agreement.

This Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying interest rates and maturities), designated "City of Oakland, General Obligation Bonds (Series _____, Measure G)", in the original aggregate principal amount of $__________ (the "Bonds"), and is authorized, issued and sold by the City pursuant to and in strict conformity with the provisions of the Constitution and laws of said State, the Charter of the City and of Resolution No. ______ C.M.S. adopted by the City Council of the City (the "City Council") on ________, _____ (the "Resolution") and the Fiscal Agent Agreement dated as of June 1, 2002 (the "Fiscal Agent Agreement").

Copies of the Resolution and the Fiscal Agent Agreement are on file at the office of the Director of the City's Fiscal Service Agency and at the designed corporate trust office of the Fiscal Agent. Reference is hereby made to the Resolution and the Fiscal Agent Agreement and any and all supplements thereto and modifications and amendments thereof, for a description of: the covenants securing the Bonds; the rights of the Registered Owners of the Bonds; the terms and conditions upon which the Bonds are issued; the terms and provisions upon which this Bond shall cease to be entitled to any lien, benefit or security under the Resolution; and for the other terms and provisions thereof, to all of which the Registered Owner assents, by acceptance hereof.

All covenants, agreements and obligations of the City under the Resolution may be discharged and satisfied at or prior to the maturity or redemption of this Bond if moneys or certain specified Federal Securities shall have been deposited in a separate trust to provide for payment thereof.

The Bonds are issuable as fully registered bonds without coupons in the denomination of $5,000 or any integral multiple thereof, provided that no bond shall have principal maturing on more than one principal maturity date. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Fiscal Agent Agreement, Bonds may be exchanged for a like aggregate principal amount of bonds of the same series and maturity of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by attorney duly authorized in writing, at the designated office of the Fiscal Agent but only in the manner, subject to the limitations and upon payment of the charges provided in the Fiscal Agent Agreement, and upon surrender and cancellation of this bond. Upon such transfer, a new bond or bonds of authorized denomination or denominations for the same series and same aggregate principal amount will be issued to the transferee in exchange herefor.

The Bonds maturing on or before __________, ____, shall not be subject to redemption prior to their stated maturity. The Bonds maturing on or after __________, are subject to redemption prior to maturity on or after __________, at the option of the City, from any source of available funds held therefor, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City), at the following redemption prices (expressed as a percentage of the principal amount thereof) plus accrued interest to the date fixed for redemption:

Redemption Period	Redemption Prices

[HERE INSERT MANDATORY SINKING ACCOUNT REDEMPTION PROVISIONS]

Notice of redemption shall be given by mail, postage prepaid, to the Registered Owner hereof, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, but neither failure to mail such notice or any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the bonds then called for redemption, and such cancellation and annulment shall not be a default hereunder.

The City shall have the right to rescind any optional redemption and notice thereof for any reason on any date prior to the date fixed for redemption by causing written notice of the rescission to be given to the Registered Owners of the Bonds so called for redemption. Any optional redemption and notice thereof shall be rescinded if for any reason on the date fixed for redemption funds are not available in the Redemption Account in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Registered Owner of any bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

If this Bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

The City and Fiscal Agent may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the City and Fiscal Agent shall not be affected by any notice to the contrary.

The Fiscal Agent Agreement permits certain amendments or supplements to the Bonds and the Fiscal Agent Agreement to be made without the consent of or notice to the Registered Owners, and other amendments or supplements thereto to be made with the consent of the Registered Owners of not less than 60% of the aggregate principal amount of the Bonds then outstanding.

The City Council of the City hereby certifies and declares that the total amount of indebtedness of said City, including the amount of this Bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Bond, that this Bond is in the form prescribed by order of the City Council duly made and entered on its minutes and shall be payable out of the interest and sinking fund of said City, and the money for the redemption of this Bond, and the payment of interest thereon, shall be raised by taxation upon the taxable property of said City.

This Bond shall not be entitled to any benefit under the Resolution and the Fiscal Agent Agreement or become valid or obligatory for any purpose, until this Bond shall have been authenticated by the Fiscal Agent by execution of the Fiscal Agent's Certificate of Authentication hereon.

IN WITNESS WHEREOF the City Council the City of Oakland has caused this Bond to be executed under the official seal of the City of Oakland, or a facsimile thereof, by the City Manager of the City of Oakland and to be attested by the City Clerk, all as of ________ __, 200__.

____
City Manager of the City of Oakland

[SEAL]

Attest:

____
City Clerk

[FORM OF FISCAL AGENT'S CERTIFICATE
OF AUTHENTICATION AND REGISTRATION]

This is one of the Bonds described in the within-mentioned Fiscal Agent Agreement.

Date of Authentication:____________

BNY Western Trust Company, as Fiscal Agent

By:______________________________
Authorized Signatory

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the Bonds, such policy being on file at the principal office of ANY Western Trust Company, as paying agent (the "Paying Agent"):

Financial Guaranty here unconditionally and irrevocably agrees to pay for disbursement to the Bondholders that portion of the principal or accreted value (if applicable) of and interest on the Bonds which is then due for payment and which the issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to principal or accreted value (if applicable), the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which the payment of principal or accreted value (if applicable) of the Bonds is due by reason of call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal, accreted value or interest (as applicable) has not been made by the Issuer to the Paying Agent, Financial Guaranty on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer or the borrower(s) of bond proceeds who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY doing business in California as FGIC Insurance Company.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER,

PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED, the undersigned __________ (the "Transferor"), hereby sells, assigns and transfers unto __________ (the "Transferee"), whose address is ______________________ and whose social security number (or other federal tax identification number) is

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF TRANSFEREE

____

____

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____________________ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Dated: _______________

Signature Guarantee:

____

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution pursuant to securities and Exchange Commission Rule 17A(d)(15)

____

NOTE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and name, address and the Social Security Number or federal employee identification number of the Transferee is supplied.

EXHIBIT B

FORM OF
REQUISITION NO. __
FROM PROCEEDS ACCOUNT

The undersigned hereby states and certifies as follows:

(a) the undersigned is a "Project Manager" as such term is defined in that certain Fiscal Agent Agreement, dated as of November 1, 2002 (the "Agreement"), between the City and BNY Western Trust Company (the "Fiscal Agent");

(b) the Fiscal Agent is hereby requested to disburse from the __________ subaccount of the Proceeds Account established pursuant to Section 4.02 of the Agreement the following amounts for payment or reimbursement of previous payments to the payees listed below:

Name and Address	Nature of Obligation	Amount of Payment

(c) the amounts to be disbursed are for payment or reimbursements of previous payments of Project Costs (as such term is defined in the Agreement);

(d) the amounts to be disbursed constitute Project Costs and said amounts are or were [required to be disbursed pursuant to a contract entered into therefore by or on behalf of the City] *or* [necessarily and reasonably incurred and that said amounts are not being paid in advance of the time, if any, fixed for payment];

(e) the use and intended use of the facilities financed with this disbursement will not violate the restrictions on Private Business Use in Section 5.02 of the Agreement.

(f) attached hereto is an invoice for each such amount;

(g) no amount set forth above was included in any certificate requesting disbursement previously filed with the Fiscal Agent.

Dated: ____________

PROJECT MANAGER

By:________________________________
Title:______________________________

Dated: ____________

APPROVED:

By: ____________________________
Representative of the City

cc: [Project Manager]

EXHIBIT C

PROJECT DESCRIPTION

The Project may include, but not be limited to, the following improvements:

(A) Oakland Museum of California (the "Museum Project"):

1. A major expansion, reinstallation, and renovation of the History Gallery, the Art Gallery, and the Natural Sciences Gallery to reflect the changing faces and environment of California and include new information, interactive technologies and multicultural, multilingual presentations;

2. Additional classrooms and studios for education space including an art studio, science classroom, aquatic biology lab, and a learning center that serves teachers and family programs;

3. Improvements in visitor services facilities including main entrance, centralized admissions and visitor orientation, way finding, school group entrance, student lunch area, and restaurant and gift shop;

4. Acquisition and renovation of collection management facilities; and

5. Other related capital improvements.

(B) The Oakland Zoo (the "Zoo Project"):

1. Develop a new 40-acre exhibit of California native plants and animals, including the grizzly bear, grey wolf, and bob cat, called "Wild California" in order to educate Californians about their natural heritage and how to preserve and conserve it, including construction of roadways, trails, animal exhibits and nighthouses, landscaping, tram facilities, infrastructure (sewer, gas, water, & electricity), additional parking, and visitor amenities;

2. Development of a new California Interpretive Center within the new Wild California exhibit area will educate visitors about California's natural heritage and the challenges to conservation;

3. Redevelop the Children's Zoo area to provide improved disabled access and to totally renovate the Children's Zoo, replacing aged and obsolete facilities with new, modern and creative improvements; and

4. Other related infrastructure improvements.

(C) Chabot Space & Science Center (the "Science Project"):

1. Four new classrooms and laboratories for astronomy, science, media and computer instruction;

2. Student program, assembly, eating spaces; teacher preparation areas; and related office, shop and storage space;

3. Expansion of outdoor telescope viewing areas and exhibit spaces; and

4. Financing for other related existing or prior capital improvements.

5

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the **CITY OF OAKLAND, CALIFORNIA** (the "City") in connection with the issuance of $21,000,000 City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006, between the City and the Fiscal Agent (collectively the "Fiscal Agent Agreement"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

Section 2. Definitions. The definitions set forth in the Fiscal Agent Agreement apply to all capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate. As of the date of this Disclosure Certificate, communications with DisclosureUSA may be directed to P.O. Box 684667, Austin, Texas 78768-4667; Fax: (512) 476-6403.

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean the repositories designated by the Securities and Exchange Commission from time to time for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Information regarding state information repositories can be found at www.sec.gov/info/municipal/nrmsir.htm#state. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) 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 is currently June 30) commencing with the 2005-2006 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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. 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.

(b) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Dissemination Agent and the Repositories an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing the Repositories to which it was provided.

(d) Notwithstanding any other provision of the Disclosure Certificate, the City reserves the right to make any of the aforementioned filings through a Central Post Office.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to

governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The assessed valuation of taxable property in the City;

3. Property taxes (including the Tax Override Revenues) due, property taxes collected and property taxes delinquent;

4. Property tax levy rate per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the City.

Such annual information and operating data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the National Repository, the State Repository or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the State Repository, if any, and to each National Repository or to the MSRB notice of the occurrence of any of the following events (the "Listed Events") with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Modifications to rights of the Holders of the Bonds.

4. Optional, contingent or unscheduled bond calls.

5. Defeasances.

6. Rating changes.

7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.

8. Unscheduled draws on debt service reserves reflecting financial difficulties.

9. Unscheduled draws on credit enhancements reflecting financial difficulties.

10. Substitution of the credit or liquidity providers or their failure to perform.

11. Release, substitution or sale of property securing repayment of the Bonds.

; provided, that any event under subsections (1) or (6) of the definition of the term "Listed Event" will always be deemed by the City to be material.

Notwithstanding the foregoing, notice of Listed Events described in (4) and (5) need not be given under this Section 5 any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Fiscal Agent Agreement.

If the City determines that knowledge of the occurrence of a Listed Event would be material, the City shall promptly file a notice of such occurrence with each Repository, or with the Central Post Office.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 3(b), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, 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 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the 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, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Fiscal Agent nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the City under this Disclosure Certificate.

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. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Disclosure Certificate; provided that any such action may only be instituted in a Federal or State Court located in the City. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Prior Undertakings. The City each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 14. Effective Date. This Disclosure Certificate shall be effective on and as of the date set forth on the execution page.

Section 15. Notices. Any notices or communications to the City relating to this Disclosure Certificate may be given as follows:

If to the City:

City of Oakland
Finance and Management Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Attention: Treasury Manager
Telephone: (510) 238-3201
Fax: (510) 238-2137

The City may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 16. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Certificate is given this 28th day of June, 2006.

CITY OF OAKLAND, CALIFORNIA

By: Katano Kasaini
Treasury Manager

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: **THE CITY OF OAKLAND, CALIFORNIA**

Name of Bond Issue: City of Oakland, California General Obligation Bonds (Series 2006, Measure G) (the" Bonds")

Date of Delivery: June 28, 2006.

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated the Date of Delivery, relating to the Bonds. The City anticipates that the Annual Report will be filed by _________.

Dated: ___________________

CITY OF OAKLAND, CALIFORNIA

By: ________________________________
Authorized Representative

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CERTIFICATE OF THE CITY CLERK

$59,000,000 General Obligation Bonds

INITIATIVE BOND MEASURE

I, CEDA FLOYD, City Clerk of the City of Oakland, County of Alameda, State of California do hereby certify that:

On November 26, 2001, this office received from the Alameda County Registrar of Voters a "Registrar of Voters Certificate to Petition" providing the results of the examination of signatures affixed to the $59,000,000 General Obligation Bonds Initiative Petition; and,

that said petition contained 34,260 unverified signatures; and

Elections Code Section 9215 provides that in order for the petition to be found sufficient, the petition must have been signed by ten percent of the qualified registered voters, (**19,286** of **192,865**), of the City of Oakland as of the last report of registration to the Secretary of State by the Registrar of Voters in effect at the time the Notice of Intention was published; and

The Registrar of Voters caused the petition to be examined pursuant to Elections Code Section 9115 using the approved random sample verification formula provided by the Secretary of State; and

As a result of said examination of signatures or 3% of the signatures filed, it was determined that the projected number of valid signatures was 127% of the signatures needed to qualify the petition for submission to the voters or 24,567 signatures; therefore

The petition is hereby found to be sufficient.

I hereby certify that the results of the above noted petition are true and correct to the best of my knowledge and belief.

In witness whereof, I hereby set my hand and affix the official seal of the City of Oakland, this 28th day of November, 2001.

Ceda Floyd

CEDA FLOYD
City Clerk and
Clerk of the Council

SEAL OF THE CITY OF OAKLAND

11, 11-1
ORA/COUNCIL
DEC 04 2001

7

$21,000,000
CITY OF OAKLAND, CALIFORNIA
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE OF THE CITY CLERK REGARDING ELECTION MATERIALS

I, LaTonda Simmons, City Clerk of the City of Oakland (the "City"), do hereby certify that:

1. Attached hereto is a full, true, and correct copy of Resolution No. 76887 C.M.S. submitting Measure G to the voters at the March 5, 2002 election, duly adopted at a regular meeting of the City Council of the City duly and regularly and legally held at the regular meeting place thereof on December 4, 2001, of which meeting all of the members of said City Council had due notice and at which a quorum of the members thereof were present.

2. Attached hereto is a full, true, and correct copy of the March 5, 2002 General Election materials, consisting of: the Election Results; the Sample Ballot; and the Affidavit of Publication of the Notice of Election in the *Oakland Tribune* on December 13, 2001.

3. I have carefully compared the attached documents with the originals or certified copies of said documents on file and of record in my office and that said documents are full, true, and correct copies of the originals, that said documents have not been amended, modified, or rescinded, and that the same are each now in full force and effect.

Dated: June 28, 2006

By: LaTonda Simmons
LaTonda Simmons
City Clerk of the City of Oakland

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OAKLAND CITY COUNCIL

RESOLUTION NO. 76887 C.M.S.

INTRODUCED BY COUNCILMEMBER ______________________

RESOLUTION SUBMITTING TO THE VOTERS A PROPOSED INITIATIVE BOND MEASURE ENTITLED "A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS" AT THE GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY, MARCH 5, 2002; DIRECTING THE CITY CLERK TO FIX THE DATE FOR SUBMISSION OF ARGUMENTS AND TO PROVIDE FOR NOTICE AND PUBLICATION IN ACCORDANCE WITH LAW

WHEREAS, the City Clerk of the City of Oakland has certified to the Oakland City Council that petitions for a proposed initiative charter amendment entitled "*A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS*" has been accompanied by verified signatures of ten (10%) percent of the registered electors of the City; and

WHEREAS, consistent with the Elections Code and the Oakland City Charter, the City Council may submit the certified petitions without alteration to the City's voters at the next regular municipal election occurring not less than eighty-eight (88) days after the City Clerk certifies the results of the examination of the signatures; and

WHEREAS, the next regular municipal election at which this proposed initiative bond measure can be voted upon will occur on Tuesday, March 5, 2002; and

WHEREAS, the City Council does hereby submit to the qualified electors of the City of Oakland a proposed initiative bond measure entitled "*A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS*" to be voted upon at the Nominating Municipal Election consolidated with the Statewide Primary Election to be held on Tuesday, March 5, 2002, **Now Therefore** be it

RESOLVED: That the proposed bond measure text shall read as follows:

A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENT GENERAL OBLIGATION BONDS

Be it ordained by the People of the City of Oakland:

Section 1. The People of the City of Oakland find and declare as follows:

a. The City of Oakland (the "City") is a culturally rich and diverse area; and

b. Three outstanding public facilities in the City which are uniquely qualified to nurture, develop, enrich, and significantly contribute to meeting the ever expanding educational needs of a dynamically growing and diverse population are the Oakland Museum of California, The Oakland Zoo, and the Chabot Space & Science Center; and

c. High quality educational experiences provided by the Oakland Museum of California, The Oakland Zoo and Chabot Space & Science Center, are highly effective in helping teachers and motivating students in the City of Oakland to achieve the high standards of educational performance needed to meet the expanding needs of a diverse and technologically sophisticated society; and

d. Over the years, the City has been unable to sufficiently fund the Oakland Museum of California, The Oakland Zoo, and the Chabot Space & Science Center to enable each of these facilities to reach its full potential in serving the many education needs of the City's population; and

e. The People have determined at the March 5, 2002 General Municipal Election to authorize the issuance of general obligation bonded indebtedness in the amount of $59,000,000 to acquire, renovate, improve, and construct additional educational facilities at the Oakland Museum of California, The Oakland Zoo, and the Chabot Space & Science Center, and to finance and/or reimburse prior expenditures relating to existing and/or future improvements at these facilities, and all other costs necessary or convenient for the foregoing purposes, which improvements may include but not be limited to the following:

<u>The Oakland Museum of California</u>: The Oakland Museum of California will undergo the first major renovation since it was built over 30 years ago, in order to expand educational programming and opportunities for a larger and more diverse population of students and visitors (the "Museum Project").

1. A major expansion, reinstallation, and renovation of the History Gallery, the Art Gallery, and the Natural Sciences Gallery to reflect the changing faces and environment of California and include new information, interactive technologies and multicultural, multilingual presentations;

2. Additional classrooms and studios that will triple dedicated education space and include an art studio, science classroom, aquatic biology lab, and a learning center that serves teachers and family programs;

3. Improvements in visitor services facilities including main entrance, centralized admissions and visitor orientation, way finding, school group entrance, student lunch area, and restaurant and gift shop;

4. Acquisition and renovation of collection management facilities; and

5. Other related capital improvements.

The Oakland Zoo: The Oakland Zoo will (i) redevelop the Children's Zoo area in the existing Zoo grounds, and (ii) develop a new 40-acre exhibit of California native plants and animals, including the grizzly bear, grey wolf, and bob cat, called "Wild California" in order to educate Californians about their natural heritage and how to preserve and conserve it. The redevelopment of the Children's Zoo and the development of Wild California are collectively referred to as the "Zoo Project."

1.The "Wild California" exhibit, focusing on conservation of California native plants and animals, will include construction of roadways, trails, animal exhibits and nighthouses, landscaping, tram facilities, infrastructure (sewer, gas, water, & electricity), additional parking, and visitor amenities;

2. Development of a new California Interpretive Center within the new Wild California exhibit area will educate visitors about California's natural heritage and the challenges to conservation;

3. The redeveloped Children's Zoo area would provide improved disabled access to and totally renovate the Children's Zoo, replacing aged and obsolete facilities with new, modern and creative improvements which will stimulate the imaginations and enhance the quality of experience for children and other visitors of the Children's Zoo as they interact with, observe, and learn about the resident animals; and

4. Other related infrastructure improvements.

Chabot Space & Science Center: Chabot Space & Science Center will add a new building and reconfigure and finance existing spaces (the "Science Center Project") to allow more students to participate in the science education programs and to create the capacity to teach in-depth, long-term courses for students and teachers.

1. Four new classrooms and laboratories for astronomy, science, media and computer instruction;

2. Student program, assembly, eating spaces; teacher preparation areas; and related office, shop and storage space;

3. Expansion of outdoor telescope viewing areas and exhibit spaces; and

4. Financing for other related existing or prior capital improvements.

Section 2. This proposition is hereby submitted to the electors of the City for the purpose of enabling the City to incur bonded indebtedness in the aggregate principal amount of $59,000,000 for all of the projects described in Section 1 above to be allocated to each of the projects (after deducting therefrom the cost of issuance of such bonded indebtedness) as follows:

a. $23,600,000 for the Museum Project;

b. $23,600,000 for the Zoo Project; and

c. $11,800,000 for the Science Center Project.

Section 3. The estimated cost of each of the projects are as follows:

a: $49,000,000 for the Museum Project;

b. $39,500,000 for the Zoo Project; and

c. $12,500,000 for the Science Center Project.

The Museum Project, the Zoo Project and the Science Center Project each expect to raise the remaining costs of construction through private donations and other sources.

Section 4. The General Municipal Election on March 5, 2002, shall be held and conducted and the votes thereafter received and canvassed, and the returns thereof made and the results thereof ascertained, determined and declared as herein provided and in all particulars not herein recited such election shall be held according to the laws of the State of California, the Charter of the City (the "Charter"), and such laws of the City duly enacted by the City Council of the City providing for and governing elections in the City, and the polls for such election shall be and remain open during the time required by such laws.

Section 5. On the ballots to be used at the General Municipal Election, in addition to any other matter required by law to be printed thereon, shall appear the following as a separate proposition:

"OAKLAND'S ZOO, MUSEUM, AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENT GENERAL OBLIGATION BOND, 2002. In order to expand learning opportunities at the Oakland Zoo, Oakland Museum and Oakland's Chabot Space and Science Center, shall the City of Oakland issue $59,000,000 in general obligation bonds at interest rates within the legal limit, to acquire, renovate, improve, construct, and finance existing and additional facilities and to qualify for private matching funds, with all funds raised by this measure staying in Oakland to expand programs and facilities at these institutions?

Each voter to vote in favor of the issuance of the foregoing bond proposition shall punch the ballot card in the hole after the word "YES" to the right of the proposition, and to vote against the proposition shall punch the ballot card in the hole after the word "NO" to the right of the proposition. If and to the extent that a numerical or other system is used at such General Municipal Election, each voter to vote in favor of the proposition shall mark the ballot card or equivalent device after the number or in the location corresponding to a "YES" vote for the proposition and to vote against the proposition shall mark the ballot card or equivalent device after the number or in the location corresponding to a "NO" vote for the proposition.

Section 6. If at the General Municipal Election of City of March 5, 2002, it shall appear that two-thirds of all the voters voting on the proposition voted in favor of and authorized the incurring of bonded indebtedness for the purposes set forth in this proposition, then this proposition shall have been accepted by the electors, and bonds authorized thereby shall be issued upon the order of the City Council. Such bonds shall bear interest at a rate not to exceed twelve percent (12%) per annum.

The votes cast for and against the proposition shall be counted separately and when two-thirds of the qualified electors, voting on the proposition, vote in favor thereof, the proposition shall be deemed adopted.

Section 7. For the purpose of paying the principal and interest on the bonds, the City Council of City shall, at the time of fixing the general tax levy and in the manner for such general tax levy provided, levy and collect annually each year until such bonds are paid, or until there is a sum in the Treasury of the City set apart for that purpose to meet all sums coming due for the principal and interest on the bonds, a tax sufficient to pay the annual interest on such bonds as the same becomes due and also such part of the principal thereof as shall become due before the proceeds of a tax levied at the time for making the next general tax levy can be made available for the payment of such principal.

Section 8. No City administrative, staff, or any other charge (except for the actual cost of issuance of the bonds) will be deducted from the bonds authorized hereunder for the Museum Project, the Zoo Project, or the Science Center Project.

Section 9. Each of the projects for which the bonds are hereby authorized shall be administered and managed as follows:

a. The Museum Project shall be administered and managed by the Oakland Museum of California Foundation;

b. The Zoo Project shall be administered and managed by the East Bay Zoological Society; and

c. The Science Center Project shall be administered and managed by the Chabot Space & Science Center Foundation.

Section 10. The City shall deposit all bond proceeds authorized hereunder in segregated accounts for each of the Museum Project, the Zoo Project, and the Science Center Project, and interest on the bond proceeds in each account shall accrue to the benefit of the project for which the account is established from the date of bond issuance to the date funds are drawn down for each such project by the entity administering and managing each such project.

Section 11. It is the intent of the People of the City of Oakland that the passage of this proposition and the issuance of the bonded indebtedness authorized hereunder shall not be the basis for any reduction in current City funding levels, City commitments, or other City support to each of the Oakland Museum of California, The Oakland Zoo, or the Chabot Space & Science

Center.

Section 12. The Oakland Museum of California Foundation (for the Oakland Museum of California), the East Bay Zoological Society (for The Oakland Zoo), and the Chabot Space & Science Center Foundation (for the Chabot Space & Science Center) shall each utilize its own staff to administer and manage the design and construction of each of the projects specified in Section 1 above. The City shall enter into agreements with each entity that (i) limits the amount of expenditures from bond proceeds for project design and administration costs to no more than 15% of total bond proceeds expended for each project and (ii) requires that all construction contracts require the payment of prevailing wages; and be it

FURTHER RESOLVED, that each ballot used at said general municipal election must have printed thereon, in addition to any other matter required by law, the following:

CITY OF OAKLAND
PROPOSED BOND MEASURE
MEASURE ________

A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000
IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO,
MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS

MEASURE ________ IN ORDER TO EXPAND LEARNING OPPORTUNITIES AT THE OAKLAND ZOO, OAKLAND MUSEUM AND OAKLAND'S CHABOT SPACE AND SCIENCE CENTER, SHALL THE CITY OF OAKLAND ISSUE $59,000,000 IN GENERAL OBLIGATION BONDS AT INTEREST RATES WITHIN THE LEGAL LIMIT, TO ACQUIRE, RENOVATE, IMPROVE, CONSTRUCT, AND FINANCE EXISTING AND ADDITIONAL FACILITIES AND TO QUALIFY FOR PRIVATE MATCHING FUNDS, WITH ALL FUNDS RAISED BY THIS MEASURE STAYING IN OAKLAND TO EXPAND PROGRAMS AND FACILITIES AT THESE INSTITUTIONS?	YES
	NO

FURTHER RESOLVED, That in accordance with the Elections Code and Chapter 3.08 of the Oakland Municipal Code, the City Clerk shall fix and determine a date for submission of arguments for or against said proposed initiative charter amendment, and said date shall be posted in the Office of the City Clerk; and be it

FURTHER RESOLVED, That in accordance with the Elections Code and Chapter 3.08 of the Oakland Municipal Code, the City Clerk shall provide for notice and publication as to said measure in the manner provided for by law; and be it

FURTHER RESOLVED, That the City Clerk and City Manager are hereby authorized and directed to take any and all actions necessary under law to prepare for and conduct the March 5, 2002, Nominating Municipal Election and the City Council hereby authorizes and appropriates all money necessary for the City Manager and City Clerk to prepare for and conduct the March 5, 2002 Nominating Municipal Election consistent with law.

IN COUNCIL, OAKLAND, CALIFORNIA, DEC - 4 2001, 2001

PASSED BY THE FOLLOWING VOTE:

AYES – ~~BRUNNER~~, CHANG, MAYNE, ~~NADEL~~, ~~REID~~, SPEES, WAN AND PRESIDENT DE LA FUENTE – 5

NOES – None

ABSENT – Brunner/Nadel - 2

ABSTENTION – None

Excused - Reid - 1

ATTEST: Ceda Floyd

CEDA FLOYD
CITY CLERK AND CLERK OF THE COUNCIL
OF THE CITY OF OAKLAND, CALIFORNIA

I hereby certify that the foregoing is a full, true and correct copy of a Resolution passed by the City Council of the City of Oakland on DEC 04 2001.

CEDA FLOYD
City Clerk and Clerk of the Council

Per Onetha Middleton *Deputy*

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STATE OF CALIFORNIA)
) ss.
COUNTY OF ALAMEDA)

I, **BRADLEY J. CLARK**, Registrar of Voters for the County of Alameda, State of California, having canvassed the returns of all votes cast in the City of Oakland at the Municipal Election held on Tuesday, March 5, 2002, do hereby certify the following to be a full, true and correct Statement of the Results of all votes cast at said election for and against the following measures:

> Measure F: Shall the salaries of Oakland City Council members be increased ten (10) percent?

YES 21,525 NO 34,236

> Measure G: In order to expand learning opportunities at the Oakland Zoo, Oakland Museum and Oakland's Chabot Space and Science Center, shall the City of Oakland issue $59,000,000 in general obligation bonds at interest rates within the legal limit, to acquire, renovate, improve, construct, and finance existing and additional facilities and to qualify for private matching funds, with all funds raised by this measure staying in Oakland to expand programs and facilities at these institutions?

YES 43,431 NO 14,386

I further certify that the total number of ballots cast in the City of Oakland at said election was 70,193 and attached hereto is a complete statement of the results showing the number of votes cast at each precinct for and against the measures.

I hereby set my hand and my official seal this 25th day of March 2002 at Oakland, California.

Bradley J. Clark

BRADLEY J. CLARK
Registrar of Voters
County of Alameda
State of California

N 076

COUNTY OF ALAMEDA

Sample Ballot and Voter Information Pamphlet

Muestra del Voto 選票樣本

DIRECT PRIMARY ELECTION

NONPARTISAN

TUESDAY, MARCH 5, 2002

POLLS OPEN AT 7 A.M. AND CLOSE AT 8 P.M.

TAKE THIS SAMPLE BALLOT TO THE POLLS
AND PRE-MARK IT TO AVOID DELAY

WARNING: THE LOCATION OF YOUR POLLING PLACE MAY HAVE CHANGED

SEE BACK COVER FOR YOUR POLLING PLACE LOCATION AND ABSENTEE BALLOT REQUEST

VEA EN LA CUBIERTA POSTERIOR SU LUGAR DE VOTACION, LA SOLICITUD PARA BALOTA DE VOTANTE AUSENTE Y LA SOLICITUD PARA UNA MUESTRA DEL VOTO EN ESPAÑOL.

有關你的投票站地點，索取中文選票樣本

及缺席選票申請表資料，請參閱封底。

WHEREAS, Oakland City Charter Section 202 required the Oakland Public Ethics Commission ("Commission") to establish a base salary for City Councilmembers in 1997; and, thereafter in every odd-numbered year, to review and adjust City Councilmember salaries in an amount not to exceed 10 percent of the base salary; and

WHEREAS, after substantial study and review, the Commission took action at its regular meeting of October 20, 1997, to establish the base salary for City Councilmembers in the amount of $60,000 per year; and

WHEREAS, total City Councilmember compensation currently includes a benefit package commensurate with other fulltime City employees; and

WHEREAS, in November, 1998, Oakland City Charter Section 202 was amended to provide that no increase in City Councilmember compensation shall take effect unless it has been approved by a vote of the people; and

WHEREAS, no review of City Councilmember salaries took place in 1999; and

WHEREAS, between November, 1997, and July, 2001, the City of Oakland provided contractual wage increases to city employees totaling thirteen (13) percent, and

WHEREAS, the Consumer Price Index (CPI) for the San Francisco Bay Area increased by slightly more than fifteen (15) percent during approximately the same period; and

WHEREAS, the Commission intended to maintain the existing base salary for Oakland City Councilmembers against increases in the cost of living to the maximum extent provided by Oakland City Charter Section 202;

WHEREAS, on October 1, 2001, the Commission set a 10% increase in the base salary for Oakland City Councilmembers, and requested that the City Council place the issue on the ballot for approval by a vote of the people; NOW THEREFORE BE IT

RESOLVED, the Oakland City Council places on the ballot for public approval the question of whether the 10 percent salary adjustment adopted by the Commission shall take effect.

following proposed Ordinance to be voted upon by the qualified electors of the City of Oakland at the Statewide Primary Election to be held in the City of Oakland on Tuesday, March 5, 2002:

PROPOSED BOND MEASURE

A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS

CITY OF OAKLAND BOND MEASURE	
G **MEASURE G:** In order to expand learning opportunities at the Oakland Zoo, Oakland Museum and Oakland's Chabot Space & Science Center, shall the City of Oakland issue $59,000,000 in general obligation bonds at interest rates within the legal limit, to acquire, renovate, improve, construct, and finance existing and additional facilities and to qualify for private matching funds, with all funds raised by this measure staying in Oakland to expand programs and facilities at these institutions?	BONDS YES BONDS NO

CITY ATTORNEY'S IMPARTIAL ANALYSIS OF MEASURE G

Measure G submits to the voters of the City of Oakland the question whether general obligation bonds in the amount of 59 million dollars should be issued. The bonds would be repaid by a supplemental property tax. This tax would be based upon the assessed value of real property and improvements within the City and is known as an "ad valorem" tax. This measure would impose a supplemental ad valorem property tax specifically levied in each year to pay interest on the bonds and a portion of the principal of the bonds.

Proceeds of the bonds would finance the acquisition, renovation, improvement, and construction of additional educational facilities at the Oakland Museum of California, the Oakland Zoo, and the Chabot Space & Science Center, and would finance and/or reimburse certain prior expenditures relating to existing, prior and/or future capital improvements at these facilities. Any portion of the bond proceeds used to reimburse prior expenditures would not be used to construct new facilities.

A "Yes" vote is a vote in favor of authorizing the issuance of general obligation bonds and the levying of the supplemental ad valorem property tax.

A "No" vote is a vote against the issuance of the bonds and supplemental ad valorem property tax levy.

Although the law does not prohibit issuance of bonds to reimburse prior expenditures, no cases were found that address this issue.

The interest on bonds issued by the City is generally exempt from federal income taxes. The federal tax law contains rules limiting the use of bond proceeds to reimburse prior capital expenditures. Because a portion of the bond proceeds for the Chabot Space & Science Center would reimburse prior expenditures, the City and the Chabot Center must comply with these rules in order for the interest on the portion of the bonds being used for reimbursement to be tax-exempt. These rules require that the City or the Chabot Center demonstrate that prior to making the expenditures it took action evidencing its intention to issue bonds in the future for that facility. Otherwise, the portion of the bonds used for reimbursement of prior expenditures would not be tax-exempt and the interest rate on those bonds would be higher and could result in a higher annual supplemental ad valorem property tax levy.

Measure G is submitted to the voters of the City in accordance with the Constitution of the State of California and requires a "Yes" vote by two-thirds (2/3) of the voters voting on the measure for passage.

s/JOHN A. RUSSO
City Attorney

TAX RATE STATEMENT FOR MEASURE G

An election will be held in the City of Oakland (the "City") on March 5, 2002, to authorize the sale of up to $59,000,000 in bonds of the City to finance facility improvements at the Oakland Museum of California, Chabot Space & Science Center, and the Oakland Zoo as described in the proposition. If the bonds are approved, the City expects to sell the bonds in three (3) series. Principal and interest on the bonds will be payable from the proceeds of tax levies made upon the taxable property in the City. The following information is provided in compliance with Sections 9400-9404 of the Elections Code of the State of California.

1. The best estimate of the tax which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the first series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is 0.46 cents per $100 ($4.60 per $100,000) of assessed valuation in fiscal year 2003-04.
2. The best estimate of the tax rate which would be required to be levied to fund this bond issue during the first fiscal year after the sale of the last series of bonds, based on estimated assessed valuations available at the time of filing of this statement, is 1.33 cents per $100 ($13.30 per $100,000) of assessed valuation in fiscal year 2009-10.
3. The best estimate of the highest tax rate which would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing of this statement, is 1.37 cents per $100 ($13.70 per $100,000) of assessed valuation in fiscal year 2010-11.
4. The best estimate of the average tax rate which would be required to be levied to fund this bond issue, based on estimated assessed valuations available at the time of filing of this statement, is 0.79 cents per $100 ($7.90 per $100,000) of assessed valuation in fiscal year 2010-11.

Voters should note that estimated tax rate is based on the *ASSESSED VALUE* of taxable property on the official tax rolls, *not* on the property's market value. Property owners should consult their own property tax bills to determine their property's assessed value and any applicable tax exemptions.

Attention of all voters is directed to the fact that the foregoing information is based upon the City's projections and estimates only, which are not binding upon the City. The actual tax rates and the years in which they will apply may vary from those presently estimated, due to variations from these estimates in the timing of bond sales, the amount of bonds sold and market interest rates at the time of each sale, and actual assessed valuations over the term of repayment of the bonds. The dates of sale and the amount of bonds sold at any given time will be determined by the City based on need for construction funds and other factors. The actual interest rates at which the bonds will be sold will depend on the bond market at the time of each sale. Actual future assessed valuation will depend upon the amount and value of taxable property within the City as determined in the annual assessment and the equalization process.

s/ROBERT C. BOBB
City Manager

CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE G

Passage of this measure will grant voters' approval for the proposed issuance by the City of $59,000,000 in general obligation bonds for Oakland's Zoo, Museum, and Chabot Space & Science Center improvements.

Passage of this measure will increase the cost of City government by an estimated average of $4,153,000 per year over the 30-year term of the bond as a result of bond issue expenses and debt service payments. The total debt service payments and bond issue expenses on this bond issue of $59,000,000 is projected at $124,600,000.

s/ROLAND E. SMITH, CPA
City Auditor

ARGUMENT IN FAVOR OF MEASURE G

Over 35,000 Oakland residents signed petitions to place Measure G on the ballot to improve the Oakland Museum, Zoo and Chabot Space and Science Center. These three Oakland institutions are used by Oakland residents of all ages.

Due to budget cuts in schools, many Oakland teachers supplement science, math and fine arts curriculum with hands on learning opportunities at the Museum, Zoo and Science Center. Children can study California history or learn about preserving the environment and protecting animal habitats. Students of all ages are able to study astronomy and mathematics and learn how science affects each of them.

Measure G will:

- increase educational programs at the Museum by adding exhibits, an art studio, a natural sciences classroom, an aquatic biology lab, and a learning center;
- construct four new science classrooms at the Science center to support increasing demand from Oakland schools lacking these critical facilities
- renovate the children's zoo and develop a 40-acre natural environment of native plants and animals emphasizing preservation of California's ecological heritage
- provide structural improvements for safety and accessibility

For many Oakland residents these three facilities provide a superior cultural experience at a nominal cost. Many programs are free for children or those on limited incomes. Seniors and others volunteer their services and time to keep these valuable institutions open.

Measure G has earned the support of all segments of the Oakland community and has no opposition. The cost (less than $8 per $100,000 of assessed valuation of property) is reasonable and tax deductible. Private matching funds will be raised to reduce the burden on local taxpayers.

All funds raised by Measure G will stay in Oakland to benefit all Oakland children and residents.

Please vote YES on Measure G.

s/SHEILA JORDAN, Superintendent of Alameda County Schools

s/DENNIS K. CHACONAS

s/DICK SPEES, Oakland Councilmember

s/JERRY BROWN

REBUTTAL TO ARGUMENT IN FAVOR OF MEASURE G

Measure G isn't about just $59,000,000 in new debt for Oakland. It's about $124,600,000 including interest over 30 years – an added burden to taxpayers of $4,153,000 per year. Oakland already has the highest average tax rate in the county, one of the highest in the state! According to the most recent State of California CAFR report, every man, woman and child in Oakland owes $4,167, the highest per capita debt in the state! The City and redevelopment agency have, as of July, $1,700,908,829 debt. That's BILLION, and it doesn't include overlapping debt of other agencies that appears on your tax bill.

Measure G is not a "mom and apple pie" issue, despite cynical efforts to use the catchword "education." It's a scheme to provide special extras for elite agencies which should be funded, over time, from already lavish taxpayer support – if they can stand up to scrutiny.

City funding should be decided on basic needs and service to the general public, not political posturing. More bonded debt means higher taxes and subsequent higher costs of goods, services and rents!

Oakland voters deserve a choice! These three agencies that covet taxpayer money should offer their wish-lists separately, to stand or fall on merit. We shouldn't have to take three if we only like one!

Don't pay for bells and whistles when basic needs aren't being met! Aren't your taxes high enough? VOTE NO ON MEASURE G!

s/ARTHUR B. GEEN
Executive Vice President, Alameda County Taxpayers Association

ARGUMENT AGAINST MEASURE G

THIS IS NOT THE RIGHT TIME!

There's an officially-declared recession, unemployment is at frightening levels, businesses are going under, and there are enormous money-demands to preserve safety and carry on the fight against terrorism.

This is not the time to burden Oakland taxpayers with a $59,000,000 bond issue with its resultant higher property taxes and rents. Oaklanders are among the highest taxed, and we're already deeply in debt for other bonds.

We simply cannot afford another punishing load of bond debt, or another increase in taxes. We need to tighten our belts, not continue the spending spiral!

THIS IS NOT THE RIGHT WAY!

This proposed bond issue, Measure G, is a cynical political scheme – combining the non-essential wish-lists of three entities into one. Oaklanders who might be sympathetic to one institution would be forced to support with dollars the bells and whistles coveted by the other two. Each of these entities should prepare a defensible bond request and submit it separately to the voters.

Oakland voters deserve that right of choice!

These institutions already receive taxpayer funding, and these self-indulgent wish-lists should, over time, be funded in the normal process, if they bear scrutiny.

Alameda County Taxpayers Association, and others concerned with Oakland's financial stability, urge you to VOTE NO ON MEASURE G!

s/ARTHUR B. GEEN,
Executive Vice President, Alameda County Taxpayers Association

REBUTTAL TO ARGUMENT AGAINST MEASURE G

The opponent of Measure G is using scare tactics to sidestep the real needs of our community. Here are the facts.

1. Due to severe budget cuts, Oakland's children need the Museum, Zoo and Chabot Space and Science Center to supplement their education.
2. With further budget cuts on the horizon, Oakland's teachers will rely on these three institutions to provide hands on learning opportunities in the sciences, math and fine arts.
3. Over 35,000 Oakland residents disagree with our opponent and have already voiced their support for Measure G by signing a petition allowing it to be placed on the ballot.
4. All funds raised by Measure G will stay in Oakland to benefit all Oakland children and residents.

Measure G has earned the support of all segments of the Oakland community and is a reasonable, frugal proposal that will provide for the most critical of needs. There are no frills and no expensive "wish lists". The yearly cost of Measure G is modest, less than $8 per $100,000 of assessed valuation of property. Private matching funds will be raised to reduce the burden on local taxpayers.

The economic future and quality of life in our community are dependent on residents investing in good schools and superior cultural institutions. Please vote YES on Measure G.

s/DENNIS K. CHACONAS
Superintendent of Oakland Unified School District

s/JERRY BROWN, Mayor of Oakland

WHEREAS, the City Clerk of the City of Oakland has certified to the Oakland City Council that petitions for a proposed initiative charter amendment entitled ***"A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS"*** has been accompanied by verified signatures of ten (10%) percent of the registered electors of the City; and

WHEREAS, consistent with the Elections Code and the Oakland City Charter, the City Council may submit the certified petitions without alteration to the City's voters at the next regular municipal election occurring not less than eighty-eight (88) days after the City Clerk certifies the results of the examination of the signatures; and

WHEREAS, the next regular municipal election at which this proposed initiative bond measure can be voted upon will occur on Tuesday, March 5, 2002; and

WHEREAS, the City Council does hereby submit to the qualified electors of the City of Oakland a proposed initiative bond measure entitled ***"A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 IN GENERAL OBLIGATION BONDS FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS"*** to be voted upon at the Nominating Municipal Election consolidated with the Statewide Primary Election to be held on Tuesday, March 5, 2002, **Now Therefore** be it

RESOLVED: That the proposed bond measure text shall read as follows:

A MEASURE AUTHORIZING THE ISSUANCE OF $59,000,000 FOR OAKLAND'S ZOO, MUSEUM AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENTS GENERAL OBLIGATION BONDS

Be it ordained by the People of the City of Oakland:

Section 1. The People of the City of Oakland find and declare as follows:

a. The City of Oakland (the "City") is a culturally rich and diverse area; and

b. Three outstanding public facilities in the City which are uniquely qualified to nurture, develop, enrich, and significantly contribute to meeting the ever expanding educational needs of a dynamically growing and diverse population are the Oakland Museum of California, The Oakland Zoo, and the Chabot Space & Science Center; and

c. High quality educational experiences provided by the Oakland Museum of California, The Oakland Zoo and Chabot Space & Science Center, are highly effective in helping teachers and motivating students in the City of Oakland to achieve the high standards of educational performance needed to meet the expanding needs of a diverse and technologically sophisticated society; and

d. Over the years, the City has been unable to sufficiently fund the Oakland Museum of California, The Oakland Zoo, and the Chabot Space & Science Center to enable each of these facilities to reach its full potential in serving the many education needs of the City's population; and

e. The People have determined at the March 5, 2002 General Municipal Election to authorize the issuance of general obligation bonded indebtedness in the amount of $59,000,000 to acquire, renovate, improve, and construct additional educational facilities at the Oakland Museum of California, The Oakland Zoo, and the Chabot Space & Science Center, and to finance and/or reimburse prior expenditures relating to existing and/or future improvements at these facilities, and all other costs necessary or convenient for the foregoing purposes, which improvements may include but not be limited to the following:

The Oakland Museum of California: The Oakland Museum of California will undergo the first major renovation since it was built over 30 years ago, in order to expand educational programming and opportunities for a larger and more diverse population of students and visitors (the "Museum Project").

1. A major expansion, reinstallation, and renovation of the History Gallery, the Art Gallery, and the Natural Sciences Gallery to reflect the changing faces and environment of California and include new information, interactive technologies and multicultural, multilingual presentations;

2. Additional classrooms and studios that will triple dedicated education space and include an art studio, science classroom, aquatic biology lab, and a learning center that serves teachers and family programs;

3. Improvements in visitor services facilities including main entrance, centralized admissions and visitor orientation, way finding, school group entrance, student lunch area, and restaurant and gift shop;

4. Acquisition and renovation of collection management facilities; and

5. Other related capital improvements.

The Oakland Zoo: The Oakland Zoo will (i) redevelop the Children's Zoo area in the existing Zoo grounds, and (ii) develop a new 40-acre exhibit of California native plants and animals, including the grizzly bear, grey wolf, and bob cat, called "Wild California" in order to educate Californians about their natural heritage and how to preserve and conserve it. The redevelopment of the Children's Zoo and the development of Wild California are collectively referred to as the "Zoo Project."

1. The "Wild California" exhibit, focusing on conservation of California native plants and animals, will include construction of roadways, trails, animal exhibits and nighthouses, landscaping, tram facilities, infrastructure (sewer, gas, water, & electricity), additional parking, and visitor amenities;

2. Development of a new California Interpretive Center within the new Wild California exhibit area will educate visitors about California's nat-

ural heritage and the challenges to conservation;

3. The redeveloped Children's Zoo area would provide improved disabled access to and totally renovate the Children's Zoo, replacing aged and obsolete facilities with new, modern and creative improvements which will stimulate the imaginations and enhance the quality of experience for children and other visitors of the Children's Zoo as they interact with, observe, and learn about the resident animals; and

4. Other related infrastructure improvements.

Chabot Space & Science Center: Chabot Space & Science Center will add a new building and reconfigure and finance existing spaces (the "Science Center Project") to allow more students to participate in the science education programs and to create the capacity to teach in-depth, long-term courses for students and teachers.

1. Four new classrooms and laboratories for astronomy, science, media and computer instruction;

2. Student program, assembly, eating spaces; teacher preparation areas; and related office, shop and storage space;

3. Expansion of outdoor telescope viewing areas and exhibit spaces; and

4. Financing for other related existing or prior capital improvements.

Section 2. This proposition is hereby submitted to the electors of the City for the purpose of enabling the City to incur bonded indebtedness in the aggregate principal amount of $59,000,000 for all of the projects described in Section 1 above to be allocated to each of the projects (after deducting therefrom the cost of issuance of such bonded indebtedness) as follows:

a. $23,600,000 for the Museum Project;

b. $23,600,000 for the Zoo Project; and

c. $11,800,000 for the Science Center Project.

Section 3. The estimated cost of each of the projects are as follows:

a. $49,000,000 for the Museum Project;

b. $39,500,000 for the Zoo Project; and

c. $12,500,000 for the Science Center Project.

The Museum Project, the Zoo Project and the Science Center Project each expect to raise the remaining costs of construction through private donations and other sources.

Section 4. The General Municipal Election on March 5, 2002, shall be held and conducted and the votes thereafter received and canvassed, and the returns thereof made and the results thereof ascertained, determined and declared as herein provided and in all particulars not herein recited such election shall be held according to the laws of the State of California, the Charter of the City (the "Charter"), and such laws of the City duly enacted by the City Council of the City providing for and governing elections in the City, and the polls for such election shall be and remain open during the time required by such laws.

Section 5. On the ballots to be used at the General Municipal Election, in addition to any other matter required by law to be printed thereon, shall appear the following as a separate proposition:

"OAKLAND'S ZOO, MUSEUM, AND CHABOT SPACE & SCIENCE CENTER IMPROVEMENT GENERAL OBLIGATION BOND, 2002. In order to expand learning opportunities at the Oakland Zoo, Oakland Museum and Oakland's Chabot Space and Science Center, shall the City of Oakland issue $59,000,000 in general obligation bonds at interest rates within the legal limit, to acquire, renovate, improve, construct, and finance existing and additional facilities and to qualify for private matching funds, with all funds raised by this measure staying in Oakland to expand programs and facilities at these institutions?

Each voter to vote in favor of the issuance of the foregoing bond proposition shall punch the ballot card in the hole after the word "YES" to the right of the proposition, and to vote against the proposition shall punch the ballot card in the hole after the word "NO" to the right of the proposition. If and to the extent that a numerical or other system is used at such General Municipal Election, each voter to vote in favor of the proposition shall mark the ballot card or equivalent device after the number or in the location corresponding to a "YES" vote for the proposition and to vote against the proposition shall mark the ballot card or equivalent device after the number or in the location corresponding to a "NO" vote for the proposition.

Section 6. If at the General Municipal Election of City of March 5, 2002, it shall appear that two-thirds of all the voters voting on the proposition voted in favor of and authorized the incurring of bonded indebtedness for the purposes set forth in this proposition, then this proposition shall have been accepted by the electors, and bonds authorized thereby shall be issued upon the order of the City Council. Such bonds shall bear interest at a rate not to exceed twelve percent (12%) per annum.

The votes cast for and against the proposition shall be counted separately and when two-thirds of the qualified electors, voting on the proposition, vote in favor thereof, the proposition shall be deemed adopted.

Section 7. For the purpose of paying the principal and interest on the bonds, the City Council of City shall, at the time of fixing the general tax levy and in the manner for such general tax levy provided, levy and collect annually each year until such bonds are paid, or until there is a sum in the Treasury of the City set apart for that purpose to meet all sums coming due for the principal and interest on the bonds, a tax sufficient to pay the annual interest on such bonds as the same becomes due and also such part of the principal thereof as shall become due before the proceeds of a tax levied at the time for making the next general tax levy can be made available for the payment of such principal.

Section 8. No City administrative, staff, or any other charge (except for the actual cost of issuance of the bonds) will be deducted from the bonds authorized hereunder for the Museum Project, the Zoo Project, or the Science Center Project.

Section 9. Each of the projects for which the bonds are hereby authorized shall be administered and managed as follows:

a. The Museum Project shall be administered and managed by the Oakland Museum of California Foundation;

b. The Zoo Project shall be administered and managed by the East Bay Zoological Society; and

c. The Science Center Project shall be administered and managed by the Chabot Space & Science Center Foundation.

Section 10. The City shall deposit all bond proceeds authorized hereunder in segregated accounts for each of the Museum Project, the Zoo Project, and the Science Center Project, and interest on the bond proceeds in each account shall accrue to the benefit of the project for which the account is established from the date of bond issuance to the date funds are drawn down for each such project by the entity administering and managing each such project.

Section 11. It is the intent of the People of the City of Oakland that the passage of this proposition and the issuance of the bonded indebtedness authorized hereunder shall not be the basis for any reduction in current City funding levels, City commitments, or other City support to each of the Oakland Museum of California, The Oakland Zoo, or the Chabot Space & Science Center.

Section 12. The Oakland Museum of California Foundation (for the Oakland Museum of California), the East Bay Zoological Society (for The Oakland Zoo), and the Chabot Space & Science Center Foundation (for the Chabot Space & Science Center) shall each utilize its own staff to administer and manage the design and construction of each of the projects specified in Section 1 above. The City shall enter into agreements with each entity that (i) limits the amount of expenditures from bond proceeds for project design and administration costs to no more than 15% of total bond proceeds expended for each project and (ii) requires that all construction contracts require the payment of prevailing wages.

The Council of the City of Oakland does hereby submit on its own motion the following proposed Charter Amendment to be voted upon by the qualified electors of the City of Oakland at the Statewide Primary Election to be held in the City of Oakland on Tuesday, March 5, 2002:

PROPOSED CHARTER AMENDMENT

MEASURE PROVIDING FOR ELECTIONS TO FILL VACANCIES OF ONE YEAR OR MORE IN THE OFFICE OF MAYOR, PROVIDING FOR THE VICE-MAYOR OF THE COUNCIL TO FILL A VACANCY OF LESS THAN ONE YEAR, AND AUTHORIZING THE COUNCIL TO APPOINT A PERSON TO FILL A VACANCY OF LESS THAN ONE YEAR, WHO SHALL BE INELIGIBLE TO BE A CANDIDATE FOR THE NEXT FULL TERM, IF THE VICE-MAYOR DECLINES TO SERVE FOR SUCH UNEXPIRED TERM

CITY OF OAKLAND MEASURE	
H **MEASURE H:** Shall the City Charter be amended to provide: (1) elections to fill any vacancy of one year or more in the Office of Mayor, (2) that the Vice-Mayor of the Council shall fill any vacancy of less than one year; and (3) that the Council shall appoint an individual to fill a vacancy of less than one year if the Vice-Mayor declines to serve for such unexpired term?	YES
	NO

CITY ATTORNEY'S BALLOT TITLE AND SUMMARY OF MEASURE H

BALLOT TITLE:

PROPOSED CHARTER AMENDMENT ENTITLED "MEASURE PROVIDING FOR ELECTIONS TO FILL VACANCIES OF ONE YEAR OR MORE IN THE OFFICE OF MAYOR, PROVIDING FOR THE VICE-MAYOR OF THE COUNCIL TO FILL A VACANCY OF LESS THAN ONE YEAR, AND AUTHORIZING THE COUNCIL TO APPOINT A PERSON TO FILL A VACANCY OF LESS THAN ONE YEAR, WHO SHALL BE INELIGIBLE TO BE A CANDIDATE FOR THE NEXT FULL TERM, IF THE VICE-MAYOR DECLINES TO SERVE FOR SUCH UNEXPIRED TERM"

BALLOT SUMMARY:

Currently Vacancies in the Office of Mayor are Filled by Appointment

Under the current City Charter, vacancies in the office of Mayor are filled by appointment, not election. Section 303 of the City Charter provides that the Vice-Mayor of the City Council automatically assumes the office of Mayor when the Council declares a vacancy. That section further provides that the Vice-Mayor shall serve as Mayor until the remaining City Council members, by majority vote, appoint an individual to serve for the balance of the former Mayor's term. The Vice-Mayor is elected by the City Council for a one year

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OAKLAND CA 94612

PROOF OF PUBLICATION

FILE NO.

In the matter of

NOTICE OF ELECTION

The undersigned deposes that he/she is the Public Notice Advertising Clerk of the OAKLAND TRIBUNE, a newspaper of general circulation as defined by Government Code Section 6000, adjudicated as suchby the Superior Court of the State of lifornia, County of Alameda (Order No. 237798, on ecember 4, 1951), which is published and circulated daily in said county and state, seven days a week.

The PUBLIC NOTICE

was published in every issue of the OAKLAND TRIBUNE on the following date(s):

12/13/01

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

June E. Howard

Public Notice Advertising Clerk

Legal No. J0035073

CITY OF OAKLAND

NOTICE OF ELECTION

CALL FOR DIRECT ARGUMENTS FOR AND AGAINST MEASURES AND REBUTTALS

NOTICE IS HEREBY GIVEN that Direct Arguments For or Against the following measures to be submitted to the qualified electors of the City of Oakland at the Municipal Nominating Election consolidated with the Statewide Primary Election to be held on Tuesday, March 5, 2002, are due for filing in the Office of the City Clerk no later than 5:00 p.m., Thursday, December 20, 2001.

Measure D, submitted to the qualified electors of the City of Oakland on the City Council's own motion, will appear on the ballot as follows:

Proposed Charter Amendment

Measure entitling the Vice Mayor of the council to return to his/her council seat when the Vice-Mayor fills a vacancy in the office of Mayor in accordance with the requirements of City Charter Section 303, which provides the procedure for filling of Mayoral vacancies

MEASURE D

Measure D Shall Oakland City Charter section 205, which requires elections to fill Council vacancies, be amended to provide that the Vice Mayor of the Council shall not be required to run for his/her Council seat and shall be entitled to return to his/her Council seat when a vacancy occurs in his/her office by virtue of his/her assumption of the office of Mayor due to a mayoral vacancy?	Yes
	No

Measure E, submitted to the qualified electors of the City of Oakland on the City Council's own motion, will appear on the ballot as follows:

Proposed Charter Amendment

Measure amending the City Charter to specify qualifications, terms, and powers of the office of the elected City Attorney, to provide for the filling of vacancy of the office of the elected City Attorney and, to provide that, if the voters decide not to retain the changes related to Measure X, the City Attorney elected in 2004 will serve a full four-year term

MEASURE E

Measure E Shall the City Charter be amended to specify the qualifications, terms, and powers of the office of the elected City Attorney, to provide for the filling of vacancy of the office of the elected City Attorney and, to provide that, if the voters decide not to retain the changes related to Measure X, the City Attorney elected in 2004 will serve a full four-year term?	Yes
	No

Measure F, submitted to the qualified electors of the City of Oakland on the City Council's own motion, will appear on the ballot as follows:

Measure regarding a 10% salary increase pursuant to City Charter Section 202

MEASURE F

Measure F Shall the salaries of Oakland City Council members be increased ten (10) percent?	Yes
	No

Measure G, submitted to the qualified electors of the City of Oakland by the Initiative Process, will appear on the ballot as follows:

Proposed Bond Measure

Measure authorizing the issuance of $49,000,000 in General Obligation Bonds for Oakland's Zoo, Museum and Chabot Space & Science Center Improvements

MEASURE G

Measure G In order to expand learning opportunities at the Oakland Zoo, Oakland Museum and Oakland's Chabot Space and Science Center, shall the City of Oakland issue $59,000,000 in general obligation bonds at interest rates within the legal limit, to acquire, renovate, improve, construct, and finance existing and additional facilities and to qualify for private matching funds, with all funds raised by this measure staying in Oakland to expand programs and facilities at these institutions?	Yes
	No

Measure H, submitted to the qualified electors of the City of Oakland on the City Council's own motion, will appear on the ballot as follows:

Proposed Charter Amendment

[illegible]

MEASURE H

10

NEW ISSUE, BOOK-ENTRY ONLY

Ratings: Moody's: "A1"
S&P: "A+"
Fitch: "A+"
See "RATINGS" herein

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 5, 2006

In the opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, Bond Counsel, under existing law and assuming continuing compliance with certain covenants and the accuracy of certain representations,(i) interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$21,000,000
City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

Dated: date of original issuance **Due: January 15, as shown below**

The $21,000,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2006 Measure G) (the "Bonds"), are being issued under the Government Code of the State of California and the Charter of the City of Oakland (the "City"). The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council of the City on May 2, 2006. See "THE BONDS--Authority for Issuance." The proceeds of the Bonds will be used for the construction and reconstruction of various improvements as described herein, and to pay for certain costs related to the issuance of the Bonds.

The Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by The Bank of New York Trust Company, N.A., as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "APPENDIX E--BOOK-ENTRY ONLY SYSTEM." The Bonds will be dated and bear interest from the date of original issuance. Interest on the Bonds will be payable semiannually on July 15 and January 15 of each year, commencing January 15, 2007. The Bonds will be subject to optional redemption prior to their respective stated maturities as described herein. See "THE BONDS--Redemption."

The Bonds represent the general obligation of the City. The City Council of the City has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City without limitation as to rate or amount (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

MATURITY SCHEDULE*

Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield**	CUSIP**±	Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield**	CUSIP**±
2007					2017				
2008					2018				
2009					2019				
2010					2020				
2011					2021				
2012					2022				
2013					2023				
2014					2024				
2015					2025				
2016					2026				

$ __________ ____% Term Bonds Due January 15, 20__ to yield** ____% CUSIP**±
$ __________ ____% Term Bonds Due January 15, 20__ to yield** ____% CUSIP**±

The Bonds are offered when, as, and if issued by the City and accepted by the purchasers, subject to the legal opinion regarding the Bonds by Squire, Sanders & Dempsey L.L.P., San Francisco, Bond Counsel. Certain legal matters will be passed upon for the City by its City Attorney. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC, on or about June 28, 2006.*

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision.

BIDS TO BE RECEIVED BY 9:30 A.M., CALIFORNIA TIME, JUNE 14, 2006
SEE "OFFICIAL NOTICE INVITING BIDS" POSTED SEPERATELY ALONG WITH THIS PRELIMINARY OFFICIAL STATEMENT

Dated______________, 2006

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* Preliminary, subject to change.

** Initial reoffering prices and CUSIP numbers were provided by the Underwriter

± Copyright 2006, American Bankers Association, CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. Neither the City nor the underwriter take ay responsibility for the accuracy of such numbers.

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

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Bonds. 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. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. A wide variety of information, including financial information, concerning the City is available from the City, City departments and agencies, and their respective publications and websites. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

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

This Official Statement is submitted in connection with the initial sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents and laws herein are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements." The achievement of certain results or other expectations or performance contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL 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.

CITY OF OAKLAND

MAYOR

EDMUND G. BROWN, JR.

CITY COUNCIL

Ignacio De La Fuente, *President*
District 5

Delsey Brooks
District 6

Henry Chang, Jr.
At-Large

Larry Reid
District 7

Jean Quan, *Vice Mayor*
District 4

Nancy Nadel
District 3

Jane Brunner
District 1

Patricia Kernighan
District 2

CITY OFFICIALS

Deborah A. Edgerly, *City Administrator*
Cheryl A.P. Thompson, *Assistant City Administrator*
Roland E. Smith, *City Auditor*
John Russo, *City Attorney*
LaTonda Simmons, *City Clerk*
William E. Noland, *Director, Finance and Management Agency*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

Squire, Sanders & Dempsey L.L.P.
San Francisco, California
Bond Counsel

Public Financial Management, Inc.
San Francisco, California
Financial Advisor

The Bank of New York Trust Company, N.A.
San Francisco, California
Fiscal Agent

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$21,000,000
City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

INTRODUCTION

The purpose of this Official Statement (including the cover page and appendices attached hereto) is to provide certain information concerning the initial issuance, sale and delivery by the City of Oakland, California (the "City") of the City of Oakland General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Resolution and Fiscal Agency Agreement (each defined below).

The Bonds are general obligations of the City. The City Council of the City (the "Council") has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of said Bonds and the interest thereon. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." For information on the City's tax base, tax collection system and property tax revenues, see "SECURITY FOR THE BONDS" and "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

THE BONDS

Authority for Issuance

The Bonds are issued under provisions of the Government Code of the State of California and the Charter of the City. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the Council on May 2, 2006 (the "Resolution"). Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (together with any successors, the "Fiscal Agent"). The Fiscal Agent will serve as the Paying Agent on the Bonds.

The Bonds constitute the second and final series of bonds to be issued from the total authorized amount of $59,000,000 of bonds ("Authorized Bonds") duly approved by at least two-thirds of the voters voting on Measure G at the City election held on March 5, 2002 (the "Authorization") to provide funds to finance certain improvements for the Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center. See "THE BONDS -- Purpose." In 2002, the City issued $38,000,000 of the Authorized Bonds.

Purpose

The Bonds are issued by the City to acquire, renovate, improve, construct and finance existing and additional educational facilities for the Oakland Museum of California and the Oakland Zoo.

The Oakland Zoo will expend 40% of proceeds of the Authorized Bonds on the acquisition and construction of new exhibit areas, including, but not limited to the following projects:

New Children's Zoo, which includes a lemur exhibit, a raptor exhibit, an otter exhibit and an insect exhibit. The New Children's Zoo will also include a Sensory Garden where children can smell and touch plants and a new animal contact yard.

Wild California Exhibit, which will feature five native ecological zones – riparian, grassland, chaparral, oak woodland and canyon and related infrastructure.

The Oakland Museum of California will expend 40% of the proceeds of the Authorized Bonds on architectural and structural improvements to its landmark building, enhancing visitor access and use, increasing educational facilities, reinstalling its main exhibition galleries, and providing for better care of collections, including, but not limited to, the following projects:

Enhanced Entrance, which will include seismic upgrades and architectural remodeling to centralize admission and visitor orientation and meet the needs of increasing numbers of schoolchildren.

Expansion of Main Galleries on California history, art and nature will be expanded and reinstalled, making them more relevant to today's audience and using up-to-date exhibit practice and technology.

New Educational Facilities, providing hands-on instruction in natural science.

Care of Collections, by providing improved security, climate control and better access to collections held in storage.

The Chabot Science & Space Center will expend 20% of the proceeds of the Authorized Bonds on the acquisition and construction of other facilities:

New Education Facility, which includes classroom laboratories, a media studio and large meeting space.

Additional Observation Deck Space, which significantly increased outdoor observing deck space for nighttime telescope viewing.

Description of the Bonds

The Bonds are being offered in the denominations of $5,000 or any integral multiples thereof (an "Authorized Denomination") at the purchase price or yields set forth on the cover page hereof. Interest on the Bonds will accrue from the date of initial issuance and will be payable on January 15, 2007 and on each July 15 and January 15 thereafter through January 15, 2036 (each, an "Interest Payment Date"). The Bonds will mature as shown on the cover page hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be initially issued in book-entry only form through DTC's book-entry only system (the "Book-Entry Only System") and the ownership of one fully registered Bond for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Registered Owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds through DTC's Book-Entry Only. For a description of the method of payment of principal of, premium, if any, and interest on the Bonds and matters pertaining to transfers and exchanges while the Book-Entry Only System is in place, see "APPENDIX E -- BOOK-ENTRY ONLY SYSTEM." The City and the Fiscal Agent shall treat the Registered Owner of the Bonds (which will be DTC so long as the Book-Entry Only System is in effect) as the absolute owner of the

Bonds for the purpose of payment of debt service, giving all notices of redemption and all other matters with respect to the Bonds.

Debt Service

Debt service on the Bonds is as follows:

CITY OF OAKLAND
General Obligation Bonds
(Series 2006, Measure G)
Debt Service*

(January 15)	Principal	Interest	Aggregate Debt Service
2007	$	%	$
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
	$21,000,000	$	$

* Preliminary, subject to change.

Redemption

Optional Redemption

The Bonds maturing on or before January 15, 2016* are not subject to redemption prior to maturity. Bonds maturing on or after January 15, 2017*, are subject to optional redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after January 15, 2016*, at the redemption prices in the following table (expressed as percentages of the principal amount of Bonds called for redemption), together with accrued interest to the date fixed for redemption.

Redemption Dates (inclusive)*	Price*
January 15, 2016 and thereafter	100.00%

Right to Rescind Optional Redemption

The City shall have the right to rescind any optional redemption by written notice to the Owner of any Bond previously called for redemption prior to the redemption date. Any notice of optional redemption shall be rescinded if for any reason funds are not available on the date fixed for redemption of the payment in full of the Bonds then called for redemption. Notice of rescission of redemption, whether resulting from the exercise of the City's discretion or from the unavailability of sufficient funds, shall be mailed in the same manner notice of redemption was originally provided. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

*Mandatory Sinking Fund Redemption**

The Bonds maturing on January 15, 20__ are Term Bonds and are subject to mandatory sinking account redemption at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date, without premium, on the dates and in the amounts set forth below:

Bond Maturing January 15, 20__

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 20__	
January 15, 20__	
January 15, 20__*	

*Final Maturity

* Preliminary, subject to change.

Notice of Redemption

The City shall, so long as DTC or its nominee is the registered owner of the Bonds, mail notice of redemption to DTC not less than 30 days and not more than 60 days prior to any redemption date. If for any reason DTC or any other securities depository shall not be engaged by the City with respect to some or all such Bonds, the Fiscal Agent shall give notice of any redemption of the Bonds by mail, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 30 and not more than 60 days prior to any redemption date. See "APPENDIX E -- BOOK-ENTRY ONLY SYSTEM."

The actual receipt by the registered owner of any bond of such notice of redemption, or failure to receive such notice, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the date fixed for redemption.

Defeasance

The Bonds, or portions thereof, may be defeased and deemed paid prior to maturity by irrevocably depositing with the Fiscal Agent or other fiduciary (i) cash in an amount equal to the principal amount of all of such Bonds or portion thereof to be defeased, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as described above under "—Redemption -- Notice of Redemption" or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the redemption date, and any premium due on such redemption date; or (ii) non-callable Defeasance Securities (defined below) not subject to call except as provided below in the definition thereof, maturing and paying interest at such times and in such amounts, together with cash, if required, as will, without reinvestment, as certified by an independent certified public accountant or an independent financial consulting firm of recognized standing in the field of municipal bonds, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the redemption date, as the case may be, and any premium due, on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as described above or an irrevocable election to give such notice shall have been made by the City. Upon such deposit, and provided the City shall obtain verification from such independent accountant or financial consultant, all payment obligations of the City with respect to said Bonds, except to the extent of such deposited cash and/or Defeasance Securities, shall cease and terminate.

Defeasance Securities means any of the following which at the time of purchase are legal investments under the laws of the State for moneys proposed to be invested therein: (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation bonds which have been stripped by request to the Federal Reserve Bank of New York in book-entry form ("United States Obligations"); (ii) evidence of direct ownership of proportionate interests in future interest or principal payments of United States Obligations which meets the following conditions (a) a bank or trust company acts as custodian and holds the underlying United States Obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations and (c) the underlying United States Obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated; and (iii) pre-refunded municipal bonds rated in the highest rating category by each Rating Agency then rating the Bonds; provided that if the Bonds are only rated by S&P (i.e., there is no Moody's or Fitch rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or AAA rated pre-refunded municipal to satisfy this condition.

If cash or Defeasance Securities have been set aside and are held for the payment of principal of any particular Bonds at the maturity date thereof and all interest installments and any redemption premium thereon in accordance with the preceding paragraphs, then such Bonds shall be deemed defeased within the meaning and with the effect as described in the preceding paragraphs.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds, excluding accrued interest, in connection with the Bonds:

Sources	
Principal Amount of Bonds	$21,000,000.00
Reoffering Premium	
Total Sources of Funds	
Uses	
Deposit to Project Fund	
Cost of Issuance[1]	
Underwriter's Compensation	
Total Uses of Funds	

[1] Includes fees for services of rating agencies, financial advisor, bond counsel and other costs.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the City payable from *ad valorem* taxes levied upon all taxable property in the City. The Council has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and interest thereon upon all property within the City that is subject to taxation by the City without limitation as to the rate or the amount (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon. By reason of a constitutional exception for certain voter-approved indebtedness, the City may levy such taxes in an amount sufficient to pay debt service on the Bonds without regard to provisions of the State Constitution otherwise limiting *ad valorem* tax rates of local governments. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such taxes, when collected, will be deposited in the Debt Service Account for the Bonds which will be held by the City and pledged for the payment of the principal of and interest on the Bonds when due.

The annual tax rate will be based on the assessed value of taxable property in the City. Fluctuations in the annual debt service on the Bonds (and other general obligation bonds issued by the City) and in the assessed value of taxable property in the City may cause the annual tax rate to fluctuate. Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other disasters, could cause a reduction in the assessed value of taxable property within the City and necessitate a corresponding increase in the annual tax rate. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- GENERAL FUND REVENUES -- *Property Taxation*" and "-- *Tax Levies, Collections and Delinquencies*" for information on the City's tax base, tax collection system, and property tax revenues.

For a discussion of the City's overall organization, finances and economic information, see generally "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

Outstanding Indebtedness

As of June 1, 2006, the City had outstanding $224,955,000 aggregate principal amount of general obligation bonds, which equals 0.69% of the net assessed valuation projected by the Alameda County Assessor for Fiscal Year 2005-06. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- DEBT OBLIGATIONS -- *Estimated Direct and Overlapping Debt*." On June 15, 2006, the City expects to make scheduled principal payments on its outstanding general obligation bonds in the amount of $5,205,000.

The City has also incurred a number of bonded lease obligations secured by revenues of the City's General Fund and consisting of lease revenue bonds and certificates of participation. As of June 1, 2006, the total principal amount of outstanding lease obligations was $543,813,667, which includes 50% of the Oakland-Alameda County Coliseum Authority Lease Revenue Bonds.

See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" for certain audited financial information with respect to the City as of June 30, 2005.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, acquisition, equipping or leasing of school facilities approved by 55% of the voters voting on the proposition.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is $1.00 per $100 of assessed market value.

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

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

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters (such as the Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each government entity's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two year period exceeds the aggregate limit, the excess must be returned to the government entity's taxpayers through tax rate or fee reductions over the following two years.

Articles XIII C and XIII D of the California Constitution (Proposition 218)

On November 5, 1996, the voters of the State approved Proposition 218 - the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution, which affect the ability of local government, including charter cities (such as the City), to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. General taxes, imposed for general governmental purposes of the City, require a majority vote and special taxes, imposed for specific purposes (even if deposited in the General Fund), require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if they are approved by the voters by November 6, 1998. The voter approval requirements of Article XIII C reduce the Council's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by initiative, repeal or reduce any existing local tax, assessment, fee or charge, or limit the future imposition or increase of any local tax, assessment, fee or charge subject to certain limitations imposed by courts, and additional limitations discussed below with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which could be reduced by initiative under Article XIII C. "Assessment," "fee" and "charge" are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described below) would be applied to Article XIII C. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges.

The State Constitution and the laws of the State impose a mandatory, statutory duty on the Council to levy a property tax sufficient to pay debt service on the Bonds coming due in each year; the initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City with respect to such taxes which are pledged as security for payment of the Bonds.

Legislation adopted by the State Legislature in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the Contracts Clause of the United States Constitution.

Article XIII D contains several new provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" for local services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property, and expressly includes standby charges. Article XIII D also includes new provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a county upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property-related fees and charges must conform to specific requirements and restrictions set forth in Article XIII D. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property-related" for purposes of Article XIII D), no property-related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above. It is not possible to predict the outcome of such determinations or their effect on City revenues.

Statutory Limitation (Proposition 62)

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

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in Santa Clara County Local Transportation Authority v. Guardino (the "Santa Clara" decision), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The Santa Clara decision did not address the question of whether or not Proposition 62 should be applied retroactively nor whether it applies to charter cities, such as the City.

Two cases decided by the California Courts of Appeals in 1993, Fielder v. City of Los Angeles, and Fisher v. County of Alameda, held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

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

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget and approved by the voters in November 2004, 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. 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 annual vehicle license fee rate currently in effect, 0.65% 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 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 City.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D, Proposition 62 and Proposition 1A 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, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications and continuing compliance with certain covenants of the City and of certain users of the facilities financed with the proceeds of the Bonds to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations of the City or such users or the continuing compliance with the covenants of the City or such users.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal opinion as to exclusion of interest on the Bonds from gross income for federal income tax purposes. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS. There can be no assurance that legislation or regulations, enacted or proposed after the date of issuance of the Bonds, will not have an adverse effect on the tax status of interest on the Bonds or the market prices of the Bonds.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

Original Issue Premium

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over a period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Bond) will realize no gain or loss upon the retirement of that Bond.

Owners of Premium Bonds should consult with their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for state and local income tax purposes.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see "TAX MATTERS") are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. The signed legal opinion of Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds will be delivered to the Underwriter at the time of original delivery of the Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth as APPENDIX F. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

Bond Counsel undertakes no responsibility to bondholders for the accuracy, completeness or fairness of this Official Statement. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the City by the City Attorney.

FINANCIAL ADVISOR

Public Financial Management, Inc. is acting as Financial Advisor to the City with respect to the Bonds. The Financial Advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. Because of its limited participation in reviewing this Official Statement, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

ABSENCE OF LITIGATION

No litigation is pending, with service of process having been accomplished or, to the knowledge of the City, threatened, concerning the validity of the Bonds, the corporate existence of the City, or the title of the officers of the City who will execute the Bonds as to their respective offices. The City will furnish to the initial purchaser or purchasers of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds. For a discussion of other litigation involving the City, see "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- LITIGATION"

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City 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 Fiscal Year 2006-07 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally

Recognized Municipal Securities Information Repository and State Repository, if any, or with the DisclosureUSA maintained by the Municipal Advisory Council of Texas or any successor thereto. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX D -- FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchasers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The City has never failed to comply in all material respects with any previous undertakings with regard to such Rule to provide annual reports or notices of material events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report on the City's web site at www.oaklandnet.com. In addition, a wide variety of information concerning the City, including financial information in addition to the City's Comprehensive Annual Financial Report, may be available from time to time from the City, City departments and agencies, and their respective publications and websites. Such information may be derived from a number of other sources which the City or City departments and agencies believe to be reliable; however, no representation can or will be made by the City regarding the truth or accuracy of such other information. Any information that is inconsistent with the information set forth in the City's Annual Reports or notices of material events, should be disregarded. No such information is a part of or incorporated into the City's Annual Reports or notices of material events, except as expressly noted therein.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal year ending June 30, 2005, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias, Gini & Company, LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Macias, Gini & Company, LLP has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any actions intended or likely to illicit information concerning the accuracy, completeness or fairness of the statements in this Official Statement, and no opinion is expressed by Macias, Gini & Company, LLP with respect to any event subsequent to its report dated December 16, 2005.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch"), have given the Bonds ratings of "A1" "A+" and "A+", respectively.

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

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

SALE OF THE BONDS

The Bonds were sold at competitive bid on ___________, 2006, and awarded to _________________________, at a purchase price of $_____________, which is equal to the aggregate principal amount of the Bonds, plus an original issue premium in the amount of $___________, less an Underwriter's discount in the amount of $____________. The Official Notice Inviting Bids provides that all Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice Inviting Bids, the legal opinion of Bond Counsel, and certain other conditions. The Underwriter of the Bonds has represented to the City that the Bonds have been re-offered to the public at the prices or yields stated on the cover page hereof.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to the initial purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution, the Fiscal Agent Agreement, other documents and laws contained herein do not purport to be complete, and reference is hereby made to said documents and laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

All data contained herein have been taken or construction from the City's records and other sources. The appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The appropriate City official will execute a certificate to this effect upon delivery of the Bonds. This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

CITY OF OAKLAND, CALIFORNIA

By: ______________________________
City Administrator

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

GENERAL INFORMATION

Overview

The City of Oakland (the "City") is located in the County of Alameda (the "County") on the east side of the San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay on the west to suburban foothills in the east. Formerly the industrial heart of the San Francisco Bay Area, the City has developed into a diversified financial, commercial and governmental center. The City is also the hub of an extensive transportation network, which includes a freeway system and the western terminals of major railroads and trucking operations, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State of California (the "State").

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City of Oakland became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employees' pension funds; and the creation and organization of the Port of Oakland (the "Port"). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The current Mayor, Jerry Brown, is serving his second consecutive term, which expires in January 2007. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Roland E. Smith, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2009.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City.

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

FINANCIAL INFORMATION

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

In advance of each two-year cycle, the City Administrator and Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

During the off-year of the two-year budget cycle, the City conducts a mid-cycle (end of year one) budget review limited to significant variances in estimated revenue and/or revised mandates arising from Federal, State or court actions.

The City's Adopted Policy Budget for Fiscal Years 2005-06 and 2006-07 was approved on June 21, 2005, and a mid-cycle review will be conducted by the end of Fiscal Year 2005-06. To preserve core programs and services and to minimize the necessity for employee layoffs or service reductions, the City has utilized strategies that reduce the cost of doing business and raise certain fees and fines. At the core of the budget is restructuring and streamlining of City government to maximize the efficient delivery of services while minimizing reductions in such services.

City Financial Statement

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2004-05 was Macias, Gini & Company, LLP.

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

State Budget

Several of the City's revenue streams, including property tax, sales tax and the motor vehicle license fee, are collected or allocated in accordance with State law. In the past, the State has amended such laws, in part to address its own budgetary requirements. The following information concerning the State of California's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City and the City can take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2005-06. The 2005-06 Budget Act was passed by the State Legislature on July 7, 2005 and signed by the Governor on July 11, 2005. The 2005-06 Budget Act authorized $113 billion in spending, of which $90 billion was from the General Fund and $23 billion was from special funds, and reflected an improving State fiscal outlook resulting from better-than-expected growth in General Fund Revenues.

Fiscal Year 2004-05 began with a prior-year balance of $7.3 billion, which amount included approximately $4 billion in amnesty-related payments. General Fund Revenues, including transfers, were estimated to total $79.9 billion in Fiscal Year 2004-05 and $84.5 billion in Fiscal Year 2005-06, which amounts assumed the approximately $1 billion reduction in tax collections for each of Fiscal Year 2004-05 and Fiscal Year 2005-06. The 2005-06 Budget Act includes $525 million in one-time revenues from the refinancing of a previous tobacco-settlement backed bond, a $428 million loan to fund a settlement relating to flood-related damage that occurred in 1986 and the retention of $380 million in transportation-related sales tax proceeds in the General Fund. The 2005-06 Budget Act also included approximately $6 billion in savings and related budget solutions, about one-half of which related to holding 2004-05 Proposition 98 funding at the level set forth in the 2004-05 Budget Act and $450 million of which related to reductions in social services programs.

The repayment of the Vehicle License Fee ("VLF") revenues diverted by the State in fiscal year 2003-04 have been received in fiscal year 2005-06 by the City in the amount of approximately $6.9 million.

The 2005-06 Budget Act included projected expenditures of approximately $81.7 billion in Fiscal Year 2004-05 and approximately $90 billion in Fiscal Year 2005-06. The increase in projected expenditures partly reflected (1) the Proposition 42 transfers, which were deferred in Fiscal Year 2004-05 but fully funded in Fiscal Year 2005-06, (2) the prepayment of the $1.2 billion local government loan in Fiscal Year 2005-06 and (3) increases in both kindergarten through twelfth grade and higher education. The excess of expenditures over revenues in both Fiscal Year 2004-05 and 2005-06 was expected to decrease the General Fund reserve to approximately $1.3 billion by the end of Fiscal Year 2005-06.

According to the LAO, the savings included in the 2005-06 Budget Act would address part of the State's ongoing structural budget shortfalls, but the legally required expenditures would exceed projected revenues by approximately $6.9 billion in Fiscal Year 2006-07, including an $880 million transfer to the Budget Stabilization Account required by Proposition 58. Absent corrective actions, the remaining year-end shortfall projected for Fiscal Year 2006-07 would be approximately $4.8 billion, which amount assumed the availability of the $1.3 billion reserve projected for the end of Fiscal Year 2005-06.

Governor Proposed Budget for Fiscal Year 2006-07. The Governor's revised proposed budget for Fiscal Year 2006-07 was released on May 12, 2006. As a result of a strong California economy and higher than expected state revenues, the Governor's budget proposes additional revenues for California cities. The additional revenues will be used to pay down State debts, and provide additional funding for city programs, such as the Citizens Option for Public Safety (COPS), the juvenile Justice Crime Prevention Act (JJCPA), and local libraries.

The revised proposed budget calls for a prepayment in Fiscal Year 2006-07 of an additional $87 million for the cost of unfunded mandates to local governments (not including school districts). Additionally, the revised budget proposal increases funding to cities for the COPS and JJCPA Programs by a total of $42.6 million, $21.3 million to each program. The City of Oakland's share of these funds is yet to be determined.

In other budgetary areas, the revised budget proposes to fully fund Proposition 42, including prepayment of $920 million of a transportation loan that was borrowed in Fiscal Year 2004-05. This would include $127 million for cities, which would provide approximately $1.74 million for the City of Oakland.

Future State Budgets. No prediction can be made by the City as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on 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 will be affected by national and State economic conditions and other factors over which the City has no control.

City Investment Policy

The authority to invest the City's pooled moneys (the "Pooled Operating Portfolio") is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City expects to adopt an investment policy for Fiscal Year 2006-07 on June 20, 2006. The City Council adopted an investment policy for Fiscal Year 2005-06 on June 21, 2005. The investment policy may be revised by the City Council at any time.

The objectives of the investment policy are to preserve capital, to provide adequate liquidity to meet cash disbursements of the City and to reduce overall portfolio risks while maintaining market rates of return.

Current Investment Portfolio

The City currently maintains approximately $348 million in operating funds, excluding certain restricted special revenue and pension trust funds. The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the investment policy. The composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of April 30, 2006.

Fitch Inc. ("Fitch") has assigned a managed fund credit rating of "AAA" and a market-risk rating of "V-1+" to the City's Pooled Operating Portfolio. Fitch's managed-fund credit ratings are an assessment of the overall credit quality of a fund's portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch's managed-funds market risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market-risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch's managed-fund credit and market risk ratings are based on information provided to Fitch by the City. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

Table 1
City of Oakland
Pooled Operating
Portfolio
April 30, 2006

Investments	Market Value	Book Value	Percent of Portfolio	Term	Days to Maturity	360-Day Equivalent	365-Day Equivalent
Federal Agency Issues - Coupon	$184,220,958.40	$188,601,012.13	54.05%	1,259	525	3.230%	3.275%
Federal Agency Issues - Discount	26,493,650.00	26,493,650.00	7.59	138	124	4.962	5.030
Medium Term Notes	2,996,441.80	3,025,675.00	0.87	730	153	2.712	2.750
Money Market	62,310,000.00	62,310,000.00	17.86	1	1	4.675	4.740
Local Agency Investment Funds	27,000,000.00	27,000,000.00	7.74	1	1	4.379	4.440
Certificates of Deposit	199,000.00	199,000.00	0.06	182	50	3.948	4.003
Commercial Paper - Discount	41,495,581.50	41,329,674.71	11.84	115	102	45.046	5.116
Total/Average	$344,715,631.70	$348,959,011.84	100.00%	762	343	3.919%	3.974%

Source: City of Oakland, Finance and Management Agency.

GENERAL FUND REVENUES

The City's General Fund receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The major General Fund revenues are discussed below.

Property Taxation

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

The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 0.41% of taxes collected for tax collection services provided in Fiscal Year 2004-05.

The State Budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of VLF revenues, and the temporary ERAF transfers (see "FINANCIAL INFORMATION -- *State Budget,*" and "-- *Other Taxes,*" herein).

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

Future assessed valuation growth allowed under Article XIIIA (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 availability to such entities of revenue from growth in tax bases may be affected by the establishment of redevelopment project areas which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

The following table represents a five-year history of assessed valuations in the City:

Table 2
City of Oakland
Assessed Valuations
(in $000s)

Fiscal Year	Local Secured (1)	Utility	Unsecured	Total
2001-02	20,529,197	53,823	2,719,940	23,302,960
2002-03	22,468,401	49,548	2,655,756	25,173,705
2003-04	24,592,384	66,993	2,755,382	27,414,759
2004-05	26,812,360	79,048	2,750,645	29,642,053
2005-06	29,648,879	77,961	2,884,779	32,611,619

(1) Net of exemptions other than homeowners' exemptions.

Source: Alameda County Auditor-Controller.

Tax Levies, Collections and Delinquencies

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

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

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

The City does not participate in a Teeter Plan. The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City. Included in these collections are the City's share of the 1 % tax rate and levies for voter-approved indebtedness.

Table 3
City of Oakland
Property Tax Levies and Collections
(in $000s)

Fiscal Year	City's Share of 1%	Levy Voter-Approved	Total	Total Collected	Percent Collected	Delinquent Collections
2000-01	53,376	42,225	95,601	91,868	96.10	3,733
2001-02	56,947	49,024	105,921	102,119	96.37	3,851
2002-03	61,164	48,441	109,605	105,277	96.05	4,328
2003-04	65,248	61,760	127,008	123,148	96.96	3,860
2004-05	68,095	59,673	127,768	123,859	96.91	3,909

Source: Alameda County Auditor-Controller.

Tax Rates

The City is divided into 33 Tax Rate Areas ("TRAs"). TRA 17-001 is the largest tax rate area in the City. TRA 17-001 provides almost 50% of the City's *ad valorem* revenues and the distribution of its tax rates among the City, the County, and other taxing jurisdictions is typical for most of the City's TRAs. A five-year history of the property tax rates for TRA 17-001 is shown below.

Table 4
City of Oakland
Property Tax Rates (TRA 17-001) [(1)]

Fiscal Year Ended June 30	City of Oakland	Alameda County	Others [(2)]	Total
2002	0.4856	0.1570	0.6817	1.3243
2003	0.4625	0.1570	0.6845	1.3040
2004	0.5054	0.1570	0.6761	1.3385
2005	0.4777	0.1570	0.6710	1.3057
2006	0.4762	0.1570	0.6897	1.3229

(1) Includes the allocation of the 1% basic property tax rate to various taxing entities pursuant to State law (AB 8), as adjusted for transfers to the Education Revenue Augmentation Fund (ERAF). Also includes local levies for voter approved indebtedness.

(2) Includes: Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo. Also includes allocations to ERAF.

Sources: Alameda County, Office of the Auditor-Controller and City of Oakland, Finance and Management Agency.

Principal Property Taxpayers

A summary of the City's Fiscal Year 2005-06 largest secured taxpayers is presented below:

Table 5
City of Oakland
Top Ten Taxpayers, 2005-06 [(1)]

	Property Owner	Type of Business	2005-06 Assessed Valuation	Percentage of Total Assessed Valuation[(1)]
1.	OCC (Oakland City Ctr.) Venture LLC	Office Building	$ 202,490,342	0.68%
2.	Kaiser Foundation Health Plan	Office Building	133,635,543	0.45
3.	Prentiss Properties Acquisition Partners/Prentiss Properties Lake Merritt LLC	Office Building	130,299,001	0.44
4.	Kaiser Center	Office Building	116,687,504	0.39
5.	1800 Harrison Foundation	Office Building	112,647,611	0.38
6.	555 Twelfth Street, Venture LLC	Office Building	108,696,836	0.37
7.	LMP I LLC	Office Building	103,668,725	0.35
8.	Clorox Company	Office Building	91,935,112	0.31
9.	KSL Claremont Resort Inc.	Hotel	82,535,524	0.28
10.	Sodalite LP	Office Building	64,7500,00	0.22
	Cumulative Sub-total		$ 1,152,451,291	3.87%

(1) City of Oakland 2005-06 Local Secured Assessed Valuation: $29,648,879,226.

Source: California Municipal Statistics, Inc.

Other Taxes

The City's General Fund has seven other sources of taxes, in addition to property taxes. They are sales and use, utility consumption, business license, real estate transfer, transient occupancy, motor vehicle in lieu, and parking taxes.

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

The City's General Fund also receives as a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993 for public safety. The City also receives a portion of the 0.50% countywide transportation sales tax, which are deposited in a special revenue fund.

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

Business License. The City's business license tax is charged annually to businesses based in the City, and is applied to gross receipts or payroll, depending on the type of business. The business license tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts, and is 0.048% when applied to payroll.

Real Estate Transfer. Real estate transfer tax revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a county portion: 0.11 % is allocated to Alameda County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. Recently, Real Estate Transfer Tax revenues have exceeded budgeted expectations, but it is unlikely that such revenues will be sustained at current levels.

Transient Occupancy. The transient occupancy tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn or other lodging facility, and is collected by the lodging facility operator, who then remits the collected tax to the City. The City's TOT rate is 11%.

Motor Vehicle In Lieu Fee. Motor vehicle license fees ("VLF") are collected by the State in lieu of property taxes on vehicles and apportioned to cities and counties based on their population. The fee applies to all vehicles subject to registration in the State.

In 1999, the State started implementing a gradual, multi-phase reduction in the VLF fee, backfilling lost local receipts out of its general fund. As part of the State's Fiscal Year 2004-05 Budget, the VLF rate was permanently reduced to 0.65%, with the lost revenue replaced by an incremental allocation of property tax. The City received approximately $6.9 million from the State in July 2005 for its share of the VLF payment.

Parking. The City's parking tax is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate is 10 % and is applied to the gross receipts of parking facility operators.

General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. The City's fiscal year ends on June 30.

Table 6
City of Oakland
Revenues and Expenditures
General Fund
(in $000s)

	Fiscal Years				
Revenues	2000-01	2000-02	2002-03	2003-04	2004-05
Taxes					
Property [1]	$95,440	$94,306	$114,742	$109,927	$143,436
Sales and Use	42,256	38,447	38,162	36,464	41,
Motor Vehicle In-Lieu	21,361	22,854	24,259	18,178	9,6
Business License	38,738	42,094	42,020	44,243	43,
Utility Consumption	48,703	49,547	46,581	48,056	49,
Real Estate Transfer	38,309	37,272	42,088	55,665	77,
Transient Occupancy	12,766	10,530	10,863	9,857	10,926
Parking	6,762	7,525	8,242	9,799	7,029
Franchise	10,396	10,944	10,824	11,592	11,
Total Taxes	314,731	313,519	337,781	343,761	395,231
Licenses and Permits	11,418	11,738	13,074	13,453	15,
Traffic Fines and Various	16,150	12,277	18,543	26,817	24,
Interest Income (Loss) [2]	6,530	11,442	16,996	(5,100)	20,
Revenue from Current Services	40,962	48,442	51,708	56,883	66,375
Grant Revenue	5,385	2,842	1,794	2,147	591
Other Revenue, incl. Transfers	11,056	14,025	17,927	23,276	21,896
Annuity Income	--	16,568	15,851	--	--
Total Revenues	$406,232	$434,899	$473,674	$461,237	$545,222
Expenditures					
General Government [3]	$44,110	$47,219	$44,251	$51,673	$53,433
Public Safety [4]	207,392	225,407	238,568	247,630	262,081
Public Works [5]	24,185	26,052	23,261	27,475	28,909
Life Enrichment [6]	37,149	36,320	37,526	41,359	37,581
Economic and Community Development [7]	20,288	22,512	26,701	20,152	18,902
Other [8]	33,112	28,889	21,353	24,902	31,237
Transfers/other sources and uses	364	--	--	-	
Total Expenditures	$366,600	$386,399	$391,660	$413,191	$432,143
Excess of Revenues and Other Sources over Expenditures and Other Uses	$ 39,362	$ 48,500	$ 82,014	$ 48,046	$113,079

(1) Includes voter-approved tax override for pension obligation, but excludes tax levy for general obligation bonds.
(2) Loss relates to mark-to-market accounting.
(3) Includes elected and appointed officials, general governmental agencies and administrative services.
(4) Includes police and fire services.
(5) Includes Design and Construction Services, Infrastructure and Operations, Facilities and Environment.
(6) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.
(7) Includes Planning and Building, Housing and Neighborhood Development, and Economic Development and Employment.
(8) Includes capital outlays and certain debt service charges.

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

Table 7
City of Oakland
Balance Sheet
General Fund
(in $000s)

	June 30				
	2001	2002	2003	2004	2005
ASSETS					
Cash and investments	$ 8,073	$ 16,837	$ 38,566	$ 51,902	$79,445
Receivables					
Accrued interest	108	345	87	429	418
Property taxes	17,411	10,391	7,125	3,161	5,484
Accounts receivable	58,739	53,367	51,391	49,669	65,855
Due from component unit	12,172	19,573	11,377	24,527	20,367
Due from other funds		89,147	87,652	67,378	68,721
Notes and loans receivable	28,295	14,826	15,034	37,059	38,619
Restricted cash and investments [1]	9	181,055	196,035	172,468	175,198
Other	1,498	33	35	35	1,887
TOTAL ASSETS	210,063	385,574	407,302	406,628	455,994
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other accrued liabilities	101,479	84,027	92,433	114,151	102,181
Due to other funds	1,474	1,267	451	23,571	25,110
Deferred revenue	83,971	73,463	57,483	31,633	29,882
Other	343	1,084	3,817	3,965	6,963
TOTAL LIABILITIES	187,267	159,841	154,184	173,320	164,157
Fund Balances					
Reserved:					
Encumbrances	--	1,744	3,227	4,779	4,115
Long term receivables	--	--	--	6,000	6,000
Debt service [1]	--	181,679	198,058	--	3,379
Capital project	--	12,644	13,032	--	--
Total Reserved	1,664	196,067	214,317	10,799	13,494
Unreserved [1]	21,132	29,666	38,801	222,529	140,343
TOTAL FUND BALANCES	$22,796	$225,733	$253,118	$233,328	291,837
TOTAL LIABILITIES AND FUND BALANCES	$210,063	$385,574	$407,302	$406,628	$455,994

[1] The large increase in restricted cash as of June 30, 2002, and corresponding increases in reservation for debt service for Fiscal Years 2001-02 and 2002-03 and for unreserved fund balance for Fiscal Year 2003-04 represent changes in accounting recording. The unreserved fund balance for Fiscal Year 2003-04 includes $174.47 million retirement annuity and debt service, $39.80 million in undesignated fund balance, and $8.26 million in designations for capital projects.

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

DEBT OBLIGATIONS

The City has never defaulted on the payment of principal of or interest on any of its indebtedness or lease obligations.

General Obligation Debt

As of June 30, 2005, the City had outstanding a total of $227,010,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thirds of the voters. The City has the power and is obligated to levy ad valorem taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of principal and interest on these bonds.

Table 8
City of Oakland
General Obligation Bonds
As of June 30, 2005
(in $000's)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
General Obligation Bonds, Series 2002A (Measure G)	11/6/2002	2032	38,000	$37,215
General Obligation Bonds, Series 2003A (Measure DD)	8/6/2003	2033	71,450	62,525
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	6/16/2005	2025	122,170	122,170
Total				$227,010

All of the City's general obligation debt is authorized by voter approval of certain measures. The table below summarizes all of the voter-approved measures that have outstanding general obligation debt. After the issuance of the Bonds, the City will have a total of $126,800,000 remaining in bond authorizations under Measure DD.

Table 9
City of Oakland
General Obligation Bond Remaining Authorization
As of June 30, 2005
(in $000's)

			BondAuthorization	
Authorization	Date Passed	Use	Total	Remaining
Measure G (1)	3/5/2002	Museum and zoo facilities	59,000	21,000
Measure DD	11/5/2002	Recreational and aquatic facilities	198,250	126,800
Total				$147,800

(1) After the issuance of the Bonds, the remaining bond authorization with respect to Measure G will be $0.

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last 12 Fiscal Years, including the issuance of $65,000,000 aggregate principal amount Tax and Revenue Anticipation Notes during Fiscal Year 2004-05. The City anticipates issuing Tax and Revenue Anticipation Notes before the end of Fiscal Year 2005-06. The City has never defaulted on the payment of any of these notes. The following table shows a five-year history of the par amount of tax and revenue anticipation notes issued each year.

Table 10
City of Oakland
Tax and Revenue Anticipation Notes
(in $000's)

Fiscal Year	Par Amount
2001-02	65,000
2002-03	53,965
2003-04	76,325
2004-05	65,000
2005-06	70,000

Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, to occupy public buildings or use equipment. The table below summarizes the City's outstanding long-term lease obligations.

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Table 11
City of Oakland
Lease Obligations
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding	Leased Asset
Civic Improvement Corporation Variable Rate Demand COPS, 1985	1/13/1986	2015	$ 52,300	$31,800	Portion of sewer system
City of Oakland Refunding COP, (Oakland Museum), Series 1992	6/9/1992	2012	39,408	2,203	Oakland Museum
Oakland -Alameda County Coliseum Authority Lease Revenue Bonds (Arena Project), Series 1996 (1) Series A1 & A2	8/2/1996	2026	70,000	61,800	Coliseum Arena
	8/2/1996	2022	70,000	61,800	
Oakland -Alameda County Coliseum Authority Lease Revenue Bonds, Series 2000 C-1, C-2, & D (1)	5/25/2000	2025	75,400	75,400	Coliseum Stadium
		2025	75,400	75,400	
		2011	50,500	50,500	
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Convention Center) Series 2001	6/14/2001	2014	134,890	100,465	Oakland Convention Center
City of Oakland Refunding Certificates of Participation, Series 2002	3/21/2002	2012	16,295	16,295	Oakland Museum
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Administration Buildings). Series 2004 (2)	6/10/2004	2026	117,200	117,200	Oakland Buildings
Oakland Joint Powers Financing Authority Lease Revenue Bonds. 2005 Series A-1. A-2. and B(2) (3)	6/21/2005	2017	65,500	63,500	Portion of sewer system
			63,475	63,475	
			17,975	17,975	
Total				$714,413	

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

(2) The City entered into a floating-to-fixed swap in conjunction with these bonds issue to create a "synthetic-fixed-rate" obligation.

(3) Refunded a prior lease obligation, which had refunded a pension obligation bond.

Swaps

The City has entered into several interest rate swap agreements in conjunction with variable-rate bond issues to create "synthetic-fixed-rate" obligations. The City entered into a $170,000,000 forward-starting, floating-to-fixed-rate swap with Goldman Sachs in conjunction with the $187,500,000 Oakland Joint Powers Financing Authority, 1998 Series A-l/A-2 bonds, which were issued in variable-rate mode. The agreement commenced on July 31, 1998. On March 27, 2003, the City entered into an Amended and Revised Confirmation with GS Financing Products, U.S., L.P., which changed the index on which the swap is based. The City now receives 65% of the one-month London Interbank Offer Rate ("LIBOR") and still pays the fixed rate of 5.6775%. As a result of the change in the index, the City received an up-front payment, which partially compensates the City for assuming a potentially greater basis risk. The City refunded the underlying bonds with proceeds from the sale of 144,950,000 aggregate principal amount Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 (the "2005 JPFA Bonds"). The swap that was entered into on July 31, 1998 remains in effect and is set to terminate on July 31, 2021.

The City has entered into two interest rate swap agreements in conjunction with the $117,200,000 aggregate principal amount Series A-1/A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2004 (the "2004 Series A-1 Bonds" and the "2004 Series A-2 Bonds"), which were sold as auction rate securities. The swap agreements are with Bank of America, N.A. and UBS AG and relate to the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds, respectively, to create a synthetic fixed interest rate until August 1, 2026, for Base Rental Payments corresponding to the $58,600,000 initial aggregate principal amounts for each of the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds. The City pays each of the counterparties a fixed rate of 3.533% and receives 58% of the one-month LIBOR rate plus 35 basis points.

For further discussion of the structure and risks associated with these swaps, please see the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2005.

Pension Obligation Bonds

The City has issued two series of pension obligation bonds to fund a portion of the current balance of the City's Unfunded Actuarial Accrued Liability ("UAAL") for retirement benefits to members of the Oakland Police and Fire Retirement System ("PFRS"). The second series, issued in 2001, was part of a plan of finance undertaken by the City to extend the maturity of the 1997 pension obligation bonds and to reduce the annual debt service on the bonds and so minimize the need for the City to use general fund revenues other than property tax override funds to pay debt service on the 1997 and 2001 Bonds. The 1997 and 2001 Bonds are secured by a senior pledge of certain tax override revenues. In June 2005, the Oakland Joint Powers Financing Authority issued the 2005 JPFA Bonds. The 2005 JPFA Bonds are secured, in part, by a subordinate pledge of such tax override revenues. The table below summarizes the two currently outstanding pension obligation bond issues.

Table 13
City of Oakland
Pension Obligation Bonds
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Understanding
City of Oakland Taxable Pension Obligation Bonds, Series 1997 A&B	2/5/1997	2010	$436,289	$176,205
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	$195,636	195,636
Total				$371,841

The table below summarizes the City's payments for pension obligation bonds for the next five years. The maximum debt service payment for these bonds is $53,130,000 in Fiscal Year 2022-23.

Table 14
City of Oakland
Annual Payments for Pension Obligation Bonds

Fiscal Year	Annual Payment
2005-06	$34,947,586
2006-07	35,967,615
2007-08	37,011,289
2008-09	38,082,816
2009-10	39,181,314

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

Limited Obligations

The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City. These obligations are summarized below.

Redevelopment Agency of the City of Oakland

The City's Redevelopment Agency has issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City, or for the construction of low-income housing. The bonds are payable from tax increment revenues received from the specific redevelopment project areas they support. Existing tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area and the Coliseum Area Redevelopment Project Area. The following table summarizes the City's outstanding tax allocation bonds.

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Table 15
City of Oakland
Redevelopment Agency
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Redevelopment Agency of the City of Oakland, Acorn Redevelopment Project, 1988 Tax Allocation Refunding	11/16/1988	2007	$ 3,375	$715
Redevelopment Agency of the City of Oakland, Central District Project, Senior Tax Allocation Refunding Bonds, Series 1992	12/17/1992	2014	97,655	52,365
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	110,080
Redevelopment Agency of the City of Oakland, Coliseum Area Project Tax Allocation Bonds, Series 2003	1/9/2003	2033	23,085	22,305
Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2000T	5/16/2000	2018	39,395	36,645
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2005	2/8/2005	2022	44,360	44,360
Total				$266,470

Special Assessments

The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts. The City is not responsible for debt service on the bonds in the event that assessment collections are not sufficient. The table below summarizes the City's outstanding assessment bonds.

Table 16
City of Oakland
Special Assessments
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/22/1996	2020	$ 465	$ 220
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997	12/3/1997	2012	1,250	720
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	6,350
Total				$7,290

Enterprise Revenue Bonds

The City has also issued bonds secured by revenues of its sewer system. These bonds, issued on December 14, 2004 in the par amount of $62,330,000, mature in June 2029.

Estimated Direct and Overlapping Debt

Located within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of April 30, 2006, according to California Municipal Statistics, Inc., is shown below. The City makes no representations as to the accuracy of the following table; inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

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Table 17
City of Oakland
Statement of Direct and Overlapping Debt
As of April 30, 2006

2005-06 Assessed Valuation:	$32,611,618,917
Redevelopment Incremental Valuation:	6,348,493,148
Adjusted Assessed Valuation:	$26,263,125,769

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/30/06	
Bay Area Rapid Transit District	7.260%	$ 7,260,000	
East Bay Municipal Utility District	20.587	432,327	
East Bay Municipal Utility District, Special District No. 1	52.256	19,076,053	
East Bay Regional Park District	10.620	14,585,508	
Chabot-Las Positas Community College District	1.298	1,211,488	
Peralta Community College District	54.923	108,851,894	
Berkeley and Castro Valley Unified School Districts	0.005 & 0.140	77,652	
Oakland Unified School District	99.996	447,016,328	
San Leandro Unified School District	12.693	5,839,293	
City of Oakland	**100.000**	**225,261,041**	(1)
City of Oakland 1915 Act Bonds	100.000	7,010,000	
City of Emeryville 1915 Act Bonds	4.183	478,744	
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$837,100,328	
Less: East Bay Municipal Utility District (100% self-supporting)		432,327	
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$836,668,001	
DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Alameda County and Coliseum Authority General Fund Obligations	18.172%	$ 113,138,509	
Alameda County Pension Obligations	18.172	51,259,201	
Alameda County Board of Education Public Facilities Corporation	18.172	233,510	
Alameda-Contra Costa Transit District Certificates of Participation	21.739	4,316,278	
Chabot-Las Positas Community College District General Fund Obligations	1.298	101,504	
Oakland Unified School District Certificates of Participation	99.996	24,549,018	
San Leandro Unified School District Certificates of Participation	12.693	229,743	
Castro Valley Unified School District Certificates of Participation	0.140	1,820	
City of Oakland and Coliseum Authority General Fund Obligations	**100.000**	**543,813,667**	
City of Oakland Pension Obligations	**100.000**	**341,474,842**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,079,118,092	
GROSS COMBINED TOTAL DEBT		$1,916,218,420	(2)
NET COMBINED TOTAL DEBT		$1,915,786,093	

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:
Direct Debt ($225,261,041) 0.69%
Total Gross Direct and Overlapping Tax and Assessment Debt.............2.57%
Total Net Direct and Overlapping Tax and Assessment Debt.................2.57%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($1,110,549,550)............4.23%
Gross Combined Total Debt..........................7.30%
Net Combined Total Debt..............................7.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $113,677

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $25,000,000 after a $2,000,000 per occurrence self-insured retention for the risks of general liability, malpractice liability, and auto liability. All properties are insured against damage from fire and other forced perils at full replacement value after a $10,000 deductible to be paid by the City. The City does not insure for damage from earthquakes and floods. As of June 30, 2005, the amount of all self-insured general liability exposure is valued at approximately $43,099,000. Of this amount, approximately $13,992,000 is estimated to be due within one year. The City is self-insured for its Workers' Compensation liabilities. Payment of Worker's Compensation claims is provided through annual appropriations. As of June 30, 2005, the amount of Workers' Compensation liability determined to be probable is approximately $96,166,000. Of this amount, $17,562,000 is estimated to be due within one year.

Labor Relations

City employees are represented by seven labor unions and associations, identified in the table below, the largest one being the Service Employees International Union (Local 790), which represents approximately 57% of all City employees. Approximately 95% of all City employees are covered by negotiated agreements, as detailed in the following table. Memoranda of Understanding effective July 1, 2002, were entered into with all non-sworn employee organizations. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milias-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

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In 1997, the City of Oakland issued $436.3 million in Pension Obligation Bonds, sized to represent the actuarial present value of the City's expected contributions to PFRS from March of 1997 through June of 2011. PFRS received a deposit of $417 million from the bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City will not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of $17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to its police and fire system. The next City contribution to PFRS will be in July of 2011, if necessary, as determined by the actuarial valuation as of July 1, 2010. The City pays debt service on the Pension Obligation Bonds from proceeds of the Tax Override.

On October 3, 2001, the City issued $195.6 million in Pension Obligation Bonds, the proceeds of which were primarily used to purchase at tender for cancellation and to defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's Pension Obligation Bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

An actuarial valuation on the PFRS benefit plan is conducted every two years; the most recent complete valuation was for the period ended June 30, 2005. PFRS utilizes the aggregate actuarial cost method for its actuarial calculations. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. The allocation is performed for the group as a whole, not as a sum of individual allocations. The City's actuaries do not make an allocation of the contribution amount between normal cost and the UAAL because the PFRS plan is closed. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 4.5%, and a general inflation rate of 3.5%.

The following schedule shows PFRS's recent funding progress.

Table 19
Schedule of Funding Progress
Police and Fire Retirement System
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll [1]
2002	$875.5	$674.7	$200.8	77.1%	$2.6
2003	890.6	615.1	275.5	69.1%	0.4
2004	890.3	621.6	268.6	69.8%	0.3
2005	883.6	614.9	268.7	69.6%	0.3

(1) Because this is a closed system with few employees, UAAL as a percentage of payroll is not presented

Source: Actuary's Report as of June 30, 2005.

In light of the contribution holiday funded by proceeds of Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2010 is primarily to track the relationship between the available assets and the estimated liabilities so that the City will be prepared for the necessary contributions, if any, in July of 2011. The Actuary's Report, as of June 30, 2005, contains a projection of the annual contributions necessary beginning in 2011 based on the valuation assumptions. The results of that projection are in the table below.

Table 20
Police and Fire Retirement System
Projection of Future Contributions

	Valuation Assumptions	Unfavorable Experience	Favorable Experience
Investment Return	8.00%	8.00%	8.00%
Wage Growth	4.50%	5.00%	4.00%
Annual City Contribution 2011-2012 Amount	$37 million	$41 million	$32 million

Source: Actuary's Report as of June 30, 2005.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a second closed system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to PERS. The program covers no active employees and 96 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent complete valuation was for the period ended June 30, 2005. OMERS utilizes the aggregate actuarial cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 3.0%, and a general inflation rate of 3.5%. As of June 30, 2005, the actuarially determined surplus was $5.3 million. During Fiscal Year 2004-05 the City, in accordance with actuarially determined contribution requirements, did not contribute to OMERS, as the plan is fully funded.

California Public Employees Retirement System. PERS is a defined benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970, as well as former members of PFRS and OMERS except those who have not elected to transfer from OMERS. PERS acts as a common investment and administrative agent for public entities participating with the state of California. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with PERS.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to PERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Historically, the City had paid the entire amount of its employees' contributions for miscellaneous and safety employees. However, under current bargaining agreements, sworn fire personnel contribute at a 4% rate and all non-sworn personnel make a 3% contribution since July 2002.

In Fiscal Year 2002, the City increased its benefits for public safety employees to provide 3.0% of highest salary per year of employment at age 55. In Fiscal Year 2004, benefits were further increased for safety members to provide 3.0% of highest salary at age 50. In Fiscal Year 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following represents the City of Oakland's employer contribution rates as determined by PERS for the past four years, as well as PERS' projection for Fiscal Year 2006-07.

Table 21
Contribution Rates
Public Employees Retirement System
City of Oakland

	2002-03	2003-04	2004-05	2005-06	2006-07 (Projected)
Miscellaneous Plan	0.00%	0.00%	15.04%	18.55%	18.40%
Safety Plan	15.17%	25.29%	29.83%	29.71%	29.80%

Source: California Public Employees' Retirement System ("CPERS")

PERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions include a 3.0% inflation rate and a 7.75% investment return.

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits, and prior asset losses in PERS investments recognized on an actuarial basis over a three-year "smoothing" period.

Table 22
Schedule of Funding Progress
Public Employees Retirement System
Public Safety Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2001	$432.1	$363.7	$ 68.4	84.2%	$92.1	74.2%
2002	563.2	373.7	189.9	66.3	104.0	183.5
2003	631.5	454.7	176.8	72.0	111.0	159.2

Source: CPERS.

Table 23
Schedule of Funding Progress
Public Employees Retirement System
Miscellaneous Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as of Payroll
2001	$ 883.3	$1,059.6	$(176.3)	120.0%	$171.9	(102.6%)
2002	952.4	1,003.3	(50.9)	105.3	197.4	(25.8)
2003	1,197.3	1,010.7	186.7	84.4	207.9	89.8
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5

Source: CPERS.

The following table represents the City's annual contribution to PERS over the past five years:

Table 24
Annual Pension Cost
Public Employees Retirement System
($millions)

Fiscal Year Ended July 30	Annual Cost July
2000	$23.6
2001	$24.0
2002	$26.9
2003	$37.0
2004	$48.4
2005	$87.4

Source: City of Oakland Comprehensive Annual Financial Reports.

Post-Retirement Health Benefits

The City provides certain post-retirement health insurance benefits to qualifying retired employees. A portion of the health insurance premiums are paid by the City for all retirees from City employment receiving a pension annuity earned through City service and who participate in a City sponsored PERS health benefit plan. These contributions are funded on a pay-as-you-go basis. Approximately $2.6 million was paid on behalf of 767 retirees under this program during Fiscal Year 2004-05.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

These disclosure requirements will be effective for the City beginning in Fiscal Year 2007-08. The City will obtain an actuarial valuation of its Post-Employment Health Benefits obligations and plans to work with its actuary to review its liabilities and take appropriate actions to manage the impact.

Natural Hazard Risks

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

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

ECONOMIC HIGHLIGHTS

The City of Oakland, located immediately east of the City and County of San Francisco, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, the City is served by two major interstate freeways, lies at the crossroads of the Bay Area Transit System and major railroads, and boasts a world-class seaport and a growing international airport. Oakland is California's most strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace. In 2002, the City was rated by Forbes as the eighth best city for business in the nation.[1]

As the 19th largest metropolitan economy in the United States[2], Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life,

[1] Forbes/Milkin Institute List of Best Places for Business and Careers, Forbes, May 27, 2002.
[2] U.S. Metro Economies: The Engines of America's Growth, DRI-WEFA, June 2002.

comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – ranked the eighth most educated in the nation.[1]

All of these factors – combined with great weather, a vibrant waterfront, lush hills, plentiful open space, beautiful neighborhoods, panoramic vistas, and abundant cultural amenities – make Oakland a highly desirable place to live, work and do business.

Housing Development

A cornerstone of the City's economic development program since the inauguration of Mayor Jerry Brown in 1999 is the "10K Initiative," a multi-phase program to develop housing for 10,000 new residents in downtown Oakland by 2006. This goal translates to a target of developing 6,000 new residential units. On December 7, 2005, the 10K goal was met when the Planning Commission approved two new projects. Since the initiation of this program, 17 projects with 1,663 units have been completed, 15 projects with 2,144 units are under construction, 20 additional projects with 2,196 units have planning approval and 10 projects with 1,366 units are in the planning process. With 7,369 units completed or underway, the City has exceeded the 10K goal by 25%.

Commercial and Industrial Development

The City has facilitated a number of major commercial developments throughout the City. Several recent surveys have ranked Oakland as among the top ten office markets in the nation. Since 2001, Oakland has experienced a 22% increase in new businesses reporting Oakland as a primary location.

The Fruitvale BART Transit Village, a mixed-use development, opened in May 2004. The project offers 38,000 square feet of retail, 47 residential units including 10 affordable units, a child development facility, the new Cesar Chavez Public Library, a new medical clinic, a multipurpose senior center, and 114,500 square feet of office lease space. The Fruitvale Village project is nationally recognized as a leading smart-growth initiative and as one of the leading neighborhoods in the National Main Street Program. The project has won several awards, including the 2003 San Francisco Business Times Award and the 2004 Best in American Living Award in the Best Urban Smart Growth Neighborhood/Community category.

Hegenberger Gateway, which opened in 2005, offers 250,000 square feet of retail space. This $45 million development is anchored by Wal-Mart and also complemented by Starbucks, Panda Express and In-N-Out Burger. This key retail development is strategically located along the busy stretch of road that connects I-880 with the Oakland International Airport.

The Oakland Coliseum Intercity Amtrak Station Project consists of a passenger platform constructed along the existing Amtrak/Capitol Corridor passenger rail route located between the Coliseum Stadium and the Coliseum BART station. The new pedestrian ramp will connect the passenger platform to the existing Coliseum-BART pedestrian bridge. The total project cost is approximately $6.6 million. Construction began in June 2004, with the facility opening in May 2005.

The Infiniti of Oakland Dealership was completed in May 2005 and this 4.35-acre parcel is part of the Coliseum Auto Mile. The $7.5 million dollar facility employs about 50 people. By locating the Infiniti of Oakland adjacent to the Coliseum Lexus dealership, which opened in November 2002, the City is creating a cluster of Oakland's luxury automotive dealers.

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[1] 2000 U.S. Census.

Transportation

During the 2004-2005 fiscal year, Oakland International Airport (the "Airport") marked its seventh consecutive year of passenger growth, making it one of the few airports in the country and the only one in the Bay Area whose utilization has grown in the post-9/11 environment. The Airport is served by 16 airlines with more than 200 daily nonstop flights to 38 domestic and international destinations, including Atlanta, New York, Washington D.C., Hawaii and Mexico. It is ranked third among U.S. airports for serving the highest proportion of domestic passengers using "low-cost" service (at 74%). Originally designed for approximately eight million passengers annually, the Airport served 14.1 million passengers last year.

As of June 30, 2004, the Airport completed the 98th Avenue/Doolittle Road intersection reconstruction, including a new underpass into the airport. This project was part of the Airport's expansion program, which widened the 98th Avenue/Airport Access Road to a six-lane parkway between the Airport, Bay Farm Island (Alameda) and Interstate 880.

The Airport will spend approximately $150 million over the next 2-3 years on its Terminal Improvement Program. This project includes a five-gate extension to Terminal 2 with a new concourse and waiting areas, expanded ticketing, security and baggage claim facilities. It also includes renovations to the existing facility and new utilities. The Airport will also improve the terminal roadways and curbside areas to ease congestion in front of the terminals. The program is expected to be complete by fall 2007.

The Port of Oakland was among the first ports globally to specialize in the inter-modal container operations that have revolutionized international trade and created the global economy. The seaport ranks among the top four in the nation and 20 in the world in terms of annual container traffic. The Port proudly welcomed the arrival of one of the world's largest container ships and the first 8,000 plus TEU (twenty-foot-equivalent) ship to enter the San Francisco Bay. The 8,200 TEU Hugo made its maiden voyage to the Port of Oakland on August 21, 2004.

The Port completed construction of the 37-acre Middle Harbor Shoreline Park and a 180-acre shallow-water habitat restoration. These projects, which opened to the public in September 2004, expand waterfront access for residents of Oakland and the Bay Area. In April 2005, Oakland became the first port in the nation where radiation portal monitors are completely installed and operable. The twenty-five portals will screen all international container traffic passing through the Port of Oakland for sources of radiation.

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Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2005, at 412,300. This figure represents 27.35% of the corresponding County figure and 1.12% of the corresponding State figure. The City's population has grown over 20% in the twenty-four years since 1980. The following table illustrates the City's population relative to the population of Alameda County and the State of California.

Table 25
City of Oakland, County of Alameda and State of California
Population

Year	City of Oakland	County of Alameda	State of California
1980	339.337	1.109.500	23.782.000
1990	372,242	1,276,702	29,758,213
2000	399,566	1,443,939	33,873,086
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	412,300	1,507,500	36,810,000

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2005 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

Employment

The following table shows the labor patterns in the City, the State of California, and the United States for the past five years.

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Table 26
City of Oakland, State of California and United States
Civilian Labor Force, Employment, and Unemployment[1] June 2001 through June 2005

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
June 2001				
Oakland	196,870	182,340	14,530	7.4
California	17,181,800	16,275,700	906,100	5.3
United States	141,354,000	134,932,000	6,422,000	4.5
June 2002				
Oakland	202,340	179,780	22,560	11.2
California	17,397,200	16,216,700	1,180,600	6.8
United States	142,476,000	134,053,000	8,423,000	5.9
June 2003				
Oakland	200,650	177,930	22,720	11.3
California	17,486,500	16,288,300	1,198,000	6.9
United States	148,117,000	138,468,000	9,649,000	6.5
June 2004				
Oakland	199,070	180,220	18,850	9.5
California	17,683,000	16,555,400	1,127,900	6.4
United States	148,478,000	139,861,000	8,616,000	5.8
June 2005				
Oakland	200,100	184,300	15,800	7.9
California	17,811,200	16,845,200	965,900	5.4
United States	149,123,000	141,638,000	7,486,000	5.0

(1) Civilian labor force data are by place of residence, and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Preliminary.

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics. United States figures as of December of each year.

Commercial Activity

A five-year history of total taxable transactions for the City is shown in the following table.

Table 29
City of Oakland
Taxable Transactions, 1999-2004
(Taxable Transactions in $000s)

Year	Taxable Transactions
1999	$3,085,079
2000	3,453,695
2001	3,287,050
2002	3,226,210
2003	3,402,977
2004	3,822,822

Source: State Board of Equalization.

Construction Activity

A five-year history of building permits and valuation (including electrical, plumbing, and mechanical permits) appears in the following table.

Table 30
City of Oakland
Building Permits and Valuations, Fiscal Years 2001-2005

Fiscal Year	Number Issued	Authorized New Dwelling Units	Residential Valuation (in $000s)	Nonresidential Valuation (in $000s)
2000-01	16,879	954	138,570	481,635
2001-02	15,805	757	317,792	165,731
2002-03	15,910	930	170,527	260,000
2003-04	16,424	857	268,600	156,699
2004-05	15,942	1,350	356,256	173,292

Source: Comprehensive Annual Financial Report.

Median Household Income

Effective Buying Income ("EBI") is defined as personal income less personal income tax and non-tax payments, such as fines, fees, or penalties. Median household EBI for the City is shown in the table below.

Table 31
City of Oakland, Alameda County,
State of California and United States of America
Median Household
Effective Buying Income

Year[(a)]	City of Oakland	Alameda County	State of California	United States of America
1999[(b)]	$32,751	$44,730	$39,492	$37,233
2000	38,602	50,631	44,464	39,129
2001	39,567	54,076	43,532	38,365
2002	37,095	49,574	42,484	38,035
2003	37,558	50,431	42,924	38,201
2004	38,517	51,415	43,915	39,324

(a) As of January 1.

(b) Changes in market rankings, retail sales, total retail sales, merchandise line sales and metro markets make it impossible to trend the 1999 and 2000 Survey of Buying Power numbers. The changes are so significant that any attempt at trending will produce misleading results.

Source: "Survey of Buying Power", Sales and Marketing Management Magazine.

LITIGATION

The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes, except for the Oakland Raiders litigation, discussed below, there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the financial position or results of operation of the City.

Oakland Raiders Litigation. On September 29, 1997, the City, the County of Alameda and the Oakland Alameda County Coliseum Authority (the "Authority"), collectively known as the "East Bay Entities," filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage.

Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. The Authority prevailed on its declaratory relief claims that the Raiders were contractually obligated to remain in Oakland for the term of the contract. In a series of decisions, the court has ruled that (1) Raider Management cannot rescind or terminate the lease; (2) the East Bay Entities do not have claims for damages and (3) Raider Management does not have claims for damages against the City, the County or the Authority. The court later dismissed the City and the County of Alameda from the case on the basis that Raider Management failed to comply with the California Torts Claims Act.

On March 24, 2003, trial began on Raider Management's claims for damages of $1.1 billion for fraudulent inducement against the Oakland-Alameda County Coliseum Authority and one of its former directors. The trial resulted in a $34,000,000 verdict in favor of Raider Management and against the Authority. The former Authority Director, who the City had agreed to indemnify, was not found liable.

The Authority's motion for a judgment notwithstanding the verdict was denied on November 18, 2003. The Authority has appealed the judgment against it and the Raiders have appealed the verdicts against it. The trial court stayed the judgments pending appeal and the Raiders filed a motion to set aside the stay. In May 2004, the Court of Appeals denied the Raiders' motion to set aside the stay of the action. Appellate briefs have been filed and the matter is scheduled for hearing on August 22, 2006. It is too early to assess whether the City will have to contribute funds to the Authority if the Court of Appeals upholds the trial court verdicts. Even then, the litigation may continue for years before the issue of ultimate liability is resolved.

APPENDIX B

CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 AND CERTAIN OTHER INFORMATION EXCERPTED FROM THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

WILLIAM E. NOLAND, DIRECTOR

LARAE BROWN, CONTROLLER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

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FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION

150 FRANK H. OGAWA PLAZA, SUITE 6353
OAKLAND, CALIFORNIA 94612
(510) 238-3264

December 16, 2005

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in financial position for the fiscal year ended June 30, 2005, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

The **Introductory Section** includes the transmittal letter, information about the organizational structure of the City, the profile of the government, information useful in assessing the financial condition of the City, and the Government Finance Officers Association's (GFOA) Certificate of Achievement.

The **Financial Section** is prepared in accordance with the GASB 34 requirements by including the Management's Discussion and Analysis (MD&A), the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, and fiduciary funds. Also included in this section is the Independent Auditors' Report on the basic financial statements.

The **Statistical Section** includes ten years of unaudited summary financial data, debt computations, and a variety of demographic, economic and social information that may be of interest to potential investors in the City's bonds and to other inquiring readers.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2005. The Independent Auditors Report is presented as the first component of the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

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

GASB 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments, retains many of the most popular features of the traditional reporting for state and local governments. It also incorporates these important new features:

- Government-wide financial reporting;
- Management's Discussion and Analysis (MD&A);
- Separate presentation of major funds; and
- Expanded budgetary reporting.

Moreover, GASB 34 requires that states and local governments annually disclose the full net value of all capital assets, including infrastructure assets, in order to comply with generally accepted accounting principles.

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

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

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

Profile of the Government

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

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

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

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

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 29, 2004, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2004-05.

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

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various magazines and comments by public officials. For example, the City is:

- "....4th Best commercial real estate market in the country" (Moody's Investors 2003)
- "....8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "....7th Most Creative City in America" (Carnegie Mellon);

- "....6th Best City to live in the U.S." (Money, Dec. 2002);
- "...leader among America's top ten technology cities." (Newsweek, April 30, 2001); and
- "....uniquely positioned as an excellent point for international business." (Mickey Kantor, former U.S. Secretary of Commerce)

These statements are a testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8th as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Jerry Brown's leadership that enthusiastically supports and embraces sustainable economic development. Moreover, transportation systems such as four freeways (I-880, I-580, Hwy. 13, and Hwy. 24), railroad, trucking, shipping (4th largest port in the nation), air transportation, and public transit converge in the City of Oakland to make it the hub of interstate and international commerce on the West Coast. Its strategic location and proximity to Silicon Valley and to highly acclaimed institutions of higher learning provide excellent synergy for collaborative research and innovation for improved business products and services.

Oakland occupies 56 square miles of land with nineteen miles of coastline to the west and magnificent rolling hills to the east. It is the eighth largest city in California with a population of 412,300. Its economy ranks in the top 20 economies in the United States and the 84th largest in the world. Some of the diverse attributes which helped Oakland survive the dot.com bust are:

- Featured as among 10 top technology cities in the future (Newsweek, April 2001)
- Oakland ranked nation's #1 office market through 2005 (Landauer OM Index);
- Commercial building permits issued in 2003 valued at $278.9 million, 25.5% increase;
- Ranked 3rd in the nation in percentage of women-owned businesses;

Two primary engines that drive the economies of the City in particular and Northern California in general are the Port of Oakland and the Oakland International Airport. Both entities celebrated their 75th anniversaries in 2002 with pride and enthusiasm in meeting the challenges of the new century. Both are investing billions of dollars in major expansion programs in anticipation of the new challenges. Finally, both entities have significant impacts on the City's and the region's economies. For example, in 2003, the Port of Oakland moved $1.2 billion in agricultural goods. The Port is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

In a recent article by the San Francisco Chronicle headlined, "*It's full steam ahead at the Port of Oakland*," it declared a booming business at the Port benefiting businesses and jobs in 2003. Those benefiting are dockworkers, truckers, rail companies, the California Central Valley farmers, and shipping companies. Ranked the 4th busiest port in the nation, the Port of Oakland handled 99% of Northern California's ocean container cargo with a remarkable growth of 13.8% in containers handled compared to 2002. Part of this tremendous growth is driven by China's booming manufacturing trade and other economies in the Far East.

Downtown Oakland remains the largest center for office development in the East Bay with 15.3 million square feet of office space and 70,000 day time workers. The Shorenstein Company recently completed a 20-story, 450,000 square foot office tower in the City Center that is occupied by various businesses. Ask Jeeves company moved its operations from Emeryville to

Oakland. It signed a lease to occupy 55,803 square feet and will occupy the fourth and fifth floors along with the plaza level in the new tower.

In a recent article by the Oakland Tribune, a study conducted by a Harvard business professor for the Initiative for a Competitive Inner City concluded that while many of America's inner cities continue to hemorrhage jobs, the City of Oakland gained jobs, fueled by immigrant population growth. The study targeted inner cities with population of 50,000 residents or more. It found that only ten added jobs at a higher rate than surrounding metropolitan areas: Oakland; San Jose; Long Beach; Anaheim; Portland, Oregon; Seattle; Jersey City, N.J.; Tulsa Okla; St. Petersburg, Fla; and Winston-Salem, N.C.

Long-term Financial Planning

Mayor's 10K Project: A major initiative launched by Mayor Jerry Brown when he took office in 1999, the 10K Downtown Housing Initiative, is realizing its goal of attracting 10,000 new residents to downtown Oakland by encouraging the development of 6,000 market-rate housing units. A near perfect climate, California's best mass transit system, a central Bay Area location and a growing downtown workforce all contribute to make downtown Oakland a great place to live.

As of October 1, 2005, the 10K Downtown Housing Initiative has exceeded the goal with 61 residential projects, 7,053 units, housing for about 12,000 new residents, completed or in process. Seventeen projects (1,663 units) have been completed, fourteen projects (1,479 units) are in construction, twenty projects (2,570 units) have received planning approvals, and ten projects (1,341 units) are in the planning process. The Initiative has literally altered Oakland's skyline with the construction of the Essex on Lake Merritt, the first high-rise residential construction in downtown Oakland in 20 years.

Cash Management Policies and Practices

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

The permitted investments include U.S. Treasury notes (with certain restrictions), federal agency issues, bankers' acceptances, commercial paper, corporate stocks and bonds with ratings of A1 or P1 by either Standard and Poor's or Fitch's, negotiable certificates of deposit, Local Agency Investment Fund, and repurchase agreements.

Risk Management

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 15 of the last 16 years. The City's Fiscal Year 2004-05 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

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

Respectfully submitted,

William E. Noland, Director
Finance and Management Agency

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

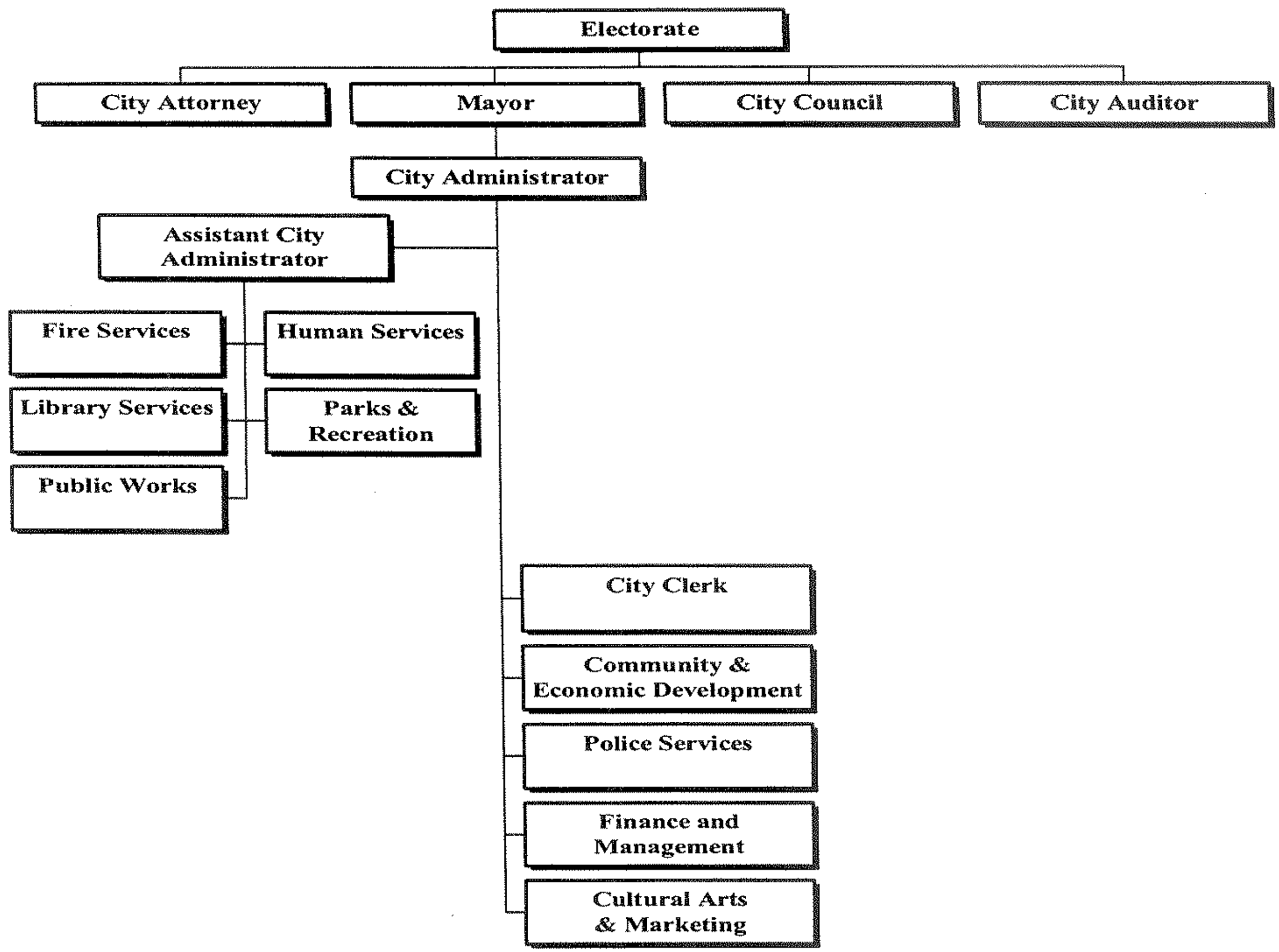
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

City of Oakland Organization Chart



DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2005

MAYOR

Jerry Brown

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente, *President (District 5)*
Jane Brunner, *Vice-Mayor (District 1)*

At Large – Henry Chang, Jr.
District 2 – Patricia Kernighan
District 3 – Nancy Nadel
District 4 – Jean Quan
District 6 – Desley Brooks
District 7 – Larry Reid

COUNCIL APPOINTED OFFICERS

Deborah A. Edgerly, *City Administrator*

LaTonda Simmons, *City Clerk*

ELECTED OFFICERS

John Russo, *City Attorney*
Roland Smith, *City Auditor*

AGENCY & DEPARTMENT DIRECTORS

Raul Godinez
Public Works

Carmen Martinez
Library Services

William E. Noland
Finance & Management

Vacant
Cultural Arts & Marketing

Audree Jones-Taylor
Parks & Recreation

Daniel Farrell
Fire Services

Wayne Tucker
Police Services

Andrea Youngdahl
Human Services

Dan Vanderpriem/Claudia Cappio
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

LaRae Brown
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Ace A. Tago, *Assistant Controller*

FINANCIAL STATEMENT PREPARATION

CAFR Section Leaders

Bruce Levitch
Accountant III

Osborn Solitei
Financial Analyst

Theresa Woo
Accountant III

Accounting Team (GL, ORA & GRANTS)

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Bernadette Bangloy
Frank Catalya
Connie L. Chu
Edward Chun

Mercy David
Carol Hoomanawanui
Felipe Kiocho
Lani Pallotta
Eric Parras

Sandra Tong
Norma Torres
Marilyn Tran
David Warner
Andy Yang

ADMINISTRATIVE SUPPORT

Novette G. Flores, *Administrative Assistant*

SPECIAL ASSISTANCE

Donna Treglown
David Jones

Kathleen Larson
Janet An

Katano Kasaine
Sharon Holman

SPECIAL ASSISTANCE - DEPARTMENTS & OFFICES

City Administrator's Office
City Attorney's Office
FMA-Treasury Division
Community & Economic Development Agency
Risk Management

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), which represent 4%, 11%, and 3%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.*

www.maciasgini.com CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Maciss, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
December 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its total liabilities by $657.6 million as of June 30, 2005, compared to $552.7 million at June 30, 2004. This represents an increase of 19% ($104.9 million) compared to the previous year. The largest portion of the City's net assets (64%) reflects its $418.0 million of investments in capital assets for governmental and business type activities, net of related debt. Of the remaining balance, (44%) reflects $292.4 million in funding for debt service, capital projects and other continuing development projects for the City, and a deficit in unrestricted assets of ($52.9) million or (-8%).

- The City's cumulative fund balances grew by 31% ($213.3 million) to $900.6 million compared to $687.3 million for the prior fiscal year. This growth is primarily attributed to: (1) the combined increase of $183.3 million or 28% in pooled and restricted cash and investments as a result of unspent Lease Revenue Bonds, Series 2005 proceeds issued on June 21, 2005; (2) the improved revenue collections as a result of double digit increases in property taxes; and (3) the 3% reduction in overall governmental liabilities excluding long-term debts.

- As of June 30, 2005, the City had total long-term obligations outstanding of $1.87 billion compared to $1.68 billion outstanding for the prior fiscal year, an increase of 11%. Of this amount, $227.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City's General Fund unreserved/undesignated fund balance at June 30, 2005 was $46.3 million compared to $39.8 million for the previous year, an increase of $6.5 million or 16%, attributed primarily to conservative revenue forecasting for real estate transfer taxes. The unreserved/undesignated fund balance exceeded the City Council's 7.5% reserve policy by 43%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of three components: (1)

government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, other than this discussion and analysis, concerning the City's progress in funding its obligation to provide pension benefits to its employees and budget-to-actual information for the City's general fund. This required supplementary information is presented immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are immediately following the required supplementary information along with budgetary comparison schedules.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2005 by $657.6 million compared to $552.7 million as of June 30, 2004, an increase of $104.9 million. The largest portion of the City's net assets (64%) reflects its $418.0 million of investments in capital assets for governmental and business type activities net of related debt. Of the remaining balance, (44%) reflects $292.4 million in funding for debt service, capital projects and other continuing development projects for the City, and a deficit in unrestricted assets of ($52.9) million or (-8%).

City of Oakland's Net Assets
June 30, 2005
(In Thousands)

	Governmental Activities	Business-type Activities	2005 Total	2004 Total
Assets:				
Current and other assets	$1,651,554	$ 61,075	$1,712,629	$1,443,658
Capital assets	839,375	121,240	960,615	946,004
TOTAL ASSETS	2,490,929	182,315	2,673,244	2,389,662
Liabilities:				
Long-term liabilities outstanding	1,794,616	70,814	1,865,430	1,677,195
Other liabilities	149,248	991	150,239	159,745
TOTAL LIABILITIES	1,943,864	71,805	2,015,669	1,836,940
Net assets:				
Invested in capital assets, net of related debt	310,633	107,396	418,029	502,955
Restricted net assets:				
Debt service	28,375	-	28,375	70,562
Pension obligations	175,247	-	175,247	31,048
Urban redevelopment and housing	84,752	-	84,752	189,555
Other purposes	4,041	-	4,041	24,861
Unrestricted	(55,983)	3,114	(52,869)	(266,259)
TOTAL NET ASSETS	$ 547,065	$ 110,510	$ 657,575	$ 552,722

The City's investment in capital assets of $418.0 million, decreased by $84.9 million compared to the previous fiscal year, is attributed to the increase in long-term debt related to capital assets. Other factors that contributed to the reduction in investment in capital assets include annual deduction for depreciation expense and asset retirements, net of new additions. The City's restricted net assets totaling $292.4 million represents resources that are subject to external restrictions on how they may be used. The unrestricted deficit of ($52.9) million is primarily caused by the Agency, which issues bonds and other indebtedness to fund urban development and housing projects that are not capitalized as assets.

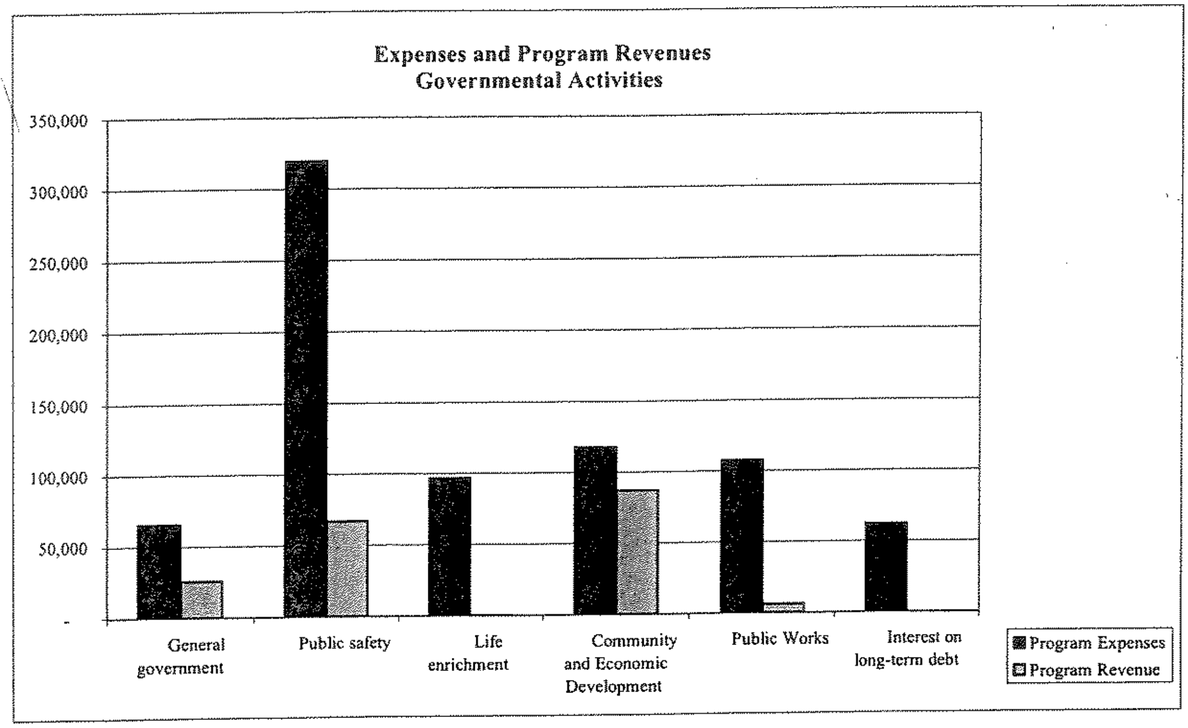
Governmental activities. The City's change in net assets of $104.9 million for the year ended June 30, 2005 represents an increase of $72.0 million compared to $32.9 million for the prior fiscal year. The key elements of this increase are listed below.

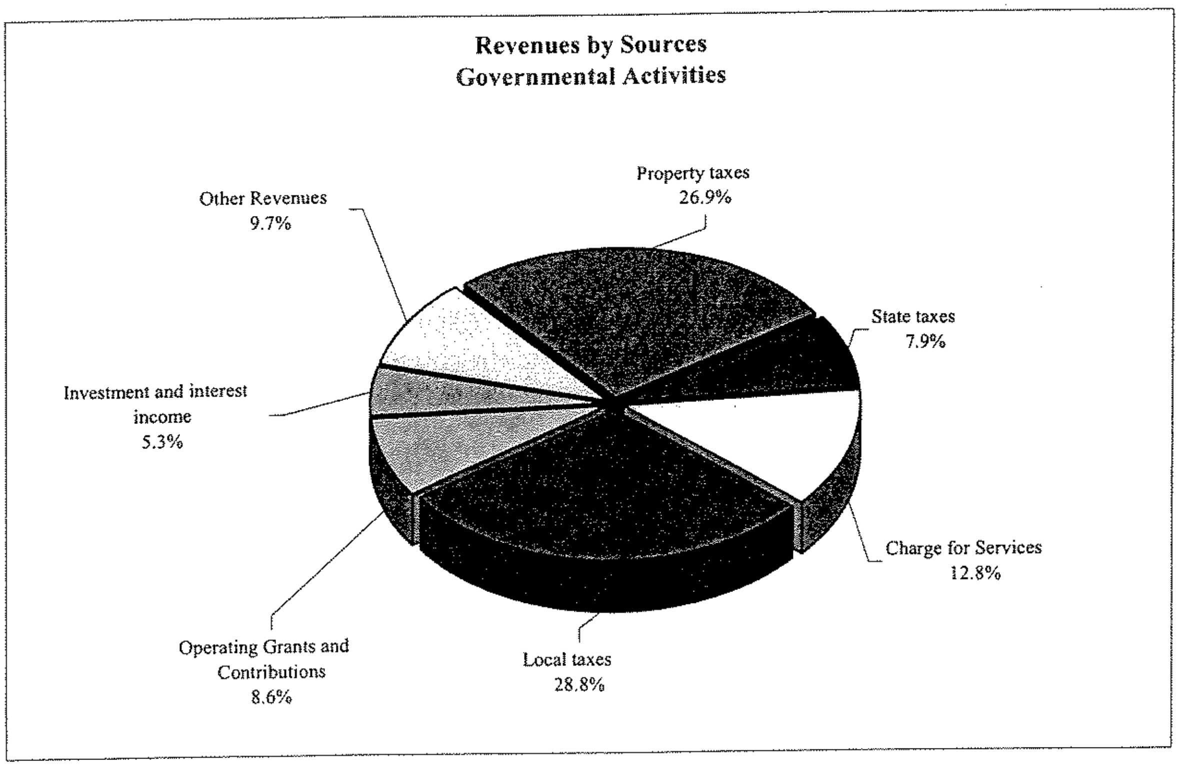
Changes in Net Assets
June 30, 2005
(In Thousands)

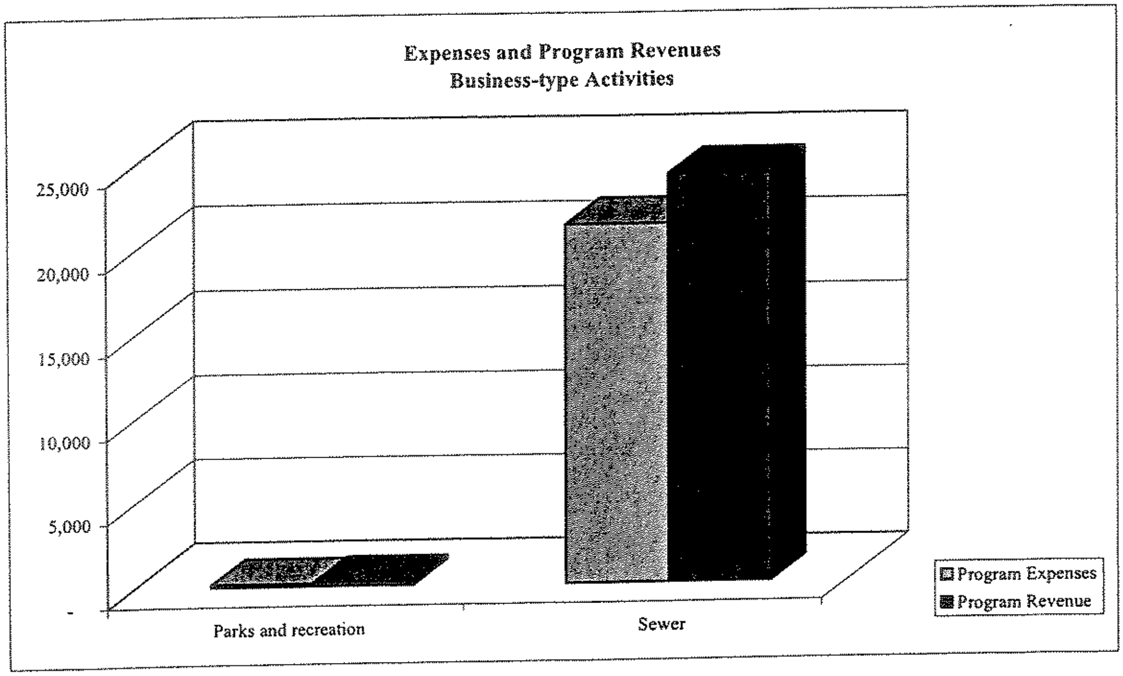
	Governmental Activities	Business-type Activities	2005* Total	2004 * Total
Revenues:				
Program revenues:				
Charges for services	$111,467	$ 24,496	$ 135,963	$ 87,480
Operating grants and contributions	74,694	-	74,694	78,965
Capital grants and contributions	-	-	-	10,366
General revenues:				
Property taxes	234,127	-	234,127	200,731
State taxes	68,451	-	68,451	72,906
Local taxes	251,301	-	251,301	197,873
Interest and investment income	46,063	707	46,770	5,660
Other	84,850	-	84,850	117,238
TOTAL REVENUES	870,953	25,203	896,156	771,219
Expenses:				
General government	65,865	-	65,865	67,069
Public safety	319,908	-	319,908	297,869
Life enrichment	96,649	-	96,649	102,314
Community & economic development	117,689	-	117,689	121,160
Public works	107,457	-	107,457	70,369
Interest on long-term debt	62,238	-	62,238	58,020
Sewer	-	21,337	21,337	20,597
Parks and recreation	-	160	160	159
TOTAL EXPENSES	769,806	21,497	791,303	737,557
Change in net assets before transfers	101,147	3,706	104,853	32,862
Transfers	621	(621)	-	-
Change in net assets	101,768	3,085	104,853	32,862
Net assets at beginning of year	445,297	107,425	552,722	519,860
NET ASSETS AT END OF YEAR	$547,065	$ 110,510	$ 657,575	$ 552,722

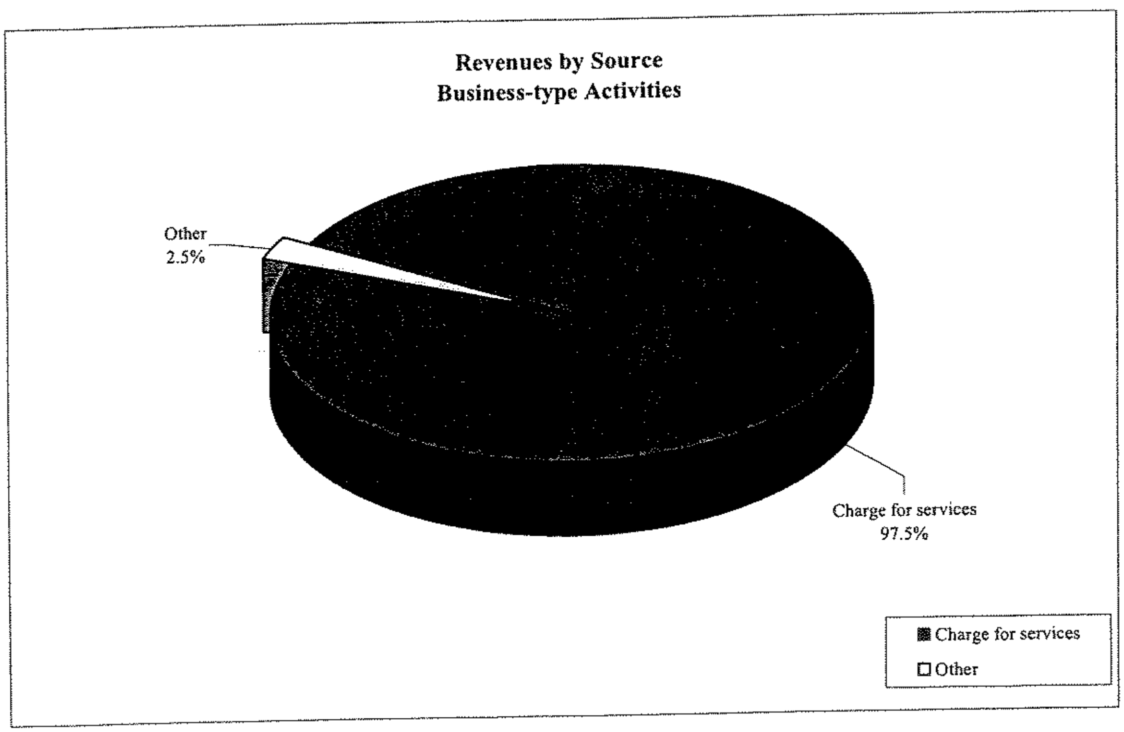
* Certain amounts have been reclassified to conform with current year presentation.

The City's net assets increased by $104.9 million for the year ended June 30, 2005 compared to $32.9 million as of June 30, 2004. The increase of $72.0 million is the result of a 16% improvement in revenue collections compared to the previous year matched against an increase of 7% in expenditures. Significant components that make up this increase are itemized below.


Expenses and Program Revenues
Governmental Activities
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
General government
Public safety
Life enrichment
Community and Economic Development
Public Works
Interest on long-term debt
Program Expenses
Program Revenue


Revenues by Sources
Governmental Activities
Property taxes 26.9%
State taxes 7.9%
Charge for Services 12.8%
Local taxes 28.8%
Operating Grants and Contributions 8.6%
Investment and interest income 5.3%
Other Revenues 9.7%


Expenses and Program Revenues
Business-type Activities
25,000
20,000
15,000
10,000
5,000
-
Parks and recreation
Sewer
Program Expenses
Program Revenue


Revenues by Source
Business-type Activities
Other
2.5%
Charge for services
97.5%
Charge for services
Other

- The increases in State and local property taxes were driven by a 42% enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2004-05 as reported by the County of Alameda.

- The increase in interest and investment income of $41.1 million is primarily attributable to the presentation of negative interest for pension annuity last year and increased earnings from the City's pooled and restricted cash and investments as a result of carrying higher balances compared to the previous year.

- The decrease of $32.4 million in other revenues when compared to the previous year is attributed primarily to last year's revision of the City's allowance for doubtful accounts, as the City re-evaluated the collectibility of its long-term notes receivables.

- The increase of $22.0 million of spending in public safety when compared to the previous year is due primarily to overtime costs and national disaster responses for which the City had not been reimbursed by the Federal agencies.

- The $5.7 million reduction in life enrichment expenditures reflects the transfer of all parks and recreation maintenance personnel to public works for management, resource allocation, and maximum flexibility in scheduling maintenance.

- The increase of $37.1 million in public works expenditures reflect the addition of all maintenance personnel transferred from parks and recreation to public works and the completion of various current and continuing projects assigned.

Business-type activities. Business-type activities increased the change in its net assets by $3.1 million for the year ended June 30, 2005. A key element of the increase for Business-type activities is attributed primarily to an 11% annual rate increase and the volume of billings for sewer services as a result of the surge in downtown housing development under the Mayor's 10 K Program. The 10K Program's goal is to develop housing to attract 10,000 new residents to downtown Oakland.

Financial Analysis of the Government's Funds

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

As of June 30, 2005, the City's governmental funds reported combined ending fund balances of $900.6 million compared to $687.3 for the previous fiscal year, as restated. The majority of the $210.1 million increase (31%) is attributed to (1), the combined increase of $183.3 million or 28% in pooled and restricted cash and investments as a result of unspent Lease Revenue Bonds, Series 2005 proceeds issued on June 21, 2005,

(2) the improved revenue collections as a result of double digit increases in property tax valuation, and (3) the 3% reduction in overall governmental liabilities excluding long-term debts.

At June 30, 2005, the Federal/State Grant Fund ended with a negative fund balance of $2.5 million compared to a negative fund balance of $23.1 million for the previous fiscal year. The significant reduction in negative fund balance is due to systematic collection efforts to reimburse City advances to pay for grant activities.

The Oakland Redevelopment Agency had a fund balance of $268.1 million as of June 30, 2005 that represents an increase of 28% over the prior fiscal year. The net increase of $58.5 million was primarily related to the improvement in property tax revenues in the project areas and the remaining bond proceeds for the Central District Project Area to be completed by fiscal year 2007.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements under the *business-type* column but in more detail.

The portion of net assets invested in capital assets, net of related debt amounted to $107.4 million as of June 30, 2005, compared to $113.6 for the previous fiscal year. The 5% decrease is related to partial proceeds spent from a new debt issued to finance sewer projects. During the fiscal year, the City capitalized $3.1 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

Differences between the original and the final amended expenditure budgets totaling $16.7 million were due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Total general fund actual expenditures compared to the final amended expenditure budget showed net budget savings of $1.2 million for the year ended June 30, 2005, compared to $3.6 million in savings for the previous fiscal year. The net savings is attributed to the significant turnover in full time employees due to retirement and City efforts to reduce personnel costs in line with its revenue forecast.

Actual revenues compared to the final amended general fund revenue budget exceeded projections by $40.0 million, compared to an unfavorable variance of $3.6 million for the previous fiscal year. The increase is primarily attributed to improved property taxes driven by a 42% improvement in assessed property valuation as reported by the County of Alameda.

Capital Assets

The City's capital assets, net of depreciation, totaled $960.6 million as of June 30, 2005 compared to $946.0 million as of June 30, 2004, an increase of 2.0%. Governmental activities additions of $13.3 million in capital assets included land acquisition and capitalization of infrastructure, facilities improvements, and furniture and equipment which met the City's threshold for capitalization. These additions were offset by retirements and depreciation, the net effect of which was a reduction of $3.9 million in capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $1.4 million net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has active construction projects as of June 30, 2005. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	Spent to date	Remaining Commitment
Infrastructure – streets	$ 92,621	$ 50,031
Infrastructure – parks	14,057	39,863
Facility improvements	22,878	34,065
Sewer and storm drains	10,414	49,315
Technology enhancements	13,800	5,587
Miscellaneous	14,058	8,676
Totals	$167,828	$187,537

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75% of property valuation, net of exemptions subject to taxation) was $903.4 million. The total amount of debt applicable to the debt limit was $227.0 million. The resulting legal debt margin was $676.1 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2004, were as follows:

Standard and Poor's Corporation	A+
Moody's Investors Services, Inc.	A1
Fitch, JBCA, Inc.	A+

As of June 30, 2005, the City had total long-term obligations outstanding of $1.87 billion compared to $1.68 billion outstanding for the prior fiscal year, an increase of 11%. Of this amount, $227.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
June 30, 2005
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	$ 227,010	$ 232,045	$	$ —	$ 227,010	$ 232,045
Tax allocation bonds	270,085	235,555		—	270,085	235,555
Certificates of participation	50,195	54,780		—	50,195	54,780
Lease revenue bonds	488,721	386,200		—	488,721	386,200
Pension obligation bonds	366,405	388,824		—	366,405	388,824
Special assessment debt with government commitment	7,370	7,940		—	7,370	7,940
Accreted interest on appreciation bonds	70,811	52,863			70,811	52,863
Sewer-bonds and notes payable	—	—	67,985	6,362	67,985	6,362
Less: Deferred amounts						
Bond issuance premiums	24,186	11,830	2,829	—	27,015	11,830
Bond refunding loss	(22,793)	(20,333)		—	(22,793)	(20,333)
Total bonds payable	1,481,990	1,349,704	70,814	6,362	1,552,804	1,356,066
Notes payable	45,209	46,153			45,209	46,153
Other long-term obligations	267,417	274,976		—	267,417	274,976
TOTAL OUTSTANDING DEBT	$1,794,616	$1,670,833	$70,814	$ 6,362	$1,865,430	$1,677,195

The City's overall total long-term obligations increased by $182.7 million compared to fiscal year 2004. The net increase is primarily attributable to (1) the issuance of Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"), (2) the issuance of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"), and (3) the Agency's issuance of Tax Allocation Bonds, Series 2005 for redevelopment within the Central District project area. The notes payable and other long-term obligations increased basically because of the additional amounts provided for compensated absences, workers' compensation, and estimated claims payable for fiscal year 2005.

Summary of New Debt:

Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"): On June 21, 2005, the Joint Powers Financing Authority issued its $144,950,000 Refunding Revenue Bonds, Series A-1, A-2, and B. A portion of the proceeds were to be used to refund and defease all of the Authority's outstanding lease Revenue Bonds, 1998

Series A. However, the Interest Rate Swap Agreement associated with the 1998 Series A Bonds still remains in effect and set to terminate on July 31, 2021.

Sewer Revenue Bonds, 2004 Series A: On December 14, 2004, the City issued $62,330,000 of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"). The 2004 A Project involves the rehabilitation and, where necessary, replacement of sections of the existing sewer system, including the sewer pipelines and connections to private sewer lines. The project is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the system, and eliminate sewer overflows of untreated water into the San Francisco Bay. The 2004 Series A Bonds have interest rates ranging from 3.00% to 5.25% and mature in 2029.

Solar Panel Tax-Exempt Lease Transaction: On November 14, 2004, the City of Oakland (the "Lessee") for $4,138,858 to finance the design and construction of solar photovoltaic generation systems as described in the Design/Build Agreement for the Solar Power and Energy Efficiency Project, between the Lessee and the PowerLight Corporation (the "Contractor"). This financing was a capital lease at an interest rate of 4.25%.

Enterasys Equipment Lease: On February 15, 2005, the electorate authorized the execution of a seven-year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed $215,000 annually or $1,500,000 over the term of the contract. The purpose of the lease financing was to finance the installation and maintenance of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%. On March 30, 2005, the City entered into a lease financing with Enterasys, Inc., in the amount of $1,139,884.

Shoretel Equipment Lease: On February 15, 2005, the electorate authorized the successful completion of the City's Voice over IP pilot project and the execution of a seven-year contract for the lease of telephone equipment and services with ShoreTel Communications, Inc., for an amount not to exceed $275,000 annually or $1,650,000 over the term of the contract. The purpose of the lease financing was to finance the purchase and installation of equipment necessary to update the City's network telephone infrastructure. The financing was a capital lease and part of the lease was taxable at an interest rate of $5.522% and the tax-exempt portion was 3.54%. On March 30, 2005, the City entered into a lease financing with ShoreTel Communications, Inc., in the amount of $1,397,326.

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005: On February 8, 2005, the Agency issued the Series 2005 Bonds for $44,360,000 to finance various redevelopment activities within the Central District Project Area including the following: property acquisition to facilitate residential and commercial development downtown; environmental remediation; parking garage expansion; renovation and maintenance of public facilities such as the Fox Theater; and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005

Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency-sponsored public capital projects for fiscal years 2005 through 2007.

Current Year Refunding: On June 16, 2005, the Oakland Joint Powers Financing Authority (JPFA) issued its $122,170,000 Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) Bonds. The bonds have interest rates ranging from 3.00% to 5.00% and mature in 2025. The Bonds were issued to (1) purchase City of Oakland General Obligation Refunding Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate principal amount of $122,476,041, which were issued simultaneously with the issuance of Bonds to defease all of the City's outstanding Refunded GO Bonds, (2) finance certain public capital improvements to be acquired under/or constructed by the Authority, (3) pay the premium for a financial guaranty insurance policy, and (4) pay certain costs of issuance associated with the Bonds.

Refunding Revenue Bonds, 2005 Series: On June 21, 2005, the City, through the JPFA, issued 2005 Refunding Revenue Bonds, 2005 Series (2005 Bonds) in the amount of $144,950,000, comprised of $63,500,000 tax-exempt 2005 Series A-1 Bonds, $63,475,000 tax-exempt 2005 Series A-2 Bonds, and $17,975,000 taxable Series B bonds. The 2005 Bonds were issued as auction rate securities. The purpose of the bonds was to (1) refund and defease all of the Oakland Joint Powers Finance Authority's (JPFA) outstanding Lease Revenue Bonds, 1998 Series A, which were issued to refund Special Refunding Revenue Bonds (Pension Financing) 1988 Series A issued by the City, and (2) fund a portion of the City's obligation to make payments to its Police and Fire Retirement system.

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

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2005-06.

- The City of Oakland's unemployment rate dropped to 7.8% in October 2005 compared to an average unemployment rate of 9.1% for 2004.

- The annual rate of the Bay Area's consumer price index decreased slightly to 2.04% in October 2005 (2.09% in September 2005), while the U.S. City average decreased from 3.52% to 3.19%.

- Oakland's vacancy rate for class A and B office space has dropped to 7.5% for the 2005 third quarter compared to 10.2% for the 2004 third quarter. By comparison, the 2005 third quarter Class A vacancy rates for the City of San Francisco and the Silicon Valley were 13.1% and 13.9%, respectively.

- For the 2005 third quarter, the average office space rental rate per square foot for the City ranged from $1.66 to $1.89 compared to $2.40 for San Francisco and $2.09 for the Silicon Valley.

- Oakland's gross metropolitan product, estimated at $99.6 billion for 2001, ranks in the top 20 metropolitan economies in the United States and the 84th largest economy in the world.

- Estimated population for 2005 is 415,700 with a total number of households of 150,790 and an average household size of 2.60 persons with a mean household income of $59,500.

- Electric utility rates for commercial range from 13.67 to 17.67 cents per kilowatt hour while industrial rates are from 9.21 to 13.47 cents per kilowatt hour.

- Increases in expenditures due to new union contracts, CalPers pension rates, and healthcare costs have been factored into the City's Fiscal Year 2005-06 budget without raising or imposing new taxes.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093.

City of Oakland
Statement of Net Assets
June 30, 2005
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
ASSETS					
Cash and investments	$ 288,237	$ 4,897	$ 293,134	$ 95,581	$ 6,060
Receivables (net of allowance for uncollectibles of $9,560):					
Accrued interest	1,340	-	1,340	970	-
Property taxes	10,871	-	10,871	-	-
Accounts receivable	69,816	3,243	73,059	34,425	714
Grants receivable	24,623	-	24,623	-	168
Due from component unit	21,763	-	21,763	-	-
Internal balances	4,751	(4,751)	-	-	-
Due from other governments	4,898	-	4,898	-	-
Due from pension trust fund	2,070	-	2,070	-	-
Notes and loans receivable (net of allowance for uncollectibles of $6,490)	184,438	-	184,438	-	-
Restricted assets:					
Cash and investments	562,935	56,970	619,905	373,478	8,932
Receivables	-	-	-	5,915	-
Inventories	1,057	-	1,057	-	-
Capital assets:					
Land and other assets not being depreciated	100,702	5,002	105,704	695,254	-
Facilities, infractructure, and equipment, net of depreciation	738,673	116,238	854,911	1,230,615	490
Property held for resale	57,738	-	57,738	-	89,408
Unamortized bond issuance costs	22,903	716	23,619	-	-
Net pension asset	392,203	-	392,203	-	-
Other	1,911	-	1,911	106,831	-
TOTAL ASSETS	2,490,929	182,315	2,673,244	2,543,069	105,772
LIABILITIES					
Accounts payable and other current liabilities	122,727	983	123,710	46,208	1,010
Accrued interest payable	9,160	-	9,160	33,430	-
Due to other governments	235	-	235	-	3,676
Due to primary government	-	-	-	18,828	2,935
Unearned revenue	8,404	8	8,412	69,897	90
Matured bonds and interest payable	520	-	520	-	-
Other	8,202	-	8,202	45,535	714
Noncurrent liabilities:					
Due within one year	148,849	2,338	151,187	20,660	-
Due in more than one year	1,645,767	68,476	1,714,243	1,545,395	7,495
TOTAL LIABILITIES	1,943,864	71,805	2,015,669	1,779,953	15,920
NET ASSETS (deficit)					
Invested in capital assets, net of related debt	310,633	107,396	418,029	592,698	490
Restricted net assets:					
Debt service	28,375	-	28,375	136,004	-
Pension obligations	175,247	-	175,247	-	-
Urban redevelopment and housing	84,752	-	84,752	-	83,302
Other purposes	4,041	-	4,041	-	-
Unrestricted net assets (deficit)	(55,983)	3,114	(52,869)	34,414	6,060
TOTAL NET ASSETS	$ 547,065	$ 110,510	$ 657,575	$ 763,116	$ 89,852

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

CITY OF OAKLAND
Balance Sheet
Governmental funds
June 30, 2005
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 79,445	$ -	$ 129,143	$ 20,274	$ 55,975	$ 284,837
Receivables (net of allowance for uncollectibles of $8,047):						
Accrued interest	418	-	411	138	373	1,340
Property taxes	5,484	734	1,187	21	3,445	10,871
Accounts receivable	65,855	158	373	1	3,034	69,421
Grants receivable	-	23,928	-	-	695	24,623
Due from component unit	20,367	-	-	-	1,396	21,763
Due from other funds	68,721	2,842	31,125	-	3,440	106,128
Due from other governments	-	-	4,898	-	-	4,898
Notes and loans receivable (net of allowance for uncollectibles of $6,490)	38,619	78,788	51,351	-	15,680	184,438
Restricted cash and investments	175,198	4,090	89,801	112,073	165,792	546,954
Property held for resale	-	-	57,738	-	-	57,738
Other	1,887	24	-	-	-	1,911
TOTAL ASSETS	$455,994	$ 110,564	$ 366,027	$ 132,507	$ 249,830	$1,314,922
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$102,181	$ 5,108	$ 9,456	$ 1,311	$ 3,509	$ 121,565
Due to other funds	25,110	23,435	6,669	-	13,957	69,171
Due to other governments	21	-	213	-	1	235
Deferred revenue	29,882	84,481	81,190	21	19,046	214,620
Matured bonds and interest payable	-	-	-	520	-	520
Other	6,963	-	380	612	247	8,202
TOTAL LIABILITIES	164,157	113,024	97,908	2,464	36,760	414,313
Fund balances (deficit)						
Reserved:						
Encumbrances	4,115	15,265	-	434	4,837	24,651
Long-term receivables	6,000	-	-	-	2,659	8,659
Debt service	3,379	-	-	-	155,769	159,148
Property held for resale	-	-	57,738	-	-	57,738
Capital projects	-	-	208,829		-	208,829
Pension obligations	138,000	-	-	-	-	138,000
Unreserved/(deficit) reported in:						
General fund	140,343	-	-	-	-	140,343
Special revenue funds	-	(17,725)	-	-	37,510	19,785
Capital project funds	-	-	1,552	129,609	12,295	143,456
TOTAL FUND BALANCES (DEFICIT)	291,837	(2,460)	268,119	130,043	213,070	900,609
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$455,994	$ 110,564	$ 366,027	$ 132,507	$ 249,830	$1,314,922

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

City of Oakland
Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets for Governmental Activities
June 30, 2005
(In Thousands)

Fund balance - total governmental funds	$ 900,609
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resource and therefore, are not reported in the funds.	812,585
Accounts recivable from OMER's	306
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the government activities on the statement of net assets.	22,903
Net pension assets are recognized in the statement of net assets as an asset, however it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.	392,203
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(9,160)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.	206,216
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,771,226)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(7,371)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 547,065

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

purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	15-40 years
Furniture, machinery and equipment	3-20 years
Infrastructure	7-50 years

Property Held for Resale

Property held for resale is recorded as an asset at the lower of cost or estimated net realizable value. In its fund statements, the Agency charges as expenditures, the cost of developing and administering its capital development projects related to costs over and above the cost of the initial acquisition.

Net Pension Asset

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). And in June 2005, the City contributed $17.7 million to PFRS to be used to fund a portion of the City's obligation under its Charter to the Retirement System. The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

Compensated Absences

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

Retirement Plans

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

Refunding of Debt

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

Fund Balances

Reservations of fund balances of the governmental funds indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use. Following is a brief description of the nature of certain reserves.

1. **Reserve for Encumbrances** – Encumbrances outstanding at fiscal year end are reported as reservations of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

2. **Reserve for Long-Term Receivables** – This fund balance is reserved for long-term receivables that do not represent expendable available financial resources

3. **Reserve for Debt Service** – This fund balance is reserved for the payment of debt service requirements in subsequent years.

4. **Reserve for Property Held for Resale** – This fund balance is reserved for the cost of developing and administering residential and commercial properties intended for resale.

5. **Reserve for Capital Projects** – This fund balance is reserved for ongoing projects in specific areas excluding the General Fund. This reservation includes $38,122,381 reserved for low and moderate housing projects.

6. **Reserve for Pension Obligations** – This fund balance is reserved for the City's obligations under its pension plans.

Designations of portions of the General Fund unreserved fund balance have been made to indicate those portions of the fund balances which the City has tentative plans to utilize in a future period. These amounts may or may not result in actual expenditures. See Note 13 for specific designations.

Restricted Net Assets

Restricted net assets are those assets, net of their related liabilities, that have constraints placed on their use by laws, regulations, creditors, grantors, contributors, or by enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues.

Effects of New Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.* This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement is effective for the City's fiscal year ending June 30, 2006.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending June 30, 2007.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement No.1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In December 2004, GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34, which requires that limitation on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government-such as citizens, public interest groups, or the judiciary-can compel a government to honor. This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 47, Accounting for Termination Benefits, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not other wise identifiable from information displayed on the face of the financial statements) and significant methods and assumptions used to determine termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. For all other termination benefits, application of this Statement is effective for the City's fiscal year ending June 30, 2006.

Use of Estimates

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

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

Primary Government

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

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

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

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

The retirement systems' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans and real estate. The systems' investment portfolios are managed by external investment managers. During the year ended June 30, 2005, the number of external investment managers was six for the PFRS and one for the OMERS.

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

	Primary Government				Port	OBRA
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total		
Cash and investments	$ 288,237	$ 4,897	$ 40,078	$ 333,212	$ 95,581	$ 6,060
Restricted cash and investments	562,935	56,970	650,169	1,270,074	373,478	8,932
Restricted securities lending collateral	—	—	50,594	50,594	—	—
TOTAL	$ 851,172*	$ 61,867	$740,841	$1,653,880	$ 469,059	$ 14,992
Deposits				$ 29,188	$ 7,443	$ 7,361
Investments				1,624,692	461,616	7,631
TOTAL				$1,653,880	$ 469,059	$ 14,992

*$851,172 consists of all governmental funds and the internal service funds.

Investments - Primary Government

The City adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB No. 3*, effective July 1, 2004 for its annual financial statements. The objective of this Statement is to update custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Financial Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how the City mitigates each type of risk.

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

At June 30, 2005, the carrying amount of the City's deposits was $29.2 million and the bank balance was $28.6 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $0.6 million was FDIC insured and $28 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

Credit Risk (Financial Risk): Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. The City invests only in securities from highly rated entities. As of June 30, 2005, approximately 65% of the pooled investments was invested in "AAA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2005 (in thousands):

Pooled Investments

		Ratings as of Fiscal Year Ended 06-30-05				
	Fair Value	AAA	Aa/AA	A / A-1+ / A-	A1P1/F-1	Not Rated
U.S. Govt. Agency Securities	$ 244,642	$ 244,642	$ -	$ -	$ -	$ -
U.S. Govt. Ag. Security Disc.	47,850	-	-	47,850	-	-
Corporate Bond	5,846	-	5,846	-	-	-
Corporate Bond	3,032	-	-	3,032	-	-
Money Market Funds	50,838	50,838	-	-	-	-
LAIF	54,582	-	-	-	-	54,582
Commercial Paper	24,963	-	-	24,963	-	-
Commercial Paper	20,245	-	-	-	20,245	-
Total Investment Pool	$ 451,998	$ 295,480	$ 5,846	$ 75,845	$ 20,245	$ 54,582

Restricted Investments

		Ratings as of Fiscal Year Ended 06-30-05		
	Fair Value	AAA	A1/P1	Not Rated
Commercial Paper	$ 5,982	$ -	$ 5,982	$ -
Money Market Funds	73,679	73,679	-	-
Corporate Bonds	3,000	-	-	3,000
Resolution Funding	26,117	-	-	26,117
Local Govt. Bonds	122,476	-	-	122,476
U.S. Govt. Ag. Securities	15,810	15,810	-	-
LAIF	44,843	-	-	44,843
Investment Agreement	46,102	-	-	46,102
Investment Agreement	144,915	-	-	144,915
Annuity	138,000	-	-	138,000
Total	$ 620,924	$ 89,489	$ 5,982	$ 525,453

Concentration of Credit Risk: This risk represents the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes. The JPFA's investment in the City of Oakland General Obligation Refunding Bonds, Series 2005 in the amount of $122,476,000 and the guaranteed non-participating annuities in New York Life Insurance Company in the amount of $138,000,000 represents 11.4% and 12.9% of the total City portfolio respectively, at June 30, 2005. The City also has an Investment Agreement in the amount of $64,879,000, representing 6.05% of the total City portfolio at June 30, 2005.

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

Pooled Investments

	Fair Value	% of Portfolio
U.S. Govt. Agency Securities	$ 244,642	54.12%
U.S. Govt. Ag. Security Disc.	47,850	10.59%
Corporate Bond	8,878	1.96%
Money Market Funds	50,838	11.25%
LAIF	54,582	12.08%
Commercial Paper	45,208	10.00%
TOTAL	**$ 451,998**	**100.00%**

Restricted Investments

	Fair Value	% of Portfolio
U.S. Govt. Ag. Securities	$ 15,810	2.55%
Commercial Paper	5,982	0.96%
Corporate Bond	3,000	0.48%
U.S. Treasury Notes	26,117	4.21%
LAIF	44,843	7.22%
Money Market Funds	73,679	11.87%
Local Government Bonds	122,476	19.72%
Investment Agreement	191,017	30.76%
Annuity	138,000	22.22%
TOTAL	**$ 620,924**	**100.00%**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the City's policy that the maximum maturity for any one investment shall not exceed five (5) years unless authority for such investment is expressly granted in advance by the City Council.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2005, the City's pooled portfolio had an average day to maturity of 427 days and had the following investments and original maturities (in thousands):

Pooled Investments

	Fair Value	Interest Rates (%)	12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	$ 244,642	3.40 – 7.84	$ 94,846	$ 100,824	$ 48,972
U.S. Govt. Ag. Security Disc.	47,850	3.18 – 3.30	47,850	-	-
Corporate Bond	8,878	3.81 – 6.23	5,846	3,032	-
Money Market Funds	50,838	2.97	50,838	-	-
LAIF	54,582	2.85	54,582	-	-
Commercial Paper	45,208	2.86 – 5.78	45,208	-	-
TOTAL	**$ 451,998**		**$ 299,170**	**$ 103,856**	**$ 48,972**

Restricted Investments

	Fair Value	Interest Rates (%)	12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Govt. Agency Securities	$ 15,810	3.72 – 4.17	$ 6,912	$ 8,898	$ -	$ -
Commercial Paper	5,982	4.35 – 8.99	5,982	-	-	-
Corporate Bond	3,000	3.81 – 6.22	-	-	-	3,000
U.S. Treasury Notes	26,117	3.18 – 4.58	2,164	4,052	3,737	16,164
LAIF	44,843	1.60 – 2.97	44,843	-	-	-
Money Market Funds	73,679	0.93 – 2.95	73,679	-	-	-
Local Government Bonds	122,476	4.86	5,102	10,841	12,030	94,503
Investment Agreement	191,017	3.94 – 3.91	-	144,915	46,102	-
Annuity	138,000	4.30	-	-	-	138,000
TOTAL	**$ 620,924**		**$ 138,682**	**$ 168,706**	**$ 61,869**	**$ 251,667**

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

Other Disclosures: As of June 30, 2005, the City's investment in LAIF is $99.4 million ($54.6 million in pooled investments and $44.8 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately $18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Pensions Cash and Investments

Oakland Municipal Employee's Retirement System (OMERS)

City's Investment Pool

Cash and cash equivalents are funds held by the City Treasurer as pooled cash or held by the third party custodian as short-term investment funds for the temporary placement of proceeds from the sale or maturity of investments or in anticipation of investment purchases.

OMERS maintains its operating cash in the City's investment pool. It is not possible to disclose relevant information about the System's separate portion of the investment pool. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2005 basic financial statements. A copy of that report may be obtained by contacting the City Treasurer. As of June 30, 2005, the OMERS's share of the City's investment pool totaled $573.3 thousand.

Investments

OMERS investment policy authorizes investment in domestic common stocks and bonds. Portfolio concentrations are limited to 5% of a single issuer. Industry concentrations are limited to 40% of a specific industry. There is also a limit that the investment manager cannot hold more than 7% of a single issuer in its portfolio. During the year ended June 30, 2005, OMERS investment portfolio was managed by one external investment manager.

Interest Rate Risk: This risk represents the possibility that changes interest rates will adversely affect the fair value of an investment. OMERS investment policy limits the duration of the fixed income investments to within a range of 1.5 years to that of the Lehman Aggregate Bond Index. As of June 30, 2005 the duration for the OMERS fixed income investments was 4.95, while the duration of the Lehman Aggregate Bond Index was 4.16.

As of June 30, 2005, OMERS had the following investments and maturities (in thousands):

Investments	Fair Value	Modified Duration (Year)
Government bonds	$ 1,362	9.97
GNMA mortgage pool	1	0.87
Corporate bonds	500	3.20
Bonds mutual funds	2,068	2.06
Total Fixed Investments	**3,931**	**4.95**
Other Investments		
Domestic equities	5,576	
Total Investments	**$ 9,507**	

Credit Risk: Credit risk represents the possibility that that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS investment policy states that the fixed income portfolio shall be 100% investment grade with a focus on capital preservation and income generation. The table below shows OMERS credit risk as of June 30, 2005:

S & P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 2,652	67%
AA	1,279	33%
Total Fixed Investments	**$ 3,931**	**100%**

Concentration of Credit Risk: This risk represents the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2005, the investment portfolio contained the following concentration of investments in a single issuer (other than those issued or explicitly guaranteed by the U.S. government) that represented 5 percent or more of OMERS investments (in thousands):

Investments	Amount
Capstead Mortgage Corp.	$ 456
Cherokee Inc.	519
Crucell, NV Ads	480
Total	$ 1,455

Oakland Police and Fire Retirement System (PFRS)

City's Investment Pool

Cash in treasury is held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. Information regarding the custodial credit risk categorization of the City's cash and investment pool can be found in the City's basic financial statements. As of June 30, 2005, the PFRS share of the City's investment pool totaled $34.5 million.

Investments

PFRS investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non U.S. issued fixed income securities denominated in foreign currencies. PFRS investment portfolio is managed by external investment managers. During the year ended June 30, 2005, the number of external investment managers was seven.

Interest Rate Risk: PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. As of June 30, 2005 the duration for PFRS fixed income investment portfolio was 3.33, excluding the fixed income short-term investments and securities lending investments.

As of June 30, 2005, PFRS had the following fixed income investments and maturities (in thousands):

Investments	Fair Value	Modified Duration (Year)
U.S. Govt. Agencies	$ 152,447	2.4
U.S. Govt. Agencies (short-term)	26,598	0.1
U.S. Govt. Bond	28,320	7.9
Other Govt. Bonds	6,787	0.6
Corporate Bonds	120,734	4.2
Corporate Bonds – securities lending	50,000	0.0
Repurchase Agreement – securities lending	500	0.0
Total Fixed Income Investments	**$ 385,386**	**2.9**
Other Investments		
Domestic equities	191,675	
International equities	83,337	
Other short-term investments	30,015	
Real estate mortgage loans	59	
Total Investments	**$ 690,472**	

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2005, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Bonds Payable					
General obligation bonds	$ 232,045	$ 122,170	$ 127,205	$ 227,010	$ 7,260
Tax allocation bonds	235,555	44,360	9,830	270,085	10,325
Certificates of participation	54,780	—	4,585	50,195	4,465
Lease revenue bonds	386,200	267,426	164,905	488,721	25,237
Pension obligation bonds	388,824	—	22,419	366,405	25,020
City guaranteed special assessment district bonds	7,940	—	570	7,370	285
Accreted interest on appreciation bonds	52,863	17,948	—	70,811	—
Less deferred amounts:					
Bond issuance premiums	11,830	13,535	1,179	24,186	1,603
Bond refunding loss	(20,333)	(5,132)	(2,672)	(22,793)	(2,924)
TOTAL BONDS PAYABLE	1,349,704	460,307	328,021	1,481,990	71,271
Notes payable	20,007	—	1,567	18,440	1,840
Capital leases	26,146	6,676	6,053	26,769	6,421
TOTAL NOTES & LEASES	46,153	6,676	7,620	45,209	8,261
Other Long Term Liabilities					
Accrued vacation and sick leave	37,436	43,979	49,912	31,503	27,600
Pledge Obligation for Coliseum Authority debt	93,950	—	2,800	91,150	3,050
Estimated environmental cost	—	5,849	350	5,499	4,502
Self-insurance workers' compensation	94,874	21,465	20,173	96,166	20,173
Estimated claims payable	48,716	1,356	6,973	43,099	13,992
TOTAL OTHER LONG TERM LIABILITIES	274,976	72,649	80,208	267,417	69,317
TOTAL GOVERNMENTAL ACTIVITIES – LONG TERM OBLIGATIONS	$1,670,833	$539,632	$415,849	$1,794,616	$148,849

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2005, $23,390,000 of capital leases related to the internal service funds are included in the above amounts.

Business-Type Activities

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Sewer fund – Notes Payable	$ 6,362	$ —	$ 707	$ 5,655	$ 730
Sewer fund – Bonds	—	62,330	—	62,330	1,490
Unamortized Bond Premium	—	2,887	58	2,829	118
Total	$ 6,362	$65,217	$ 765	$ 70,814	$2,338

Component Unit - Port of Oakland

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Parity bonds	$ 1,418,586	$ —	$ 8,155	$ 1,410,431	$ 14,968
Notes and loans	194,983	2	37,850	157,135	510
TOTAL	1,613,569	2	46,005	1,567,566	15,478
Self-insurance workers' compensation	3,000	2,596	996	4,600	4,600
Unamortized bond discount/premium, net	(99)	868	(1,660)	(891)	946
Deferred loss on refunding	(5,584)	—	364	(5,220)	(364)
TOTAL DEBT	$ 1,610,886	$ 3,466	$ 45,705	$ 1,566,055	$ 20,660

Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2005, are as follows (in thousands):

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Government-type Activities:											
General obligation bonds:											
Principal	$ 7,260	$ 7,420	$ 7,760	$ 8,090	$ 8,435	$ 49,120	$ 56,325	$ 39,190	$ 26,595	$ 16,815	$ 227,010
Interest	10,674	10,474	10,200	9,902	9,586	41,504	28,868	15,522	8,324	1,584	146,637
Certificates of participation:											
Principal	4,465	5,067	5,300	5,620	5,965	24,710	4,200	—	—	—	55,327
Interest	3,068	3,008	1,909	1,693	1,434	3,237	84	—	—	—	14,433
Lease revenue bonds:											
Principal	25,237	26,295	27,476	28,830	29,926	175,518	97,762	60,703	16,975	—	488,721
Interest	23,962	22,635	21,298	19,829	18,344	66,658	30,335	9,425	587	—	213,073
Pension obligation bonds:											
Principal	25,020	27,850	30,920	34,250	37,860	117,130	93,534	65,520	—	—	432,084
Interest	9,928	8,118	6,091	3,833	1,321	73,594	136,262	107,000	—	—	346,146
City guaranteed special assessment bonds:											
Principal	285	285	305	320	345	1,720	1,840	2,270	—	—	7,370
Interest	390	376	361	345	328	1,353	883	328	—	—	4,364
Tax allocation bonds:											
Principal	10,325	10,920	11,165	11,775	11,130	66,020	89,530	48,475	5,340	5,405	270,085
Interest	12,876	12,301	11,674	13,255	13,154	50,914	28,130	6,777	2,149	586	151,817
Notes payable:											
Principal	1,840	2,600	1,940	2,080	2,230	7,750	—	—	—	—	18,440
Interest	1,072	1,275	545	469	388	619	—	—	—	—	4,368
Capital Leases:											
Principal	6,421	5,752	3,657	3,654	2,351	3,630	1,304	—	—	—	26.769
Interest	1,068	791	670	464	301	546	157	—	—	—	3,997
TOTAL PRINCIPAL	$ 80,853	$ 86,189	$ 88,523	$ 94,619	$ 98,242	$445,598	$344,495	$216,158	$ 48,910	$ 22,220	$1,525,806
TOTAL INTEREST	$ 63,038	$ 58,978	$ 52,748	$ 49,790	$ 43,856	$238,425	$224,719	$139,052	$ 11,060	$ 2,170	$ 884,835

The specific year for payment of estimated vacation, sick leave, workers' compensation, and estimated claims is not practicable to determine.

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Business-type Activities:											
Sewer Notes											
Principal	$ 2,220	$ 2,290	$ 2,365	$ 2,436	$ 2,543	$ 11,687	$ 12,575	$ 15,970	$ 15,900	$ —	$67,985
Interest	3,175	3,106	3,035	2,961	2,853	12,586	9,836	6,449	2,036	—	46,037

Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2005, are as follows (in thousands):

Fiscal Year Ending	Principal	Interest	Total
2006	$ 15,478	$ 77,080	$ 92,558
2007	20,051	76,777	96,828
2008	28,300	76,502	104,802
2009	33,655	75,712	109,367
2010	36,583	74,757	111,340
2011-2015	395,123	311,591	706,714
2016-2020	300,673	239,698	540,371
2021-2025	270,147	163,393	433,540
2026-2030	317,329	81,014	398,343
2031-2033	150,227	10,156	160,383
SUBTOTAL	1,567,566	1,186,680	2,754,246
Unamortized bond (discount) premium, net	(891)	—	(891)
Self-insurance workers' compensation	4,600	—	4,600
Deferred loss on refunding	(5,220)	—	(5,220)
TOTAL	$1,566,055	$1,186,680	$2,752,735

Net interest costs of $14,782,000 were capitalized in fiscal 2005. These amounts represented capitalized interest expense of $23,698,000, net of interest revenue of $8,916,000 for fiscal 2005.

Component Unit - Oakland Base Reuse Authority

Note Payable

OBRA has a non-interest bearing note payable for $8,200,000, which has been discounted at the rate of 3.37% to a principal amount of $7,495,235. The discounting resulted in the reduction of $704,765 against Property Held for Resale. In addition, OBRA accrued interest expense of $156,553 for the year ended June 30, 2005 related to above liability.

Principal and interest payments are due on the following dates:

Date	Principal	Interest	Total
November 17, 2006	$1,481,909	$518,091	$2,000,000
May 17, 2007	2,898,675	101,325	3,000,000
November 17, 2007	2,147,518	52,482	2,200,000
November 17, 2008	967,133	32,867	1,000,000
	$7,495,235	$704,765	$ 8,200,000

The note payable is collateralized by 19.32 acres of property described in Note 8. Payments are applied first to any expenses in connection with the note before the principal is reduced. There are no prepayment penalties and the note is not assumable.

Notes payable activity for the year ended June 30, 2005 consisted of the following:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Note Payable	$ -	$ 7,495,235	$ -	$ 7,495,235

City of Oakland Sewer Revenue Bonds, 2004 Series A

On December 14, 2004, the City issued $62,330,000 of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"). The 2004 Series A Bonds have interest rates ranging from 3.00% to 5.25% and mature in 2029. In September 2003, the City Council adopted Ordinance No. 12540 increasing the sewer service charges commencing in the fiscal year 2004 and establishing annual increases of 11% through the annual billing period beginning on January 1, 2009, and establishing increases for the annual billing periods beginning on January 1, 2010, and thereafter increases based on the Consumer Price Index.

The proceeds from 2004 Series A Bonds will be used for the rehabilitation and, where necessary, replacement of sections of the existing sewer system, including the sewer pipelines and connections to private sewer lines. Upon completion of the project that is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the sewer system, and eliminate sewer overflows of untreated water into the San Francisco Bay, the system will allow for dry weather flows of approximately 72 million gallons per day and wet weather flows of approximately 435 million gallons per day.

City of Oakland Solar Panel Tax-Exempt Lease Transaction

On November 15, 2004, the City of Oakland (the "Lessee") entered into a 15-year Lease Financing Agreement with First Municipal Credit Corporation (the "Lessor") for $4,138,858 to finance the design and construction of solar photovoltaic generation systems as described in the Design/Build Agreement for the Solar Power and Energy Efficiency Project, between the Lessee and PowerLight Corporation (the "Contractor"). This financing was a capital lease with an interest rate of 4.25%.

The complete design and construction of certain solar photovoltaic generation systems will be located at the following sites in the City of Oakland: Municipal Service Center Buildings 2, 3, 4, 5, and 8 located at 7101 Edgewater Drive, Oakland, California; and the Oakland Ice Center located at 519, 18th Street, Oakland, California.

Enterasys Equipment Lease

On February 15, 2005, the electorate authorized the execution of a seven-year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed $215,000 annually or $1,500,000 over the term of the contract. The purpose of the lease financing was to finance the installation and maintenance of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%.

On March 30, 2005, the City entered into a lease financing with Enterasys, Inc., in the amount of $1,139,884.

ShoreTel Equipment Lease

On February 15, 2005, the electorate authorized the successful completion of the City's Voice over IP pilot project and the execution of a seven-year contract for the lease of Telephone equipment and services with ShoreTel Communications, Inc., for an amount not to exceed $275,000 annually or $1,650,000 over the term of the contract. The purpose of the lease financing was to finance the purchase and installation of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%.

On March 30, 2005, the City entered into a lease financing with ShoreTel Communications, Inc., in the amount of $1,397,326.

Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005

On February 8, 2005, the Agency issued Subordinated Tax Allocation Bonds, Series 2005 ("Series 2005 Bonds") in the aggregate principal amount of $44,360,000 to finance various redevelopment activities within the Central District Project Area. Interest rates on the Series 2005 Bonds are 5% with a final maturity of September 1, 2022. The Series 2005 Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central District Project Area, including the following: property acquisition to facilitate residential and commercial development downtown, environmental remediation, parking garage expansion, renovation and maintenance of public facilities such as the Fox Theater, and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005 Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency sponsored public capital projects for Fiscal Years 2005 through 2007.

Current Year Refunding

$122,476,041, City of Oakland General Obligation Bonds, Series 2005 and $122,170,000, Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)

On June 16, 2005, the City issued City of Oakland General Obligation Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate amount of $122,476,041. Interest rates on the Oakland GO Bonds are 4.86% and the final maturity is December 15, 2025. The proceeds of the Oakland GO Bonds were used to defease six series of GO Bonds, consisting of City of Oakland General Obligation Bonds, Series 1992, Series 1995B, Series 1997, Series 1997C, Series 2000D, and Series 2000E.

Simultaneous with the issuance of the Oakland GO Bonds, the Oakland Joint Powers Financing Authority (JPFA) issued the Revenue Bonds, Series 2005 (the "JPFA Revenue Bonds") in the aggregate amount of $122,170,000. Proceeds of the JPFA Revenue Bonds together with the original issue premium of $10,147,940 were used to purchase the Oakland GO Bonds and to finance public capital improvements of the JPFA.

Interest rates on the JPFA Revenue Bonds range from 3.00% to 5.00%, and the final maturity is in the year 2025. The JPFA Revenue Bonds are insured by Ambac Assurance Corporation and are rated AAA/Aaa/AAA by Standard & Poor's, Moody's and Fitch, respectively.

The refunding resulted in cash flow savings of $5,131,776. In addition, the City obtained a net economic gain on this financing of $4,403,583.

$144,950,000, Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005

On June 21, 2005, the Oakland Joint Powers Financing Authority issued its Refunding Revenue Bonds in an aggregate principal amount of $144,950,000; this issuance was comprised of two tax-exempt portions in aggregate amounts of $63,500,000 (Series A-1) and $63,475,000 (Series A-2) (collectively, the "Series A Bonds"), and a taxable portion in an aggregate amount of $17,975,000 (the "Series B Bonds"). Both the Series A Bonds and Series B Bonds were issued as Auction Rate Securities. The purpose of the Series A Bonds were to 1) refund and defease all of the JPFA's outstanding variable rate Lease Revenue Bonds, 1998 Series A (the "1998 Series A Bonds"), and 2) to pledge tax override revenues to pay for debt service on the Series A Bonds (previously, the City's General Fund paid for debt service payments on the 1998 Series A). The proceeds associated with the Series B Bonds were used to fund a portion of the City's obligation to make payments to its Police and Fire Retirement System.

The cash flow savings and the net economic gain/loss in connection with the refunding of the 1998 Series A Bonds by the Series A Bonds can not be determined due to the variable rate component of both series of bonds.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2005, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to $272.8 million.

Authorized and Unissued Debt

The net amount of authorized and unissued governmental activities – general obligation bonds as of June 30, 2005, was $21 million (Measure G). These bonds were authorized by the voters, in a City election, on March 5, 2002. The bonds are to be issued by the City to acquire, renovate, improve, construct, and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center.

Also, the City has $126.8 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The conduit debt issued and outstanding at June 30, 2005, is (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2005
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	$ 64,425	01/01/29	$ 63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/29	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,070
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1988	23,000	07/01/08	8,040
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	4,490
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	17,800
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc.)	5,800	07/01/33	5,800
TOTAL			$ 116,345

(13) GENERAL FUND UNRESERVED FUND BALANCE

The following designations reflect the City of Oakland's imposition of limitations on the use of the otherwise available expendable financial resources in the General Fund (in thousands).

Designations:

Pension obligations – PFRS	$59,726
Carryforward for Continuing projects	17,509
Motor vehicle-in-lieu backfill earmarked for FY 2006 budget	6,300
Lighting and Landscaping Assessment District gap funding for fiscal years 2006 and 2007	7,300
General Fund fiscal years 2005 to 2007 gap funding	3,200
Total designations	94,035
Unreserved/undesignated fund balance	46,308
Total General Fund unreserved fund balance	$140,343

(14) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2005 and 2004, are as follows (in thousands):

Workers' Compensation

	2005	2004
Unpaid claims, beginning of fiscal year	$94,874	$91,367
Current year claims and changes in estimates	21,465	21,181
Claims payments	(20,173)	(17,293)
Unpaid claims, end of fiscal year (Note 12)	$96,166	$94,874

General Liability

	2005	2004
Unpaid claims, beginning of fiscal year	$48,716	$49,569
Current year claims and changes in estimates	1,356	7,452
Claims payments	(6,973)	(7,145)
Unpaid claims, end of fiscal year (Note 12)	$43,099	$48,716

The above estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employees injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents.

The City is self-insured for its general liability, workers' compensation, malpractice liability, general, and auto liability and has excess reinsurance with the California State Association of Counties – Excess Insurance Authority as described below.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $25,000 deductible to be paid by the City. For the past three years, there have been no

Active members contribute a percentage of earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 2005 and 2004, the employees' contribution rate was 5.33%. Employee contributions are refundable with interest at 4.50% per annum if an employee elects to withdraw from the plan upon termination of employment with the City. Because of the Retirement System's current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

California Public Employees Retirement System (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office—400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 7.438% for non-safety employees and 29.178% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2004-05, the City's annual pension cost of $87,441,278 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.75% to 14.20%), and (c) payroll growth of 3.75%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value).

PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	$ 37.0	100%	—
2004	48.4	100	—
2005	87.4	100	—

(17) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment.

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. Approximately $2,639,614 was paid on behalf of 767 retirees under this program for the year ended June 30, 2005.

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

The City has committed to funding in the amount of $64,115,918 to a number of capital improvement projects for fiscal years 2004-05 to 2005-06.

Discretely Presented Component Unit

The Port anticipates spending $652,700,000 through June 2008 for its capital improvement program. The most significant Aviation projects are the terminal expansion and renovation, apron reconstruction, parking, roadway and security improvements. The most significant Maritime projects are the 50-foot channel deepening; acquisition and conversion of Oakland Army Base; and the modernization, expansion, and renovation of wharves and terminals.

Other major renovation and expansion projects are in the preliminary planning phase for the Aviation and Maritime Divisions. These projects will not be included in the Capital Improvement Program until they are determined to be feasible.

As of June 30, 2005, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	$ 32,773
Aviation	134,501
Commercial real estate	1,801
Total	$169,075

The most significant projects for which the Port has contractual commitments are airport terminal expansion of $94,392,000; and modernization of maritime wharves and terminals new cranes of $12,350,000.

Power Purchases

The Port of Oakland purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. The Port determines needs and commits to purchase contracts with power providers in advance. The total purchase commitment at June 30, 2005 is approximately $3,000,000.

Other Commitments

Primary Government

As of June 30, 2005, the Agency has entered into contractual commitments of $3,630,167 for materials and services relating to various projects. These commitments and future costs will be funded by current available funds, tax increment revenue and other sources.

At June 30, 2005, the Agency was committed to fund $19,879,936 in loans and had issued $1,648,600 in letters of credit in connection with several low and moderate-income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City.

The Agency is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal year 2005-07, the Agency included in its Adopted Budget an ERAF shift of $9,560,838.

The City is also liable for environmental remediation cost of about $5,499,000 as of June 30, 2005 for the Agency's Uptown Project and its Edgewater Service Center.

City of Oakland
and Oakland Redevelopment Agency
Investment Policy
For
Fiscal Year 2005-2006

Prepared by
Treasury Division, Finance and Management Agency
Adopted by the City Council and Oakland Redevelopment Agency
On June 21, 2005

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I. General

Authority

Pursuant to Council Resolution Nos. 75855 C.M.S. and 00-38 C.M.S. and in accordance with Government Codes Section 53607, the City Council delegates to the Director of Finance and Management Agency/Treasurer the authority to invest the City's and the Agency's operating fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also allows the City to present an annual investment policy for confirmation to the City Council, which the City Council shall consider at a public meeting. This Investment Policy is now amended and adopted as of June 2005 and will serve as the City of Oakland's Investment Policy for fiscal year 2005-06 and until further revised. By approval of this Investment Policy the City Council extends the authority and responsibility of the Director of Finance and Management Agency/Treasurer to invest or to reinvest the City's and the Agency's funds, or to sell or exchange securities so purchased, all as provided by Government Code Section 53607.

Scope

The Investment Policy applies to the operating funds of the City of Oakland and the Port of Oakland (the "City Operating Portfolio") and the Oakland Redevelopment Agency (the "Agency Operating Portfolio"). As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds also are not governed by this Investment Policy, but rather by the policies and federal or State statutes explicitly applicable to such funds.

Delegation

Management responsibility for the investment program is specifically delegated to the Treasury Manager who shall establish procedures for the investment program, which are consistent with this Investment Policy. Authorization for investment decisions is limited to the Treasurer and Treasury Manager. A Principal Financial Analyst may execute investment transactions in the absence of the Treasury Manager per the Treasury Manager instructions or prior authorization.

A Principal Financial Analyst, Financial Analyst, or Treasury Analyst may make decisions only with respect to overnight investments, but may implement investment decisions received directly from the Treasurer or Treasury Manager.

Prudent Investor Standard

All investments and evaluation of such investments shall be made with regard to the "prudent Investor" standard of care, that is, with the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Avoidance of Conflicts of Interest

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions. Any material financial interests in financial institutions, which do business with the City, should be disclosed to the City Administrator. Personal investment transactions are to be subordinate to those of the City, particularly with respect to the timing of purchases and sales. All individuals involved in the investment process are required to report all gifts and income in accordance with California State law.

Internal Control

The Director of Finance and Management Agency/Treasurer and Treasury Manager shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

The independent/external auditors shall perform an annual appraisal audit of the investment portfolio to evaluate the effectiveness of the City's investment program as well as its compliance with the Investment Policy. Additionally, the City Auditor's Office is directed to conduct periodic audits of Treasury operations to review its procedures and policies and to make recommendations for changes and improvements, if warranted.

2. Applicable Ordinances

Nuclear Free Zone Ordinance

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S., which restricts the City's investment in U.S. Government Treasuries. The Treasurer will make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries issued by the Government. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S. Treasury securities.

Linked Banking Ordinance

Pursuant to Ordinance No. 11067 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

Tobacco Divestiture Resolution

On February 17, 1998 Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Division maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

Preferences

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

Yield

While not the primary consideration of the Fund, it is important to recognize that the objectives of the City go beyond the preservation of capital. The Fund is managed to maximize its overall return with consideration of the safety, liquidity, and diversity parameters discussed above.

Custody

All investments of the City/Agency are to be secured through third-party custody and safekeeping procedures. All securities purchased from dealers and brokers shall be held in safekeeping by the City's custodial bank, which establishes ownership, by the City of Oakland or the Agency, as applicable.

All collateralized securities, such as repurchase agreements, are to be purchased using delivery versus payment procedures.

Reporting Requirements

Interim Requirements to Council

After the adoption of California Government Code Section 53646, the City is not mandated to submit an annual investment policy or a quarterly investment report to its legislative body. As best practice and sound financial management practice, the Director of Finance and Management Agency/Treasurer will submit a quarterly investment report and an annual investment policy for the City and the Agency within 30 days following the period being reported to the City Council.

The quarterly report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646, so long as it has been submitted to the City Administrator within 30 days following the period being reported to be scheduled for Finance and Management Committee. The quarterly cash management report for the period ending June 30 will be filed in a timely manner, but it will not be approved until September due to the City Council summer recess.

The report will include the information required under Government Code Section 53646 including: the type of investment, issuer, date of maturity, par and dollar amount invested (this data may be in the form of a subsidiary ledger of investments); a description of any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure requirements for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

Annual Requirements

The Government Accounting Standards Board (GASB) Statement #31 requires the portfolio be marked to market each June 30 in accordance with requirements of generally accepted accounting principals and the Government Accounting Standards Board. However, unrealized gains or losses will not be distributed.

The Government Accounting Standards Board (GASB) Statement #40 is effective for the June 30, 2005, annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Financial Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how to mitigate the risk.

Custodial Credit Risk: In the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party. To protect against fraud and potential losses form the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust departments, acting as a agent for the City under the terms of the Custody Agreement.

Credit Risk (Financial Risk): The possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance.

Concentration of Credit Risk: The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Interest Rate Risk: The possibility that an interest rate change could adversely affect an investment's fair value. The City manages interest rate risk by measuring the duration of the portfolio as a method of gauging the degree of interest rate risk to which the portfolio is exposed. Duration measure the exposure to fair value arising from changing interest rates by using the present value of cash flows weighted as a percentage of the investment's full price.

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

Reports to California Debt and Investment Advisory Commission (CDIAC)

In addition, the City Treasurer shall submit a copy of the second and fourth quarter cash management reports (based on a calendar year) to the California Debt and Investment Advisory Commission within 60 days of the close of the quarter. A copy of this investment policy will also be remitted with the second quarter report.

Derivatives

Callable step-up securities and floaters (which are tied to a short-term index such as 3- or 6-month LIBOR, 3-month Treasury Bills or Fed Funds rate) are considered suitable investments.

Structured notes, capped and range floaters, floating rate notes tied to a long-term index such as the Cost of Funds Index, inverse floaters and leveraged floaters are not permitted investments of the Fund at this time.

Collateralized Mortgage Obligations or their derivatives such as interest only strips are not permitted investments at this time.

General Credit Quality

Short- term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investor Service, Inc. or "F-1" by Fitch. Long-term debt shall be rated at least "A" by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund, the Treasurer, in consultation with the Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

Maturity

The average maturity of the investment portfolio shall not exceed 540 days. The maximum maturity for any one investment shall not exceed 5 years unless authority for such investment is expressly granted in advance by the City Council in accordance with Government Code Section 53601. If portfolio percentage constraints are violated due to a temporary imbalance in the portfolio, then the City shall hold the affected securities to maturity in order to avoid capital losses. Portfolio percentage limits are in place in order to ensure diversification of the City investment portfolio; a small, temporary imbalance will not significantly impair that strategy.

Trading Policies

Sales Prior to Maturity

"Buy and hold" is not necessarily the strategy to be used in managing the Funds. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

Purchasing Entities, Broker/Dealers and Financial Institutions

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as a broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasury Manager will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the City of Oakland's approved list. Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of National Association of Securities Dealers certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and annually thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer or Treasury Manager may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer or Treasury Manager is materially adverse to the best interests of the City/Agency.

4. Permitted Investments

The following securities are permissible investments pursuant to Section 53601 of the Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council and/or the Agency.

U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

Maximum Maturity	5 years
Maximum Portfolio Exposure	20%*
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

* 20% limit is a result of the Nuclear Free Zone Ordinance, subject also to prior adoption by Council of a waiver for a period not to exceed 60 days allowing investment in U.S. Treasury securities due to specified findings. There is no limitation under the Government Code.

Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

Banker's Acceptances (BA)

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

Maximum Maturity	180 days
Maximum Portfolio Exposure	40%
Maximum Issuer Exposure	30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer
Credit Requirement	Al, P1, or F1 (S&P/Moody's/Fitch)

Commercial Paper

A short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

Maximum Maturity	270 days
Maximum Portfolio Exposure	25%
Maximum Issuer Exposure	10% of the outstanding paper of the issuer; maximum 5% per issuer
Credit Requirement	Prime quality of the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO). For example, A1 or P1 (S&P/Moody's); or F1 (Fitch).
Eligibility	Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

Asset-Backed Commercial Paper

Asset-Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over-collateralization, letters of credit, surety bonds, etc.)

Maximum Maturity	270 days
Maximum Portfolio Exposure	25% (Not to exceed 25% of total secured and unsecured CP)
Credit Requirement	Rated "A1" by Standard and Poor's, "P1" by Moody', or "F1" by Fitch
Eligibility	Issued by special purpose corporations ("SPC") organized and operating in the the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States. Program must have credit facility that provides at least 100% liquidity Serialized ABCP programs are not eligible

Ratings are to be routinely monitored. The Treasurer or Treasury Manager is to perform his/her own due diligence as to creditworthiness.

Local Government Investment Pools

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Must retain an Investment Advisor	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition	Comprised of instruments in accordance with the California State Government Code

Medium Term Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

Maximum Maturity	5 years (additional limitations based on credit, below)
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest. Maturity no greater than 24 months ("A" category) or 36 months ("AA" category)
Eligibility	Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States

Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

Maximum Maturity	5 years
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise, for Domestic Banks and Savings & Loans a minimum of C (Thomson Bank Watch) and for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings

Repurchase Agreements

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Maximum Dealer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency

Reverse Repurchase Agreements

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

Maximum Maturity	92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)
Maximum Portfolio Exposure	20% of the base value of the portfolio
Mark-to-Market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City

Secured Obligations and Agreements

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

Maximum Maturity	2 years
Maximum Portfolio Exposure	20%
Maximum Issued/Provider Exposure	Prudent person standard applies overall; maximum 5% per issue
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Credit Requirement	Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company
Eligibility	Banks, insurance companies, insurance holding companies and other financial institutions

Certificates of Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $100,000. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and federal law or rulings) pursuant to the following conditions:

Maximum Maturity	360 days
Maximum Portfolio Exposure	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	For deposits over $100,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/ Fitch) being the lowest, if rated by S&P, Moody's or Fitch; otherwise, for Domestic Banks and Savings & Loans, a minimum standard of C (Thompson Bank Watch) and for Foreign Banks a minimum of B (Thompson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings
Deposit Limit	For federally insured deposits of $100,000 or

	less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution
Depository Selection	Highest available rate of interest
Institution Requirements	Most recent Annual Report

Note: Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee

Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Investment Advisor Alternative to Ratings	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition	Comprised of instruments in accordance with the California State Government Code

State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $40 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget by July 1st of each new fiscal year.

Maximum Maturity	N/A
Maximum Portfolio Exposure	None

Local City/Agency Bonds

Bonds issued by the City of Oakland, the Redevelopment Agency or any department, board, agency or authority of the City or the Redevelopment Agency.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Prudent person standard applies

State of California Bonds

State of California registered state warrants, treasury notes, or bonds issued by the State or by a department, board, agency or authority of the State.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Credit Requirement	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer

Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency within the state.

Maximum Maturity	5 years
Maximum Portfolio Exposure	Prudent person standard applied overall;

	maximum 5% per issuer
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	Prudent person standard applies

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the **CITY OF OAKLAND, CALIFORNIA** (the "City") in connection with the issuance of $21,000,000 City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006, between the City and the Fiscal Agent (collectively the "Fiscal Agent Agreement"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

Section 2. Definitions. The definitions set forth in the Fiscal Agent Agreement apply to all capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate. As of the date of this Disclosure Certificate, communications with DisclosureUSA may be directed to P.O. Box 684667, Austin, Texas 78768-4667; Fax: (512) 476-6403.

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean the repositories designated by the Securities and Exchange Commission from time to time for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Information regarding state information repositories can be found at www.sec.gov/info/municipal/nrmsir.htm#state. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) 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 is currently June 30) commencing with the 2005-2006 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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. 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.

(b) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Dissemination Agent and the Repositories an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing the Repositories to which it was provided.

(d) Notwithstanding any other provision of the Disclosure Certificate, the City reserves the right to make any of the aforementioned filings through a Central Post Office.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The assessed valuation of taxable property in the City;

3. Property taxes (including the Tax Override Revenues) due, property taxes collected and property taxes delinquent;

4. Property tax levy rate per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the City.

Such annual information and operating data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the National Repository, the State Repository or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the State Repository, if any, and to each National Repository or to the MSRB notice of the occurrence of any of the following events (the "Listed Events") with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Modifications to rights of the Holders of the Bonds.

4. Optional, contingent or unscheduled bond calls.

5. Defeasances.

6. Rating changes.

7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.

8. Unscheduled draws on debt service reserves reflecting financial difficulties.

9. Unscheduled draws on credit enhancements reflecting financial difficulties.

10. Substitution of the credit or liquidity providers or their failure to perform.

11. Release, substitution or sale of property securing repayment of the Bonds.

; provided, that any event under subsections (1) or (6) of the definition of the term "Listed Event" will always be deemed by the City to be material.

Notwithstanding the foregoing, notice of Listed Events described in (4) and (5) need not be given under this Section 5 any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Fiscal Agent Agreement.

If the City determines that knowledge of the occurrence of a Listed Event would be material, the City shall promptly file a notice of such occurrence with each Repository, or with the Central Post Office.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 3(b), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, 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 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the 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, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Fiscal Agent nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the City under this Disclosure Certificate.

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. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Disclosure Certificate; provided that any such action may only be instituted in a Federal or State Court located in the City. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Prior Undertakings. The City each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 14. Effective Date. This Disclosure Certificate shall be effective on and as of the date set forth on the execution page.

Section 15. Notices. Any notices or communications to the City relating to this Disclosure Certificate may be given as follows:

If to the City:	City of Oakland Finance and Management Agency 150 Frank H. Ogawa Plaza, Suite 5330 Oakland, California 94612 Attention: Treasury Manager Telephone: (510) 238-3201 Fax: (510) 238-2137

The City may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 16. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Certificate is given this ______ day of ___________, 2006.

CITY OF OAKLAND, CALIFORNIA

By:_______________________________

Its:_______________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor: **THE CITY OF OAKLAND, CALIFORNIA**

Name of Bond Issue: City of Oakland, California General Obligation Bonds (Series 2006, Measure G) (the" Bonds")

Date of Delivery: ____________, 2006.

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated the Date of Delivery, relating to the Bonds. The City anticipates that the Annual Report will be filed by _________.

Dated: ___________________

CITY OF OAKLAND, CALIFORNIA

By: ________________________________
Authorized Representative

APPENDIX E

BOOK--ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the Bonds; (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. 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.

Neither the City nor the Fiscal Agent will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Fiscal Agent Agreement; or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

1. DTC will act as securities depository for the Bonds (herein, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (OTC'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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA.

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 representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other 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 transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the 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 such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts or customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the City and the Fiscal Agent. Under such circumstances, in the event that a successor securities 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.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Fiscal Agent Agreement relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the City for further information regarding such provisions of the Fiscal Agent Agreement

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

__________ __, 2006

To: City of Oakland

We have acted as Bond Counsel to the City of Oakland, California (the "City"), in connection with the issuance by the City of $21,000,000 aggregate principal amount of its City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), dated as the date hereof. The Bonds are issued under and pursuant to an Resolution of the City Council adopted on May 2, 2006 (the "Resolution"), a Fiscal Agent Agreement, dated as of November 1, 2002 as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), (the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), the Charter of the City and the provisions of the Governmental Code of the State of California. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Fiscal Agent Agreement

In our capacity as Bond Counsel, we have reviewed: the Resolution; the Fiscal Agent Agreement; the Tax Compliance Certificates of the City, of certain other organizations using the facilities to be financed with the Bonds (the "Facility Users") and of the original purchaser of the Bonds, dated the date hereof (collectively the "Tax Certificate"); other certifications of the City, the Fiscal Agent and others as to certain factual matters; and such other certificates, documents, opinions of the City Attorney and other matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City in the Resolution, the Fiscal Agent Agreement, the Tax Compliance Certificate and other relevant documents to which it is a party, and of the Facility Users in the Tax Certificate. The accuracy of certain of those representations and certifications, and compliance by the City and the Facilities Users with certain of those covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations of the City under the Resolution, the Bonds and the Fiscal Agent Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion relating thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Resolution has been duly and validly adopted, the Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and each constitutes the valid, legal and binding obligation of the City.

2. The Bonds constitute the valid and binding general obligations of the City.

3. The City Council of the City has the power and is obligated, and in the Fiscal Agent Agreement has covenanted, to levy ad valorem taxes on all property within the City's boundaries subject to such taxes by the City, which taxes are unlimited as to rate or amount (except certain personal property which is taxable at limited rates), for payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

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$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE REGARDING PRELIMINARY OFFICIAL STATEMENT

I, William E. Noland, hereby certify that I am the Director of the Finance and Management Agency of the City of Oakland (the "City") and as such I am authorized to execute this Certificate on behalf of the City.

Pursuant to authority granted to me under Section 15 of Resolution No. 79869 adopted by the Oakland City Council on May 2, 2006, I hereby designate Katano Kasaine, the Treasury Manager of the City of Oakland, to perform any and all acts that I am authorized to perform pursuant to that Resolution and under the Fiscal Agent Agreement.

I hereby further certify in my official capacity, on behalf of the City, that the Preliminary Official Statement dated June 5, 2006, (including the cover page and all appendices thereto, the "Preliminary Official Statement") relating to the captioned Bonds is deemed to be final as of its date for the purposes of Rule 15c-2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c-2-12"), except for information permitted to be omitted therefrom by Rule 15c-2-12, including, for example, offering prices, interest rates, principal amounts per maturity, aggregate principal amount, maturity dates, and ratings.

The City hereby approves the use and distribution of the Preliminary Official Statement.

Dated: June 28, 2006

CITY OF OAKLAND

By: ______________________
William E. Noland
Director, Finance and Management Agency

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OFFICIAL NOTICE INVITING BIDS

$21,000,000

CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(Series 2006, Measure G)

NOTICE IS GIVEN that bids as described herein will be received by the Director of the Finance and Management Agency of the City of Oakland (the "City") as follows:

Time: **9:00 a.m. to 9:30 a.m., Pacific Daylight Time, on June 14, 2006.***

Manner: **Electronic Bids, via Grant Street Group's PFM Auction platform ("PFM Auction"). No other provider of electronic bidding services, and no other means of delivery of bids (i.e., telephone, fax, telegraph or personal delivery) will be accepted. See "TERMS OF SALE AND ELECTRONIC BIDDING PROCESS."**

For the purpose of purchasing, pursuant to this Official Notice Inviting Bids (the "Official Notice Inviting Bids"), $21,000,000 aggregate principal amount of City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), more particularly described below. **To bid via the PFM Auction website at www.PFMauction.com, bidders must have both (1) completed the registration form on the PFM Auction website and (2) requested and received admission to the City's auction, as described under "Registration and Admission to Bid" below. The use of PFM Auction shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto.**

THE RECEIPT OF BIDS ON JUNE 14, 2006* MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CITY THROUGH NOTICE ON THE AMENDMENT PAGE OF THE PFM AUCTION WEB SITE. See "Terms of Sale-Postponement or Cancellation of Sale." Failure of any bidder to receive such notice will not affect the sufficiency of any such notice or the legality of the sale.

The City reserves the right to modify or amend this Official Notice Inviting Bids in any respect; provided, however, that any such modification or amendment will be communicated to potential bidders through the notice on the amendments page of PFM Auction web site and via Munifax. See "Terms of Sale-Right to Modify or Amend." Failure of any potential bidder to receive such notice will not affect the sufficiency of any such notice or the legality of the sale.

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* Preliminary, subject to change as described under "Right to Modify or Amend."

Preliminary and Final Official Statement

The City has made available a Preliminary Official Statement ("POS") relating to the Bonds, dated June 5, 2006, which is available for viewing in electronic format on the PFM Auction website. The PFM Auction website address is www.PFMAuction.com. In addition, NASD registered broker-dealers and dealer banks with DTC clearing arrangements may either: (a) print out a copy of the POS on their own printer, or (b) at any time prior to June 14, 2006, elect to receive a photocopy of the POS in the mail by requesting it on the PFM Auction website or by calling the City's financial advisor, Public Financial Management ("PFM"), 633 West Fifth Street, Suite 6700, Los Angeles, California 90071, Telephone: (213) 489-4075, Attention: Jan Mazyck. In order to print a copy of the POS from PFM Auction, click the "POS" button on the PFM Auction Calendar/Disclosure Page and follow the instructions. All bidders must review the POS and certify that they have done so prior to participating in the bidding.

Such Preliminary Official Statement, together with any supplements thereto, shall be in form "deemed final" by the City for the purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. The City shall deliver, at closing, a certificate, executed by appropriate officers of the City acting in their official capacities, to the effect that the facts contained in the Official Statement (excluding information regarding underwriting, the policy of municipal bond insurance and the provider thereof, if any, and The Depository Trust Company and its book-entry system, as to which no view will be expressed), are true and correct in all material respects, and that the Official Statement does not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading.

Fifty (50) printed copies as well as an electronic copy, of the Official Statement will be made available to the Successful Bidder (sometimes referred to as the "Purchaser") for the Bonds (as defined below under "Basis of Award") without charge within seven business days of the date of sale. Additional printed copies will be made available upon request at the Purchaser's expense.

By submitting a bid for the Bonds, each bidder agrees, if awarded the Bonds: (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the City; (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12 of the Securities and Exchange Commission; and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to the ultimate purchasers, including without limitation the delivery of a final Official Statement to each investor who purchases Bonds.

The form and content of the final Official Statement of the City is within the sole discretion of the City. The Purchaser's name will not appear on the cover of the Official Statement.

Type of Bid Allowed

Subject to the bid requirements described in this Official Notice Inviting Bids, each bid for the Bonds must be: (1) for not less than all of the Bonds hereby offered for sale; (2) for not less than 100% of the par value of the Bonds; (3) submitted with a Good Faith Deposit (see "–Good Faith Deposit"); (4) unconditional and (5) submitted via PFM Auction. Bids may include a premium on the par value of the Bonds not exceeding 2% of the aggregate principal amount of the Bonds. **All bids will be deemed to incorporate all of the terms of this Official Notice Inviting Bids.**

To the extent any instructions or directions set forth in PFM Auction conflict with this Official Notice Inviting Bids, including amendments or modifications, the terms of this Official Notice Inviting Bids shall control.

The City retains absolute discretion to determine whether any bid is timely, legible and complete and conforms to this Official Notice Inviting Bids. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice Inviting Bids or has not been received.

TERMS RELATING TO THE BONDS

THE TERMS OF ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY, TAX OPINION, AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER MUST HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE INVITING BIDS GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE INVITING BIDS IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

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The Bonds were authorized at a general election held within the City on March 5, 2002 (the "Election") and will be issued in the aggregate principal amount of $21,000,000, will be dated and bear interest from the date of original issuance and will mature on January 15 of each year through 2036* in the following amounts:

January 15	Principal Amount*	January 15	Principal Amount*
2007	$205,000	2022	$ 665,000
2008	385,000	2023	695,000
2009	400,000	2024	725,000
2010	415,000	2025	755,000
2011	430,000	2026	790,000
2012	445,000	2027	825,000
2013	460,000	2028	865,000
2014	480,000	2029	905,000
2015	500,000	2030	945,000
2016	520,000	2031	985,000
2017	540,000	2032	1,030,000
2018	565,000	2033	1,080,000
2019	590,000	2034	1,130,000
2020	615,000	2035	1,180,000
2021	640,000	2036	1,235,000

The Bonds will be fully registered bonds in the denominations of $5,000 each or any integral multiple thereof. Interest will be payable on January 15, 2007 and semiannually thereafter on July 15 and January 15 of each year.

Adjustments to Principal Amortization after Determination of Best Bid

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the City, after the determination of the best bid. Changes to be made will be communicated to the successful bidder within 48 hours of the sale of the Bonds and will not reduce or increase the aggregate principal amount from the amount shown in the maturity schedule by more than 10 percent of such amount. The City may change the price to be paid for the Bonds (i.e., par plus any premium bid or less any discount bid) by a successful bidder as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of changes made within these limits. The price to be paid for the Bonds will be changed, as necessary, so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the Bonds to the public and the price to be paid to the City (excluding accrued interest), less any bond insurance premium to be paid by the bidder, by (ii) the principal amount of the Bonds) does not increase or decrease from

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* Preliminary, subject to change as described under Right to Modify or Amend.

what it would have been if no adjustment was made to the principal amounts shown in the maturity schedule.

To facilitate any adjustment in the principal amounts, the successful bidder is required to indicate by facsimile transmission via fax to Public Financial Management at (213) 489-4075 the amount of any original premium or discount on each maturity of Bonds, the amount received from the sale of the Bonds to the public that will be retained by the successful bidder as its compensation, and in the case of a bid submitted with bond insurance, the cost of the insurance premium. A bidder who intends to insure the Bonds shall also state, in that facsimile transmission, whether the amount of the insurance premium will change as a result of changes in the principal amount of the Bonds and the method used to calculate any such change in the insurance premium.

Option of Bidder to Elect Term Bonds

Bidders may designate the principal amounts of the Bonds set forth in the maturity schedule under "The Issue" for any two (2) or more consecutive years as a single term maturity which will mature in the latest of the years designated, and will have a stated maturity amount equal to the sum of the annual principal amounts designated as a part of such term maturity. Amounts included in a single term bond must bear the same rate of interest. Only one term maturity may be subject to mandatory sinking fund redemption in any year. Upon such designation, the Bonds of such term maturity shall be subject to mandatory sinking fund redemption in part by lot on January 15, in the principal amounts which would otherwise have matured in such designated years, at the price of par plus accrued interest to the redemption date, without premium.

Optional Redemption

Bonds maturing on and before January 15, 2016* will not be subject to optional redemption. Bonds maturing on or after January 15, 2017* will be subject to redemption prior to their respective maturity dates, at the option of the City, in whole or in part on any date on and after January 15, 2016* at par value, without premium, plus accrued interest to the redemption date.

Authority

The Bonds will be issued pursuant to the Constitution and laws of the State of California. The issuance of the Bonds was authorized by more than two-thirds of the vote of the qualified electors of the City voting at the Election.

Security

Both principal of and interest on the Bonds are payable from an unlimited ad valorem tax levied against all of the taxable property in the City.

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* Preliminary, subject to change as described under "Right to Modify or Amend."

Legal Opinion and Transcript

The Bonds are sold with the understanding that the Purchaser will be furnished with the legal opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, as Bond Counsel. A proposed form of that opinion is Appendix F to the Preliminary Official Statement. A copy of the opinion will be attached to the Bonds. Said firm has been retained by the City as Bond Counsel to the City and in such capacity is to render its opinion upon the legality of the Bonds under California law and certain tax matters described below. Fees for Bond Counsel will be paid from Bond proceeds.

Tax-Exempt Status

In the opinion of Bond Counsel, under existing laws, (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" in the Preliminary Official Statement. If Bond Counsel cannot deliver this opinion, the Purchaser will be relieved of its responsibility to pick up and pay for the Bonds, and in that event its Good Faith Deposit will be returned.

Ratings

Moody's Investors Service, Standard & Poor's and Fitch have assigned to the Bonds the ratings shown on the cover page of the Preliminary Official Statement. Such ratings reflect only the views of such organizations and explanations of significance of such ratings may be obtained from them as follows: Moody's Investors Services, Inc., 99 Church Street, New York, New York 10017, (212) 553-0300; Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, 25 Broadway, New York, New York 10004, (212) 208-1723; and Fitch Ratings, One State Street Plaza, New York, New York 10004, (212) 908-5000. There is no assurance that the ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of such agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES

Interest Rate and Minimum Purchase Price

Bidders must specify the rate or rates of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of one eighth (1/8th) or one twentieth (1/20th) of one percent per annum and does not exceed eight percent (8%) per annum. A zero rate of interest may not be specified. All Bonds of one maturity must bear only one stated rate and no stated rate may exceed by more than three percent (3%) per annum the stated rate with respect to any other maturity. The maximum premium amount may not exceed two percent (2%) of par value.

The Bonds may be re-offered to the public as part of the initial offering at an original issue discount or at a premium.

Option to Insure the Bonds

The City has provided information to various municipal bond insurance companies in order to pre-qualify the Bond for municipal bond insurance. The City will accept bids which are based upon the issuance of a municipal bond insurance policy for some or all of the Bonds by an insurer whose claims-paying ability is rated in the highest category by Moody's Investors Service and Standard & Poor's. However, bids shall not be conditioned upon the issuance of such policy. The City makes no representation as to whether the Bonds will qualify for municipal bond insurance. Payment of any insurance premium, satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees for any initial insured ratings shall be the sole responsibility of the bidder. In particular, the City will neither amend nor supplement the documents authorizing the issuance of the Bonds in any way, nor will it agree to advance the sale of the Bonds nor to enter into any additional agreements with respect to the provision of any such policy. **FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR FAILURE OF REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE BONDS.** The Purchaser must provide the City with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two business days following the award of the Bonds by the Director of the Finance and Management Agency of the City. The City will require a certificate from the insurance provider, as well as an opinion of counsel to the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the City and Bond Counsel. **THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY DECISION OF THE CITY TO AMEND, SUPPLEMENT, REPRINT AND/OR "STICKER" THE FINAL OFFICIAL STATEMENT AS A RESULT OF A FAILURE BY THE PURCHASER TO TIMELY PROVIDE INFORMATION FOR THE FINAL OFFICIAL STATEMENT OR ANY SUBSEQUENT COURSE OF EVENTS WHICH RESULTS IN THE MUNICIPAL BOND INSURANCE DISCLOSURE PRINTED IN THE FINAL OFFICIAL STATEMENT BEING INACCURATE OR OTHERWISE INADEQUATE.**

Registration and Admission to Bid

To bid by PFM Auction, bidders must first visit the PFM Auction website where, if they have never registered with PFM Auction, they can register and then request admission to bid on the Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with PFM Auction or any other website administered by the Auction Administrator, may call the Auction Administrator at (412) 391-7686 for their ID Number or password.

All-or-None Bids Only

Bidders only may bid to purchase all maturities of the Bonds. No bid will be considered which does not offer to purchase all of the Bonds. Each bid must specify an annual rate of interest for each maturity and a dollar purchase price for the entire issue of Bonds.

Bidding Details

Bidders should be aware of the following bidding details associated with the sale of the Bonds:

(1) All bids must be submitted on the PFM Auction website at www.PFMAuction.com. No telephone, telefax, telegraph or personal delivery bids will be accepted.

(2) Bidders are permitted to submit bids for the Bonds in only an all-or-none auction during the bidding time period.

(3) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid when compared to the immediately preceding bid of such bidder. See "Basis of Award" below.

(4) The last bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.

(5) During the bidding, no bidder will see any other bidder's bid, but each bidder will see whether their bid is a leading bid relative to other bids.

(6) On the Auction Page, bidders will be able to see whether any bid has been submitted.

(7) Time as maintained by PFM Auction shall constitute the official time.

By submitting a bid, the bidder shall thereby agree to all terms and conditions in this Official Notice Inviting Bids, including without limitation the following: (1) to accept delivery and pay for the Bonds and provide the required information and certificates relating to the Bonds and municipal bond insurance (if applicable) in accordance with the Official Notice Inviting Bids; (2) to deliver prior to the deadline for submitting its bid a Good Faith Deposit as described under "Good Faith Deposit;" (3) to acknowledge receipt of the Preliminary Official Statement referred to in the Official Notice Inviting Bids; (4) to deliver copies of the final Official Statement to the persons to whom the bidder initially sells the Bonds in accordance with MSRB Rule G-32 and Rule 15c2-12 of the Securities and Exchange Commission; (5) to represent that it has full and complete authority to submit its proposal on behalf of its bidding syndicate and that the bidder will serve as lead manager for the group if the Bonds are awarded pursuant to its proposal; (6) to agree that each bidder will be solely responsible for making necessary arrangements to access PFM Auction for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice Inviting Bids; (7) to agree that none of the City, the City Attorney, the Financial Advisor or Bond Counsel assumes any responsibility for any error contained in any bid submitted or for failure of any bid to be transmitted or received at the official time for receipt of bids, and each bidder expressly assumes the risk of any incomplete, illegible or untimely bid submitted by such bidder, including without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause; (8) to agree that the City is not responsible for ensuring or verifying bidder compliance with any procedures established by PFM Auction; and (9) to agree that information provided by PFM Auction to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice Inviting Bids.

Rules of PFM Auction

The Rules of PFM Auction can be viewed on the PFM Auction website and are incorporated herein by reference. Bidders must comply with the Rules of PFM Auction in addition to the requirements of this Official Notice Inviting Bids. To the extent there is a conflict between the Rules of PFM Auction and this Invitation to Bid, this Official Notice Inviting Bids shall control.

Basis of Award

Subject to the right of the Director of the Finance and Management Agency to reject any and all bids, the Bonds will be awarded to the Bidder (the "Successful Bidder" or "Purchaser") offering to purchase all of the Bonds at the lowest true interest rate to the City determined on a true interest cost basis and otherwise complies with the Official Notice Inviting Bids. The true interest cost for the Bonds will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the semiannual debt service payments from their respective payment dates to the dated date of the Bonds and to the aggregate purchase price, excluding interest accrued (if any) to the date of delivery. For the purpose of calculating the true interest cost, the principal amount of Bond designated for mandatory sinking fund redemption as part of a term bond shall be treated as a serial maturity in each year. The Director of the Finance and Management Agency reserves the right to waive any irregularity or informality in any bid, to reject any or all bids, and to reoffer the Bonds for sale.

Within 30 minutes of the award of the Bonds, the City must receive from the Successful Bidder a telecopy (the "Initial Offering Price Telecopy") stating the prices, exclusive of accrued interest, at which the Successful Bidder intends that each stated maturity of the Bonds shall initially be offered to the public, which for this purpose excludes bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers (the "Initial Public Offering Prices"). The Successful Bidder shall make a bona fide initial public offering of the Bonds at the Initial Public Offering Prices stated in the Initial Offering Price Telecopy.

Good Faith Deposit

Each bid must be accompanied by a cashier's check or financial surety bond dated on or before the date of the bid, in each case in the amount of $210,000 (the "Good Faith Deposit"), payable to the order of the "Director of the Finance and Management Agency of the City of Oakland," to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid. The financial surety bond must identify each bidder whose Good Faith Deposit is guaranteed by such financial surety bond and must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody's Investors Service and Standard & Poor's Ratings Group. Such cashier's check or financial surety bond must be submitted prior to the time bids are to be received to Public Financial Management, Inc., 633 West Fifth Street, Suite 6700, Los Angeles, California 90071, Attention: Janice S. Mazyck, telephone (213) 489-4075, fax (213) 489-4085. The City assumes no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. The financial security bond shall guarantee to the City that the Successful Bidder shall deliver its Good Faith Deposit to the Director of the Finance and Management Agency of the City in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon (Pacific Daylight Time) on the business day immediately following the award. If such cashier's check or wire transfer is not received by that time, the financial surety bond shall be drawn by the City to satisfy the Good Faith Deposit requirement. Wiring instructions for such Good Faith Deposit are as follows:

Bank of America
NCGS#: 1436
ABA#: 026009593
Account #: 14720-0 1750
Account Name: City of Oakland

The City does not endorse the use of a financial surety bond or of any provider of such a surety bond. The City will accept a financial surety bond in lieu of a cashier's check under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond.

No interest will be paid upon the Good Faith Deposit made by any bidder. Good Faith Deposit checks of all bidders (except the Purchaser) will be returned by the City promptly following the award of the Bonds to the Purchaser or the rejection of all bids. The Good Faith Deposit of the Purchaser will, immediately upon acceptance of its bid, become the property of the City and if in the form of a check, will be cashed. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The principal amount of each such deposit shall be applied to the purchase price of the Bonds at the time of delivery thereof. If the sale of the Bonds is canceled or postponed, all cashier's checks or financial surety bonds shall be returned.

If any Purchaser shall fail to pay the purchase price of the Bonds awarded to it in full upon tender of the Bonds, such Purchaser shall have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Bonds would not be validly issued if delivered to such Purchaser in the form and manner proposed. In the event of nonpayment by any Purchaser, the amount of the Purchaser's Good Faith Deposit shall be retained by the City, and in addition the City reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the City.

Purchase of the Bonds

The Successful Bidder will be required to pay accrued interest (if any) on the Bonds from their dated date to the date of delivery. The Good Faith Deposit of the Successful Bidder will be applied against the payment of the Bid Price of the Bonds (the "Purchase Price") on the date of the delivery of the Bonds. No interest will be allowed to the bidder on the Good Faith Deposit. If the successful bidder fails or neglects to complete the purchase of the Bonds in accordance with its bid, the Good Faith Deposit will be forfeited to the City, and the Director of the Finance and Management Agency may accept the bid of the bidder making the next best bid for the Bonds if that bidder elects to purchase the Bonds on that basis. If all bids are rejected or the Successful Bidder fails to purchase the Bonds, the City may readvertise the Bonds for sale.

Book Entry Only

The Bonds, when delivered, will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases will be made in book-entry form only, in the denominations of $5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC. Principal, premium, if any, and interest are payable in lawful money of the United States of America and will be paid to DTC, which in turn will remit such amounts to the Beneficial Owners of the Bonds through DTC's Participants, as described in the Preliminary Official Statement.

Delivery

The Bonds will be tendered for delivery to the Successful Bidder by the Fiscal Agent through a F.A.S.T. closing at the offices of Squire, Sanders & Dempsey L.L.P., One Maritime Plaza, Suite 300, San Francisco, CA 94111 or at such other location as may be agreed upon by the Director of the Finance and Management Agency and the Successful Bidder, on June 28, 2006*. The Successful Bidder shall pay the Purchase Price on the date of delivery of the Bonds, without right of offset, except for the Good Faith Deposit. Payment of the Purchase Price for the Bonds must be made in Federal Funds, or other immediately available funds acceptable to the Director of the Finance and Management Agency, for immediate and unconditional credit to the City or as otherwise directed by the Director of the Finance and Management Agency. The Successful Bidder will be given no less than five (5) business days' notice of the time and place fixed for delivery of the Bonds. It is anticipated that delivery can be made on or about June 28, 2006,* and if for any reason the City is unable to make delivery on or before July 6, 2006* the Successful Bidder shall have the right to withdraw its bid or to extend its offer for an additional

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* Preliminary, subject to change as described under "Right to Modify or Amend."

thirty (30) days upon the same terms. If the Successful Bidder does not elect to extend its offer on or before July 6, 2006*, then its Good Faith Deposit shall be returned and both the City and the Successful Bidder shall be relieved of further obligation.

CUSIP Numbers

The Successful Bidder shall timely obtain CUSIP identification numbers and shall advise the City and Bond Counsel within two business days after notice of award of the CUSIP identification numbers for the Bonds. The Successful Bidder shall also advise the underwriting department of DTC, not less than four business days prior to the Closing Date, of the interest rates borne by the Bonds, the CUSIP identification numbers and the Closing Date.

It is anticipated that CUSIP identification numbers will be printed on the Bonds and in the Official Statement, but neither the failure to print a CUSIP number nor any error with respect thereto shall constitute cause for a failure or refusal by the Successful Bidder to accept delivery of and pay for the Bonds. The expenses associated with printing CUSIP numbers on the Bonds will be paid by the City; however, the CUSIP Service Bureau charge for the assignment of said CUSIP numbers will be paid by the Purchaser. CUSIP data is provided by Standard and Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The City will take any responsibility for the accuracy of such numbers.

Certification of Reoffering Price and NRMSIR Filing

As soon as practicable, but not later than seven days prior to the delivery of the Bonds, the Successful Bidder must submit to the City and Bond Counsel a certificate specifying for each maturity the reoffering price at which at least 10% of the Bonds of such maturity were sold (or were offered in a bona fide public offering and as of the date of award of the Bonds to the Successful Bidder reasonably expected to be sold) to the public. Such certificates shall be in the form and substance satisfactory to Bond Counsel and shall also include information necessary to complete the IRS Form 8038G and such additional information as may be requested by Bond Counsel. The Successful Bidder shall also certify to the City that a copy of the final Official Statement relating to the Bonds has been deposited with a nationally recognized municipal securities information repository, if applicable.

California Debt and Investment Advisory Commission

The Successful Bidder will be required, pursuant to State of California law, to pay any fees to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the successful bidder after the closing of the Bonds.

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* Preliminary, subject to change as described under "Right to Modify or Amend."

No Litigation and Non-Arbitrage

The City will deliver a certificate stating that no litigation is pending affecting the issuance and sale of the Bonds. The City will also deliver an arbitrage certificate covering its reasonable expectations concerning the Bonds and the use of proceeds thereof.

Right of Rejection and Waiver of Irregularity

The City reserves the right, in its sole and absolute discretion, to reject any and all bids, for any reason, and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend

The City reserves the right to modify or amend and complete, as applicable, this Official Notice Inviting Bids in any respect; provided, however, that any such modification, amendment or completion shall be communicated to potential bidders by publishing notice thereof on the amendments page of the PFM Auction website and via Munifax not later than 2:00 p.m. (Pacific Standard Time) on the business day preceding the date prescribed for the receipt of bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale

The City may postpone or cancel the sale at any time prior to the time that bids are to be received; provided that notice thereof is communicated to potential bidders by publishing notice thereof on the amendments page of the PFM Auction website prior to the time then scheduled for the receipt of such proposals. Notice of the new sale date, if any, will be given by publishing notice thereof at the same locations not later than 1:00 p.m. (Pacific Standard Time) on the business day preceding the date that bids are to be received. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice or the legality of the sale. In the event of a postponement of the sale only, any subsequent bid submitted by a bidder will supersede any prior bid made. If the sale is canceled, all sealed bids will be returned unopened.

Qualification for Sale; Blue Sky

The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; provided, however, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. The Purchaser will not sell, offer to sell or solicit any offer to buy, the Bonds in any jurisdiction where it is unlawful for such Purchaser to make such sale, offer or solicitation, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells the Bonds.

Additional Information

This Official Notice Inviting Bids and the Preliminary Official Statement may be obtained from the PFM Auction website at www.PFMAuction.com and copies of these documents may be obtained from the City's Financial Advisor, Public Financial Management, 633 West Fifth Street, Suite 6700, Los Angeles, California 90071, Telephone: (213) 489-4075. Additional information relating to the auction or a private bidding tutorial may be obtained by calling Tony Chiapetta of PFM Auction, at (412) 391-5555 (ext. 329).

DATED: June 5, 2006

CITY OF OAKLAND

By: ________________________
William E. Noland
Director, Finance and
Management Agency

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Copy
Of
Advertisement

City and County of New York, ss.:-

Barbara Conti, being duly sworn, says that she is the Billing Coordinator of the BOND BUYER, a daily newspaper printed and published at One State Street Plaza, in the City of New York, County of New York, State of New York; and the notice, of which the annexed is a printed copy, was regularly published in said BOND BUYER on June 5, 2006

Barbara Conti

Billing Coordinator

Subscribed and sworn to before me this

5th of June 2006

Dawn Brown

Dawn Brown
Notary Public, State of New York
No. 01BR5021063
Qualified in Kings County
Commission Expires December 6, 2009

NOTICE OF INTENTION TO SELL

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(Series 2006, Measure G)

NOTICE IS HEREBY given that the City of Oakland, California (the "City") intends to receive sealed bids in the form of electronic proposals only for the purchase of $21,000,000 principal amount of City of Oakland General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), as follows:

Time: **9:00 to 9:30 a.m., Pacific Daylight Time, on June 14, 2006.***

Manner: **Electronic Bids, via the Grant Street Group's PFM Auction Inc. ("PFM Auction"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, fax, telegraph or personal delivery) will be accepted.**

To bid via the PFM Auction website, bidders must have both (1) completed the registration form on the PFM Auction website and (2) requested and received admission to the City's auction, as described in the Official Notice Inviting Bids. The use of PFM Auction shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto. No bids will be accepted by facsimile. The receipt of bids on June 14, 2006 may be postponed or cancelled at or prior to the time bides are to be received. Notice of such postponement or cancellation will be communicated by the City through notice on the amendment page of the PFM Auction website. Failure of any bidder to receive such notice will not affect the sufficiency of any such notice or the legality of the sale.

Copies of the Preliminary Official Statement to be issued in connection with the sale of the Bonds, the complete Official Notice Inviting Bids, and the Ordinance of the Council of the City authorizing the issuance of the Bonds may be obtained from the City or from the offices of the City's financial advisor at the following locations: Office of the Finance and Management Agency of the City of Oakland, California, Attn: Katano Kasaine, Treasury Manager, 150 Frank H. Ogawa Plaza. Suite 5330, Oakland, California 94612, phone: (510) 238-3201, fax (510) 238-2137, or Public Financial Management, Inc., Attention: Jan Mazyck, 633 West Fifth Street, Suite 6700, Los Angeles, California 90071, phone: (213) 489-4075, fax (213) 489-4085. The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12 but is subject to revision, amendment and completion in a final Official Statement.

Dated: June 6, 2006

*Preliminary, subject to change.

Oakland Tribune

c/o ANG Newspapers
401 13th Street
Oakland, CA 94612
Legal Advertising
(800) 595-9595 opt.4

PUBLIC FINANCIAL MANAGEMENT, INC.
633 WEST FIFTH STREET, SUITE 6700, ATTN: NII ADDY
LOS ANGELES CA 90071

PROOF OF PUBLICATION

FILE NO.

In the matter of

NOTICE OF INTENTION TO SELL

The Oakland Tribune

I am a citizen of the United States; I am over the age of eighteen years, and not a party to or interested in the above-entitled matter. I am the Legal Advertising Clerk of the printer and publisher of The Oakland Tribune, a newspaper published in the English language in the City of Oakland, County of Alameda, State of California.

I declare that The Oakland Tribune is a newspaper of general circulation as defined by the laws of the State of California as determined by this court's order, dated December 6, 1951, in the action entitled In the Matter of the Ascertainment and Establishment of the Standing of The Oakland Tribune as a Newspaper of General Circulation, Case Number 237798. Said order states that "The Oakland Tribune is a newspaper of general circulation within the City of Oakland, and the County of Alameda, and the State of California, within the meaning and intent of Chapter 1, Division 7, Title 1 [§§ 6000 et seq.], of the Government Code of the State of California. "Said order has not been revoked, vacated, or set aside.

I declare that the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to wit:

6/6/06

I certify (or declare) under the penalty of perjury that the foregoing is true and correct.

Public Notice Advertising Clerk

Legal No. **0000661042**

NOTICE OF INTENTION TO SELL
$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(Series 2006, Measure G)

NOTICE IS HEREBY given that the City of Oakland, California (the "City") intends to receive sealed bids in the form of electronic proposals only for the purchase of $21,000,000 principal amount of City of Oakland General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), as follows:

Time:
9:00 to 9:30 a.m., Pacific Daylight Time, on June 14, 2006.*

Manner:
Electronic Bids, via the Grant Street Group's PFM Auction Inc. ("PFM Auction") No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, fax, telegraph or personal delivery) will be accepted.

To bid via the PFM Auction website, bidders must have both (1) completed the registration form on the PFM Auction website and (2) requested and received admission to the City's auction, as described in the Official Notice Inviting Bids. The use of PFM Auction shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto. No bids will be accepted by facsimile. The receipt of bids on June 14, 2006 may be postponed or cancelled at or prior to the time bides are to be received. Notice of such postponement or cancellation will be communicated by the City through notice on the amendment page of the PFM Auction website. Failure of any bidder to receive such notice will not affect the sufficiency of any such notice or the legality of the sale.

Copies of the Preliminary Official Statement to be issued in connection with the sale of the Bonds, the complete Official Notice Inviting Bids, and the Ordinance of the Council of the City authorizing the issuance of the Bonds may be obtained from the City or from the offices of the City's financial advisor at the following locations: Office of the Finance and Management Agency of the City of Oakland, California, Attn: Katano Kasaine, Treasury Manager, 150 Frank H. Ogawa Plaza, Suite 5330, Oakland, California 94612, phone: (510) 238-3201, fax (510) 238-2137, or Public Financial Management, Inc., Attention: Jan Mazyck, 633 West Fifth Street, Suite 6700, Los Angeles, California 90071, phone: (213) 489?4075, fax (213) 489?4085. The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12 but is subject to revision, amendment and completion in a final Official Statement,

Dated: June 2, 2006

The Oakland Tribune, #661042
June 6, 2006

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$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE AWARDING BONDS

I, Katano Kasaine, Treasury Manager of the City of Oakland (the "City"), pursuant to a resolution of the City Council of the City adopted on May 2, 2006, and on behalf of the City, hereby award the captioned Bonds to Bear, Stearns & Co., Inc. (the "Purchaser"), pursuant to its bid attached hereto as Exhibit A.

The other bids received for the purchase of the captioned Bonds are attached as Exhibit B.

Attached as Exhibit C hereto is the principal amortization of the captioned Bonds.

Dated: June 28, 2006

CITY OF OAKLAND

By: Katano Kasaine
Katano Kasaine
Treasury Manager

Exhibit A - See Tab 15

Exhibit B - See Tab 16

EXHIBIT C

SERIES 2006, MEASURE G BONDS

Maturity Date (January 15)	Principal Amount	Interest Rate
2007	$ 200,000	4.500%
2008	375,000	4.000
2009	390,000	3.750
2010	400,000	3.750
2011	415,000	4.000
2012	435,000	4.000
2013	450,000	4.000
2014	470,000	4.000
2015	490,000	4.000
2016	510,000	4.000
2017	530,000	4.125
2018	550,000	4.250
2019	575,000	4.250
2020	595,000	4.250
2021	625,000	4.500
2026	3,600,000	5.000
2031	4,585,000	5.000
2036	5,805,000	4.500

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$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Best AON Bidder:	Best AON TIC:
Bear, Stearns	**4.6495 %**

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	Serial	4.500%
Jan 15, 2008	$385,000	Serial	4.000%
Jan 15, 2009	$400,000	Serial	3.750%
Jan 15, 2010	$415,000	Serial	3.750%
Jan 15, 2011	$430,000	Serial	4.000%
Jan 15, 2012	$445,000	Serial	4.000%
Jan 15, 2013	$460,000	Serial	4.000%
Jan 15, 2014	$480,000	Serial	4.000%
Jan 15, 2015	$500,000	Serial	4.000%
Jan 15, 2016	$520,000	Serial	4.000%
Jan 15, 2017	$540,000	Serial	4.125%
Jan 15, 2018	$565,000	Serial	4.250%
Jan 15, 2019	$590,000	Serial	4.250%
Jan 15, 2020	$615,000	Serial	4.250%
Jan 15, 2021	$640,000	Serial	4.500%
Jan 15, 2022	$665,000	Sinker	5.000%
Jan 15, 2023	$695,000	Sinker	5.000%
Jan 15, 2024	$725,000	Sinker	5.000%
Jan 15, 2025	$755,000	Sinker	5.000%
Jan 15, 2026	$790,000	Term	5.000%
Jan 15, 2027	$825,000	Sinker	5.000%
Jan 15, 2028	$865,000	Sinker	5.000%
Jan 15, 2029	$905,000	Sinker	5.000%
Jan 15, 2030	$945,000	Sinker	5.000%
Jan 15, 2031	$985,000	Term	5.000%
Jan 15, 2032	$1,030,000	Sinker	4.500%
Jan 15, 2033	$1,080,000	Sinker	4.500%
Jan 15, 2034	$1,130,000	Sinker	4.500%
Jan 15, 2035	$1,180,000	Sinker	4.500%
Jan 15, 2036	$1,235,000	Term	4.500%

Purchase Price: $21,005,973.30
Insurance: AMBAC for All maturities.
Time Submitted: 12:29:22 pm

Firm: Bear, Stearns

*Preliminary, subject to change

The foregoing bid was accepted and the Securities sold by action of this Board, and receipt is hereby acknowledged of the good faith Deposit, if any, which is being held in accordance with the terms of the annexed Official Notice of Sale.

Signature: ______________________________

PFMauction: AON Auction Results: Oakland.Cty.GO.06G.AON - Microsoft Internet Explorer

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Address https://www.pfmauction.com/pma/results/Oakland.Cty.GO.06G.AON/bid_summary.html Go Links

Auction Date	Type	Start	End	Last Update	Status
Wed., Jun 14, 2006	AON	12:00:00 pm	12:30:00 pm	12:30:08 pm EDT	Over

NOTICE: **The Successful Bidder will be required, pursuant to State of California law, to pay any fees to the California Debt and Investment Advisory Commission (CDIAC).**

$21,000,000*
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

	Bidder	Firm	TIC	Time	Gross Interest	+ Discount/ (Premium)	Total Interest
1st	BEAR-DO‡	Bear, Stearns	4.6495%	12:29:22 pm	$17,888,690.73	(5,973.30)	$17,882,717.43
2nd	MORG-MA‡	Morgan Stanley Dean Witter	4.6850%	12:29:48 pm	$18,113,694.78	(0.00)	$18,113,694.78
3rd	AMER-BS‡	Banc of America Securities	4.6900%	12:29:46 pm	$18,407,643.45	(166,932.75)	$18,240,710.70
4th	STON-KW‡	Stone & Youngberg LLC	4.6948%	12:29:46 pm	$18,300,771.17	(113,367.36)	$18,187,403.81
5th	FIRS-WM‡	Wachovia Bank, National Association	4.7005%	12:29:47 pm	$18,184,617.32	(20,029.15)	$18,164,588.17
6th	MERR-AM‡	Merrill Lynch	4.7070%	12:27:11 pm	$18,116,008.28	(0.00)	$18,116,008.28

*Preliminary, subject to change
‡ Bidder specified Insurance, see individual bidder page for details.

Click below to see other bidder results

AON bids:

AMER-BS, **BEAR-DO**, **FIRS-WM**, **MERR-AM**, MORG-MA, PAIN-WS, STON-KW, WELL-HT, **Best Bid**, **Cover Bid**

Start H:\fa... Novel... Finan... Distri... PFMa... 89% Internet 10:37 AM

$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Bidder: Bear, StearnsBidder TIC: 4.6495 % **Best AON TIC: 4.6495 %** **Status: Winner****

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	Serial	4.500%
Jan 15, 2008	$385,000	Serial	4.000%
Jan 15, 2009	$400,000	Serial	3.750%
Jan 15, 2010	$415,000	Serial	3.750%
Jan 15, 2011	$430,000	Serial	4.000%
Jan 15, 2012	$445,000	Serial	4.000%
Jan 15, 2013	$460,000	Serial	4.000%
Jan 15, 2014	$480,000	Serial	4.000%
Jan 15, 2015	$500,000	Serial	4.000%
Jan 15, 2016	$520,000	Serial	4.000%
Jan 15, 2017	$540,000	Serial	4.125%
Jan 15, 2018	$565,000	Serial	4.250%
Jan 15, 2019	$590,000	Serial	4.250%
Jan 15, 2020	$615,000	Serial	4.250%
Jan 15, 2021	$640,000	Serial	4.500%
Jan 15, 2022	$665,000	Sinker	5.000%
Jan 15, 2023	$695,000	Sinker	5.000%
Jan 15, 2024	$725,000	Sinker	5.000%
Jan 15, 2025	$755,000	Sinker	5.000%
Jan 15, 2026	$790,000	Term	5.000%
Jan 15, 2027	$825,000	Sinker	5.000%
Jan 15, 2028	$865,000	Sinker	5.000%
Jan 15, 2029	$905,000	Sinker	5.000%
Jan 15, 2030	$945,000	Sinker	5.000%
Jan 15, 2031	$985,000	Term	5.000%
Jan 15, 2032	$1,030,000	Sinker	4.500%
Jan 15, 2033	$1,080,000	Sinker	4.500%
Jan 15, 2034	$1,130,000	Sinker	4.500%
Jan 15, 2035	$1,180,000	Sinker	4.500%
Jan 15, 2036	$1,235,000	Term	4.500%

Purchase Price: $21,005,973.30
Insurance: AMBAC for All maturities.
Time Submitted: 12:29:22 pm

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	$17,888,690.73
Plus Discount/(Less Premium)	(5,973.30)
Total Interest Cost	$17,882,717.43
True Interest Rate	4.6495%

Firm: Bear, Stearns

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

$21,000,000 *

City of Oakland, California

General Obligation Bonds (Series 2006, Measure G)

Bidder: Morgan Stanley Dean Witter **Bidder TIC: 4.6850 %** **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	Serial	4.000%
Jan 15, 2008	$385,000	Serial	4.000%
Jan 15, 2009	$400,000	Serial	4.000%
Jan 15, 2010	$415,000	Serial	4.000%
Jan 15, 2011	$430,000	Serial	4.000%
Jan 15, 2012	$445,000	Serial	4.000%
Jan 15, 2013	$460,000	Serial	4.000%
Jan 15, 2014	$480,000	Serial	4.000%
Jan 15, 2015	$500,000	Serial	4.500%
Jan 15, 2016	$520,000	Serial	4.500%
Jan 15, 2017	$540,000	Serial	4.000%
Jan 15, 2018	$565,000	Serial	4.200%
Jan 15, 2019	$590,000	Serial	4.250%
Jan 15, 2020	$615,000	Serial	4.300%
Jan 15, 2021	$640,000	Serial	4.375%
Jan 15, 2022	$665,000	Serial	4.375%
Jan 15, 2023	$695,000	Serial	4.400%
Jan 15, 2024	$725,000	Serial	4.500%
Jan 15, 2025	$755,000	Serial	4.500%
Jan 15, 2026	$790,000	Serial	4.600%
Jan 15, 2027	$825,000	Serial	4.625%
Jan 15, 2028	$865,000	Serial	4.625%
Jan 15, 2029	$905,000	Serial	4.700%
Jan 15, 2030	$945,000	Serial	4.700%
Jan 15, 2031	$985,000	Sinker	5.000%
Jan 15, 2032	$1,030,000	Sinker	5.000%
Jan 15, 2033	$1,080,000	Sinker	5.000%
Jan 15, 2034	$1,130,000	Sinker	5.000%
Jan 15, 2035	$1,180,000	Sinker	5.000%
Jan 15, 2036	$1,235,000	Term	5.000%

Purchase Price: $21,000,000.00

Insurance: MBIA for All maturities.

Time Submitted: 12:29:48 pm

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	$18,113,694.78
Plus Discount/(Less Premium)	(0.00)
Total Interest Cost	$18,113,694.78
True Interest Rate	4.6850%

Firm: Morgan Stanley Dean Witter

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Bidder: Banc of America Securities **Bidder TIC: 4.6900 %** **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	Serial	4.000%
Jan 15, 2008	$385,000	Serial	4.000%
Jan 15, 2009	$400,000	Serial	4.000%
Jan 15, 2010	$415,000	Serial	4.000%
Jan 15, 2011	$430,000	Serial	4.000%
Jan 15, 2012	$445,000	Serial	4.000%
Jan 15, 2013	$460,000	Serial	4.000%
Jan 15, 2014	$480,000	Serial	4.000%
Jan 15, 2015	$500,000	Serial	4.000%
Jan 15, 2016	$520,000	Serial	4.500%
Jan 15, 2017	$540,000	Serial	4.000%
Jan 15, 2018	$565,000	Serial	4.250%
Jan 15, 2019	$590,000	Serial	4.250%
Jan 15, 2020	$615,000	Serial	4.250%
Jan 15, 2021	$640,000	Serial	4.300%
Jan 15, 2022	$665,000	Serial	4.375%
Jan 15, 2023	$695,000	Serial	4.400%
Jan 15, 2024	$725,000	Serial	4.500%
Jan 15, 2025	$755,000	Serial	4.500%
Jan 15, 2026	$790,000	Sinker	5.000%
Jan 15, 2027	$825,000	Sinker	5.000%
Jan 15, 2028	$865,000	Sinker	5.000%
Jan 15, 2029	$905,000	Sinker	5.000%
Jan 15, 2030	$945,000	Sinker	5.000%
Jan 15, 2031	$985,000	Term	5.000%
Jan 15, 2032	$1,030,000	Sinker	5.000%
Jan 15, 2033	$1,080,000	Sinker	5.000%
Jan 15, 2034	$1,130,000	Sinker	5.000%
Jan 15, 2035	$1,180,000	Sinker	5.000%
Jan 15, 2036	$1,235,000	Term	5.000%

Purchase Price: $21,166,932.75
Insurance: MBIA for All maturities.
Time Submitted: 12:29:46 pm

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	$18,407,643.45
Plus Discount/(Less Premium)	(166,932.75)
Total Interest Cost	$18,240,710.70
True Interest Rate	4.6900%

Firm: Banc of America Securities

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Bidder: Stone & Youngberg LLCBidder TIC: 4.6948 % **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	**Principal Amount ***	**Serial/ Sinker/ Term**	**Coupon**
Jan 15, 2007	$205,000	Serial	6.000%
Jan 15, 2008	$385,000	Serial	5.500%
Jan 15, 2009	$400,000	Serial	4.500%
Jan 15, 2010	$415,000	Serial	4.500%
Jan 15, 2011	$430,000	Serial	5.000%
Jan 15, 2012	$445,000	Serial	5.000%
Jan 15, 2013	$460,000	Serial	4.250%
Jan 15, 2014	$480,000	Serial	4.500%
Jan 15, 2015	$500,000	Serial	4.250%
Jan 15, 2016	$520,000	Serial	4.500%
Jan 15, 2017	$540,000	Serial	4.000%
Jan 15, 2018	$565,000	Serial	4.100%
Jan 15, 2019	$590,000	Serial	4.125%
Jan 15, 2020	$615,000	Serial	4.200%
Jan 15, 2021	$640,000	Serial	4.250%
Jan 15, 2022	$665,000	Serial	4.250%
Jan 15, 2023	$695,000	Serial	4.375%
Jan 15, 2024	$725,000	Sinker	4.750%
Jan 15, 2025	$755,000	Sinker	4.750%
Jan 15, 2026	$790,000	Sinker	4.750%
Jan 15, 2027	$825,000	Sinker	4.750%
Jan 15, 2028	$865,000	Sinker	4.750%
Jan 15, 2029	$905,000	Sinker	4.750%
Jan 15, 2030	$945,000	Term	4.750%
Jan 15, 2031	$985,000	Sinker	5.000%
Jan 15, 2032	$1,030,000	Sinker	5.000%
Jan 15, 2033	$1,080,000	Sinker	5.000%
Jan 15, 2034	$1,130,000	Sinker	5.000%
Jan 15, 2035	$1,180,000	Sinker	5.000%
Jan 15, 2036	$1,235,000	Term	5.000%

Purchase Price: $21,113,367.36
Insurance: MBIA for All maturities.
Time Submitted: 12:29:46 pm

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	$18,300,771.17
Plus Discount/(Less Premium)	(113,367.36)
Total Interest Cost	$18,187,403.81
True Interest Rate	4.6948%

Firm: Stone & Youngberg LLC

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Bidder: Wachovia Bank, National Association **Bidder TIC: 4.7005 %** **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	Serial	4.000%
Jan 15, 2008	$385,000	Serial	4.000%
Jan 15, 2009	$400,000	Serial	4.000%
Jan 15, 2010	$415,000	Serial	4.000%
Jan 15, 2011	$430,000	Serial	4.000%
Jan 15, 2012	$445,000	Serial	4.000%
Jan 15, 2013	$460,000	Serial	4.000%
Jan 15, 2014	$480,000	Serial	4.000%
Jan 15, 2015	$500,000	Serial	4.000%
Jan 15, 2016	$520,000	Serial	5.000%
Jan 15, 2017	$540,000	Serial	4.000%
Jan 15, 2018	$565,000	Serial	4.125%
Jan 15, 2019	$590,000	Serial	4.200%
Jan 15, 2020	$615,000	Serial	4.250%
Jan 15, 2021	$640,000	Serial	4.250%
Jan 15, 2022	$665,000	Serial	4.375%
Jan 15, 2023	$695,000	Sinker	5.250%
Jan 15, 2024	$725,000	Term	5.250%
Jan 15, 2025	$755,000	Sinker	4.625%
Jan 15, 2026	$790,000	Sinker	4.625%
Jan 15, 2027	$825,000	Sinker	4.625%
Jan 15, 2028	$865,000	Sinker	4.625%
Jan 15, 2029	$905,000	Sinker	4.625%
Jan 15, 2030	$945,000	Sinker	4.625%
Jan 15, 2031	$985,000	Term	4.625%
Jan 15, 2032	$1,030,000	Sinker	5.000%
Jan 15, 2033	$1,080,000	Sinker	5.000%
Jan 15, 2034	$1,130,000	Sinker	5.000%
Jan 15, 2035	$1,180,000	Sinker	5.000%
Jan 15, 2036	$1,235,000	Term	5.000%

Purchase Price: $21,020,029.15
Insurance: MBIA for All maturities.
Time Submitted: 12:29:47 pm

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	$18,184,617.32
Plus Discount/(Less Premium)	(20,029.15)
Total Interest Cost	$18,164,588.17
True Interest Rate	4.7005%

Firm: Wachovia Bank, National Association

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Bidder: Merrill LynchBidder TIC: 4.7070 % **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	**Principal Amount ***	**Serial/ Sinker/ Term**	**Coupon**
Jan 15, 2007	$205,000	Serial	4.000%
Jan 15, 2008	$385,000	Serial	4.000%
Jan 15, 2009	$400,000	Serial	4.000%
Jan 15, 2010	$415,000	Serial	4.000%
Jan 15, 2011	$430,000	Serial	4.000%
Jan 15, 2012	$445,000	Serial	4.000%
Jan 15, 2013	$460,000	Serial	4.000%
Jan 15, 2014	$480,000	Serial	6.000%
Jan 15, 2015	$500,000	Serial	6.000%
Jan 15, 2016	$520,000	Serial	6.000%
Jan 15, 2017	$540,000	Serial	4.250%
Jan 15, 2018	$565,000	Serial	4.250%
Jan 15, 2019	$590,000	Serial	4.375%
Jan 15, 2020	$615,000	Serial	4.375%
Jan 15, 2021	$640,000	Serial	4.375%
Jan 15, 2022	$665,000	Serial	4.500%
Jan 15, 2023	$695,000	Serial	4.500%
Jan 15, 2024	$725,000	Serial	4.500%
Jan 15, 2025	$755,000	Serial	4.500%
Jan 15, 2026	$790,000	Serial	4.500%
Jan 15, 2027	$825,000	Serial	4.500%
Jan 15, 2028	$865,000	Serial	4.500%
Jan 15, 2029	$905,000	Serial	4.500%
Jan 15, 2030	$945,000	Serial	4.500%
Jan 15, 2031	$985,000	Serial	4.500%
Jan 15, 2032	$1,030,000	Sinker	5.000%
Jan 15, 2033	$1,080,000	Sinker	5.000%
Jan 15, 2034	$1,130,000	Sinker	5.000%
Jan 15, 2035	$1,180,000	Sinker	5.000%
Jan 15, 2036	$1,235,000	Term	5.000%

Purchase Price: $21,000,000.00
Insurance: MBIA for All maturities.
Time Submitted: 12:27:11 pm

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	$18,116,008.28
Plus Discount/(Less Premium)	(0.00)
Total Interest Cost	$18,116,008.28
True Interest Rate	4.7070%

Firm: Merrill Lynch

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

$21,000,000 *

City of Oakland, California

General Obligation Bonds (Series 2006, Measure G)

Bidder: UBS Securities LLCBidder TIC: NO BID **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	No Bid	No Bid
Jan 15, 2008	$385,000	No Bid	No Bid
Jan 15, 2009	$400,000	No Bid	No Bid
Jan 15, 2010	$415,000	No Bid	No Bid
Jan 15, 2011	$430,000	No Bid	No Bid
Jan 15, 2012	$445,000	No Bid	No Bid
Jan 15, 2013	$460,000	No Bid	No Bid
Jan 15, 2014	$480,000	No Bid	No Bid
Jan 15, 2015	$500,000	No Bid	No Bid
Jan 15, 2016	$520,000	No Bid	No Bid
Jan 15, 2017	$540,000	No Bid	No Bid
Jan 15, 2018	$565,000	No Bid	No Bid
Jan 15, 2019	$590,000	No Bid	No Bid
Jan 15, 2020	$615,000	No Bid	No Bid
Jan 15, 2021	$640,000	No Bid	No Bid
Jan 15, 2022	$665,000	No Bid	No Bid
Jan 15, 2023	$695,000	No Bid	No Bid
Jan 15, 2024	$725,000	No Bid	No Bid
Jan 15, 2025	$755,000	No Bid	No Bid
Jan 15, 2026	$790,000	No Bid	No Bid
Jan 15, 2027	$825,000	No Bid	No Bid
Jan 15, 2028	$865,000	No Bid	No Bid
Jan 15, 2029	$905,000	No Bid	No Bid
Jan 15, 2030	$945,000	No Bid	No Bid
Jan 15, 2031	$985,000	No Bid	No Bid
Jan 15, 2032	$1,030,000	No Bid	No Bid
Jan 15, 2033	$1,080,000	No Bid	No Bid
Jan 15, 2034	$1,130,000	No Bid	No Bid
Jan 15, 2035	$1,180,000	No Bid	No Bid
Jan 15, 2036	$1,235,000	No Bid	No Bid

Purchase Price: NO BID

Insurance: NO BID

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	N/A
Plus Discount/(Less Premium)	N/A
Total Interest Cost	N/A
True Interest Rate	N/A

Firm: UBS Securities LLC

*Preliminary, subject to change

**Winner – Unofficial, subject to verification and award.

$21,000,000 *
City of Oakland, California
General Obligation Bonds (Series 2006, Measure G)

Bidder: Wells Fargo Institutional SecBidder TIC: NO BID **Best AON TIC: 4.6495 %** **Status: Not Winner**

Due	Principal Amount *	Serial/ Sinker/ Term	Coupon
Jan 15, 2007	$205,000	No Bid	No Bid
Jan 15, 2008	$385,000	No Bid	No Bid
Jan 15, 2009	$400,000	No Bid	No Bid
Jan 15, 2010	$415,000	No Bid	No Bid
Jan 15, 2011	$430,000	No Bid	No Bid
Jan 15, 2012	$445,000	No Bid	No Bid
Jan 15, 2013	$460,000	No Bid	No Bid
Jan 15, 2014	$480,000	No Bid	No Bid
Jan 15, 2015	$500,000	No Bid	No Bid
Jan 15, 2016	$520,000	No Bid	No Bid
Jan 15, 2017	$540,000	No Bid	No Bid
Jan 15, 2018	$565,000	No Bid	No Bid
Jan 15, 2019	$590,000	No Bid	No Bid
Jan 15, 2020	$615,000	No Bid	No Bid
Jan 15, 2021	$640,000	No Bid	No Bid
Jan 15, 2022	$665,000	No Bid	No Bid
Jan 15, 2023	$695,000	No Bid	No Bid
Jan 15, 2024	$725,000	No Bid	No Bid
Jan 15, 2025	$755,000	No Bid	No Bid
Jan 15, 2026	$790,000	No Bid	No Bid
Jan 15, 2027	$825,000	No Bid	No Bid
Jan 15, 2028	$865,000	No Bid	No Bid
Jan 15, 2029	$905,000	No Bid	No Bid
Jan 15, 2030	$945,000	No Bid	No Bid
Jan 15, 2031	$985,000	No Bid	No Bid
Jan 15, 2032	$1,030,000	No Bid	No Bid
Jan 15, 2033	$1,080,000	No Bid	No Bid
Jan 15, 2034	$1,130,000	No Bid	No Bid
Jan 15, 2035	$1,180,000	No Bid	No Bid
Jan 15, 2036	$1,235,000	No Bid	No Bid

Purchase Price: NO BID
Insurance: NO BID

PFMauction Interest Cost Calculations (for informational purposes only)	
Gross Interest	N/A
Plus Discount/(Less Premium)	N/A
Total Interest Cost	N/A
True Interest Rate	N/A

Firm: Wells Fargo Institutional Sec

*Preliminary, subject to change
**Winner – Unofficial, subject to verification and award.

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NEW ISSUE, BOOK-ENTRY ONLY

Insured Ratings:
Moody's: "Aaa"
S&P: "AAA"
Fitch: "AAA"
See "RATINGS" herein

In the opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, Bond Counsel, under existing law and assuming continuing compliance with certain covenants and the accuracy of certain representations,(i) interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$21,000,000
City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

Dated: date of original issuance **Due: January 15, as shown below**

The $21,000,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2006 Measure G) (the "Bonds"), are being issued under the Government Code of the State of California and the Charter of the City of Oakland (the "City"). The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council of the City on May 2, 2006. See "THE BONDS--Authority for Issuance." The proceeds of the Bonds will be used for the construction and reconstruction of various improvements as described herein, and to pay for certain costs related to the issuance of the Bonds.

The Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by The Bank of New York Trust Company, N.A., as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "APPENDIX E--BOOK-ENTRY ONLY SYSTEM." The Bonds will be dated and bear interest from the date of original issuance. Interest on the Bonds will be payable semiannually on July 15 and January 15 of each year, commencing January 15, 2007. The Bonds will be subject to optional redemption prior to their respective stated maturities as described herein. See "THE BONDS--Redemption."

The Bonds represent the general obligation of the City. The City Council of the City has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City without limitation as to rate or amount (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

MATURITY SCHEDULE

Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield*	CUSIP*±	Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield*	CUSIP*±
2007	$200,000	4.500%	3.480%	672240PE2	2015	$490,000	4.000%	4.000%	672240PN2
2008	375,000	4.000	3.540	672240PF9	2016	510,000	4.000	4.050	672240PP7
2009	390,000	3.750	3.560	672240PG7	2017	530,000	4.125	4.230	672240PQ5
2010	400,000	3.750	3.600	672240PH5	2018	550,000	4.250	4.270	672240PR3
2011	415,000	4.000	3.680	672240PJ1	2019	575,000	4.250	4.310	672240PS1
2012	435,000	4.000	3.770	672240PK8	2020	595,000	4.250	4.350	672240PT9
2013	450,000	4.000	3.850	672240PL6	2021	625,000	4.500	4.380**	672240PU6
2014	470,000	4.000	3.940	672240PM4					

$3,600,000 5.000% Term Bonds Due January 15, 2026 to yield* 4.380%** CUSIP*± 672240PV4
$4,585,000 5.000% Term Bonds Due January 15, 2031 to yield* 4.500%** CUSIP*± 672240PW2
$5,805,000 4.500% Term Bonds Due January 15, 2036 to yield* 4.670% CUSIP*± 672240PXO

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The Bonds are offered when, as, and if issued by the City and accepted by the purchasers, subject to the legal opinion regarding the Bonds by Squire, Sanders & Dempsey L.L.P., San Francisco, Bond Counsel. Certain legal matters will be passed upon for the City by its City Attorney. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC, on or about June 28, 2006.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision

Bear, Stearns & Co. Inc.

Dated June 14, 2006

* Initial reoffering prices or yields and CUSIP numbers were provided by the Underwriter.

** Yield calculated to the first date subject to optional redemption.

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

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Bonds. 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. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. A wide variety of information, including financial information, concerning the City is available from the City, City departments and agencies, and their respective publications and websites. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

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

This Official Statement is submitted in connection with the initial sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents and laws herein are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements." The achievement of certain results or other expectations or performance contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL 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.

CITY OF OAKLAND

MAYOR

EDMUND G. BROWN, JR.

CITY COUNCIL

Ignacio De La Fuente, *President*
District 5

Delsey Brooks
District 6

Henry Chang, Jr.
At-Large

Larry Reid
District 7

Jean Quan, *Vice Mayor*
District 4

Nancy Nadel
District 3

Jane Brunner
District 1

Patricia Kernighan
District 2

CITY OFFICIALS

Deborah A. Edgerly, *City Administrator*
Cheryl A.P. Thompson, *Assistant City Administrator*
Roland E. Smith, *City Auditor*
John Russo, *City Attorney*
LaTonda Simmons, *City Clerk*
William E. Noland, *Director, Finance and Management Agency*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

Squire, Sanders & Dempsey L.L.P.
San Francisco, California
Bond Counsel

Public Financial Management, Inc.
Los Angeles, California
Financial Advisor

The Bank of New York Trust Company, N.A.
San Francisco, California
Fiscal Agent

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$21,000,000
City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

INTRODUCTION

The purpose of this Official Statement (including the cover page and appendices attached hereto) is to provide certain information concerning the initial issuance, sale and delivery by the City of Oakland, California (the "City") of the City of Oakland General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Resolution and Fiscal Agency Agreement (each defined below).

The Bonds are general obligations of the City. The City Council of the City (the "Council") has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of said Bonds and the interest thereon. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." For information on the City's tax base, tax collection system and property tax revenues, see "SECURITY FOR THE BONDS" and "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

THE BONDS

Authority for Issuance

The Bonds are issued under provisions of the Government Code of the State of California and the Charter of the City. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the Council on May 2, 2006 (the "Resolution"). Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (together with any successors, the "Fiscal Agent"). The Fiscal Agent will serve as the Paying Agent on the Bonds.

The Bonds constitute the second and final series of bonds to be issued from the total authorized amount of $59,000,000 of bonds ("Authorized Bonds") duly approved by at least two-thirds of the voters voting on Measure G at the City election held on March 5, 2002 (the "Authorization") to provide funds to finance certain improvements for the Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center. See "THE BONDS -- Purpose." In 2002, the City issued $38,000,000 of the Authorized Bonds.

Purpose

The Bonds are issued by the City to acquire, renovate, improve, construct and finance existing and additional educational facilities for the Oakland Museum of California and the Oakland Zoo.

The Oakland Zoo will expend 40% of proceeds of the Authorized Bonds on the acquisition and construction of new exhibit areas, including, but not limited to the following projects:

New Children's Zoo, which includes a lemur exhibit, a raptor exhibit, an otter exhibit and an insect exhibit. The New Children's Zoo will also include a Sensory Garden where children can smell and touch plants and a new animal contact yard.

Wild California Exhibit, which will feature five native ecological zones – riparian, grassland, chaparral, oak woodland and canyon and related infrastructure.

The Oakland Museum of California will expend 40% of the proceeds of the Authorized Bonds on architectural and structural improvements to its landmark building, enhancing visitor access and use, increasing educational facilities, reinstalling its main exhibition galleries, and providing for better care of collections, including, but not limited to, the following projects:

Enhanced Entrance, which will include seismic upgrades and architectural remodeling to centralize admission and visitor orientation and meet the needs of increasing numbers of schoolchildren.

Expansion of Main Galleries on California history, art and nature will be expanded and reinstalled, making them more relevant to today's audience and using up-to-date exhibit practice and technology.

New Educational Facilities, providing hands-on instruction in natural science.

Care of Collections, by providing improved security, climate control and better access to collections held in storage.

The Chabot Science & Space Center will expend 20% of the proceeds of the Authorized Bonds on the acquisition and construction of other facilities:

New Education Facility, which includes classroom laboratories, a media studio and large meeting space.

Additional Observation Deck Space, which significantly increased outdoor observing deck space for nighttime telescope viewing.

Description of the Bonds

The Bonds are being offered in the denominations of $5,000 or any integral multiples thereof (an "Authorized Denomination") at the purchase price or yields set forth on the cover page hereof. Interest on the Bonds will accrue from the date of initial issuance and will be payable on January 15, 2007 and on each July 15 and January 15 thereafter through January 15, 2036 (each, an "Interest Payment Date"). The Bonds will mature as shown on the cover page hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be initially issued in book-entry only form through DTC's book-entry only system (the "Book-Entry Only System") and the ownership of one fully registered Bond for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Registered Owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds through DTC's Book-Entry Only. For a description of the method of payment of principal of, premium, if any, and interest on the Bonds and matters pertaining to transfers and exchanges while the Book-Entry Only System is in place, see "APPENDIX E -- BOOK-ENTRY ONLY SYSTEM." The City and the Fiscal Agent shall treat the Registered Owner of the Bonds (which will be DTC so long as the Book-Entry Only System is in effect) as the absolute owner of the

Bonds for the purpose of payment of debt service, giving all notices of redemption and all other matters with respect to the Bonds.

Debt Service

Debt service on the Bonds (including scheduled mandatory sinking account redemption of the Term Bonds) is as follows:

CITY OF OAKLAND
General Obligation Bonds
(Series 2006, Measure G)
Debt Service

Maturity (January 15)	Principal	Interest	Aggregate Debt Service
2007	$ 200,000.00	$ 524,232.05	$ 724,232.05
2008	375,000.00	948,987.50	1,323,987.50
2009	390,000.00	933,987.50	1,323,987.50
2010	400,000.00	919,362.50	1,319,362.50
2011	415,000.00	904,362.50	1,319,362.50
2012	435,000.00	887,762.50	1,322,762.50
2013	450,000.00	870,362.50	1,320,362.50
2014	470,000.00	852,362.50	1,322,362.50
2015	490,000.00	833,562.50	1,323,562.50
2016	510,000.00	813,962.50	1,323,962.50
2017	530,000.00	793,562.50	1,323,562.50
2018	550,000.00	771,700.00	1,321,700.00
2019	575,000.00	748,325.00	1,323,325.00
2020	595,000.00	723,887.50	1,318,887.50
2021	625,000.00	698,600.00	1,323,600.00
2022*	650,000.00	670,475.00	1,320,475.00
2023*	685,000.00	637,975.00	1,322,975.00
2024*	720,000.00	603,725.00	1,323,725.00
2025*	755,000.00	567,725.00	1,322,725.00
2026	790,000.00	529,975.00	1,319,975.00
2027*	830,000.00	490,475.00	1,320,475.00
2028*	870,000.00	448,975.00	1,318,975.00
2029*	915,000.00	405,475.00	1,320,475.00
2030*	960,000.00	359,725.00	1,319,725.00
2031	1,010,000.00	311,725.00	1,321,725.00
2032*	1,060,000.00	261,225.00	1,321,225.00
2033*	1,110,000.00	213,525.00	1,323,525.00
2034*	1,160,000.00	163,575.00	1,323,575.00
2035*	1,210,000.00	111,375.00	1,321,375.00
2036	1,265,000.00	56,925.00	1,321,925.00
Total	**$21,000,000.00**	**$18,057,894.55**	**$39,057,894.55**

* Scheduled mandatory sinking account redemption.

Redemption

Optional Redemption

The Bonds maturing on or before January 15, 2016 are not subject to redemption prior to maturity. Bonds maturing on or after January 15, 2017, are subject to optional redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after January 15, 2016, at a redemption price equal to 100% of the principal amount of Bonds called for redemption, without premium, together with accrued but unpaid interest to the date fixed for redemption.

Right to Rescind Optional Redemption

The City shall have the right to rescind any optional redemption by written notice to the Owner of any Bond previously called for redemption prior to the redemption date. Any notice of optional redemption shall be rescinded if for any reason funds are not available on the date fixed for redemption of the payment in full of the Bonds then called for redemption. Notice of rescission of redemption, whether resulting from the exercise of the City's discretion or from the unavailability of sufficient funds, shall be mailed in the same manner notice of redemption was originally provided. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Mandatory Sinking Fund Redemption

The Bonds maturing on January 15, 2026, January 15, 2031 and January 15, 2036 are Term Bonds and are subject to mandatory sinking account redemption at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date, without premium, on the dates and in the amounts set forth below:

Bond Maturing January 15, 2026

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2022	$650,000
January 15, 2023	685,000
January 15, 2024	720,000
January 15, 2025	755,000
January 15, 2026*	790,000

*Maturity

Bond Maturing January 15, 2031

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2027	$830,000
January 15, 2028	870,000
January 15, 2029	915,000
January 15, 2030	960,000
January 15, 2031*	1,010,000

*Maturity

Bond Maturing January 15, 2036

Mandatory Sinking Account Payment Date	Principal Amount
January 15, 2032	$1,060,000
January 15, 2033	1,110,000
January 15, 2034	1,160,000
January 15, 2035	1,210,000
January 15, 2036*	1,265,000

*Maturity

Notice of Redemption

The City shall, so long as DTC or its nominee is the registered owner of the Bonds, mail notice of redemption to DTC not less than 30 days and not more than 60 days prior to any redemption date. If for any reason DTC or any other securities depository shall not be engaged by the City with respect to some or all such Bonds, the Fiscal Agent shall give notice of any redemption of the Bonds by mail, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 30 and not more than 60 days prior to any redemption date. See "APPENDIX E -- BOOK-ENTRY ONLY SYSTEM."

The actual receipt by the registered owner of any bond of such notice of redemption, or failure to receive such notice, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the date fixed for redemption.

Defeasance

The Bonds, or portions thereof, may be defeased and deemed paid prior to maturity by irrevocably depositing with the Fiscal Agent or other fiduciary (i) cash in an amount equal to the principal amount of all of such Bonds or portion thereof to be defeased, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as described above under "—Redemption -- Notice of Redemption" or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the redemption date, and any premium due on such redemption date; or (ii) non-callable Defeasance Securities (defined below) not subject to call except as provided below in the definition thereof, maturing and paying interest at such times and in such amounts, together with cash, if required, as will, without reinvestment, as certified by an independent certified public accountant or an independent financial consulting firm of recognized standing in the field of municipal bonds, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the redemption date, as the case may be, and any premium due, on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as described above or an irrevocable election to give such notice shall have been made by the City. Upon such deposit, and provided the City shall obtain verification from such independent accountant or financial consultant, all payment obligations of the City with respect to said Bonds, except to the extent of such deposited cash and/or Defeasance Securities, shall cease and terminate.

Defeasance Securities means any of the following which at the time of purchase are legal investments under the laws of the State for moneys proposed to be invested therein: (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation bonds which have been stripped by request to the Federal Reserve Bank of New York in book-entry form ("United States Obligations"); (ii) evidence of direct ownership of proportionate interests in future interest or principal payments of United States Obligations which meets the following conditions (a) a bank or trust company acts as custodian and holds the underlying United States Obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations and (c) the underlying United States Obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated; and (iii) pre-refunded municipal bonds rated in the highest rating category by each Rating Agency then rating the Bonds; provided that if the Bonds are only rated by S&P (i.e., there is no Moody's or Fitch rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or AAA rated pre-refunded municipal to satisfy this condition.

If cash or Defeasance Securities have been set aside and are held for the payment of principal of any particular Bonds at the maturity date thereof and all interest installments and any redemption premium thereon in accordance with the preceding paragraphs, then such Bonds shall be deemed defeased within the meaning and with the effect as described in the preceding paragraphs.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds, excluding accrued interest, in connection with the Bonds:

Sources	
Principal Amount of Bonds	$21,000,000.00
Reoffering Premium	203,552.50
Total Sources of Funds	$21,203,552.50
Uses	
Deposit to Project Fund	$20,816,076.58
Deposit to 2006 Debt Service Account	2,402,50
Cost of Issuance[1]	281,323.42
Underwriter's Compensation	103,750.00
Total Uses of Funds	$21,203,552.50

[1] Includes fees for services of rating agencies, financial advisor, bond counsel, premium for the bond insurance policy and other costs.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the City payable from *ad valorem* taxes levied upon all taxable property in the City. The Council has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and interest thereon upon all property within the City that is subject to taxation by the City without limitation as to the rate or the amount (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon. By reason of a constitutional exception for certain voter-approved indebtedness, the City may levy such taxes in an amount sufficient to pay debt service on the Bonds without regard to provisions of the State Constitution otherwise limiting *ad valorem* tax rates of local governments. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such taxes, when collected, will be deposited in the Debt Service Account for the Bonds which will be held by the City and pledged for the payment of the principal of and interest on the Bonds when due.

The annual tax rate will be based on the assessed value of taxable property in the City. Fluctuations in the annual debt service on the Bonds (and other general obligation bonds issued by the City) and in the assessed value of taxable property in the City may cause the annual tax rate to fluctuate. Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other disasters, could cause a reduction in the assessed value of taxable property within the City and necessitate a corresponding increase in the annual tax rate. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- GENERAL FUND REVENUES -- *Property Taxation*" and "-- *Tax Levies, Collections and Delinquencies*" for information on the City's tax base, tax collection system, and property tax revenues.

For a discussion of the City's overall organization, finances and economic information, see generally "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

Bond Insurance

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the issuance of the Bonds. See "BOND INSURANCE" herein below. Attached hereto as Appendix G is a specimen of the Policy.

Outstanding Indebtedness

As of June 1, 2006, the City had outstanding $224,955,000 aggregate principal amount of general obligation bonds, which equals 0.69% of the net assessed valuation projected by the Alameda County Assessor for Fiscal Year 2005-06. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- DEBT OBLIGATIONS -- *Estimated Direct and Overlapping Debt.*" On June 15, 2006, the City expects to make scheduled principal payments on its outstanding general obligation bonds in the amount of $5,205,000.

The City has also incurred a number of bonded lease obligations secured by revenues of the City's General Fund and consisting of lease revenue bonds and certificates of participation. As of June 1, 2006, the total principal amount of outstanding lease obligations was $543,813,667, which includes 50% of the Oakland-Alameda County Coliseum Authority Lease Revenue Bonds.

See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" for certain audited financial information with respect to the City as of June 30, 2005.

BOND INSURANCE

Payment Pursuant to the Policy

Ambac Assurance has made a commitment to issue the Policy effective as of the date of issuance of the Bonds. Under the terms of the Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Fiscal Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor (as defined in the Policy)). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Policy shall be fully discharged.

In the event the Fiscal Agent has notice that any payment of principal of or interest on an Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and there-tofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; or

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under this Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Attached hereto as Appendix G is a specimen of the Policy.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $9,417,000,000 (unaudited) and statutory capital of approximately $5,879,000,000 (unaudited) as of March 31, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE"

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information tatements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006; and

3. The Company' s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, acquisition, equipping or leasing of school facilities approved by 55% of the voters voting on the proposition.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is $1.00 per $100 of assessed market value.

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

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

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters (such as the Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each government entity's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two year period exceeds the aggregate limit, the excess must be returned to the government entity's taxpayers through tax rate or fee reductions over the following two years.

Articles XIII C and XIII D of the California Constitution (Proposition 218)

On November 5, 1996, the voters of the State approved Proposition 218 - the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution, which affect the ability of local government, including charter cities (such as the City), to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. General taxes, imposed for general governmental purposes of the City, require a majority vote and special taxes, imposed for specific purposes (even if deposited in the General Fund), require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if they are approved by the voters by November 6, 1998. The voter approval requirements of Article XIII C reduce the Council's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by initiative, repeal or reduce any existing local tax, assessment, fee or charge, or limit the future imposition or increase of any local tax, assessment, fee or charge subject to certain limitations imposed by courts, and additional limitations discussed below with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which could be reduced by initiative under Article XIII C. "Assessment," "fee" and "charge" are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described below) would be applied to Article XIII C. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges.

The State Constitution and the laws of the State impose a mandatory, statutory duty on the Council to levy a property tax sufficient to pay debt service on the Bonds coming due in each year; the initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City with respect to such taxes which are pledged as security for payment of the Bonds.

Legislation adopted by the State Legislature in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the Contracts Clause of the United States Constitution.

Article XIII D contains several new provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" for local services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property, and expressly includes standby charges. Article XIII D also includes new provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a county upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property-related fees and charges must conform to specific requirements and restrictions set forth in Article XIII D. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property-related" for purposes of Article XIII D), no property-related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above. It is not possible to predict the outcome of such determinations or their effect on City revenues.

Statutory Limitation (Proposition 62)

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

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in Santa Clara County Local Transportation Authority v. Guardino (the "Santa Clara" decision), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The Santa Clara decision did not address the question of whether or not Proposition 62 should be applied retroactively nor whether it applies to charter cities, such as the City.

Two cases decided by the California Courts of Appeals in 1993, Fielder v. City of Los Angeles, and Fisher v. County of Alameda, held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

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

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the State's Fiscal Year 2004-05 Budget and approved by the voters in November 2004, 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. 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 annual vehicle license fee rate currently in effect, 0.65% 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 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 City.

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D, Proposition 62 and Proposition 1A 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, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications and continuing compliance with certain covenants of the City and of certain users of the facilities financed with the proceeds of the Bonds to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations of the City or such users or the continuing compliance with the covenants of the City or such users.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal opinion as to exclusion of interest on the Bonds from gross income for federal income tax purposes. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS. There can be no assurance that legislation or regulations, enacted or proposed after the date of issuance of the Bonds, will not have an adverse effect on the tax status of interest on the Bonds or the market prices of the Bonds.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

Original Issue Premium

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over a period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Bond) will realize no gain or loss upon the retirement of that Bond.

Owners of Premium Bonds should consult with their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for state and local income tax purposes.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see "TAX MATTERS") are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. The signed legal opinion of Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds will be delivered to the Underwriter at the time of original delivery of the Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth as APPENDIX F. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

Bond Counsel undertakes no responsibility to bondholders for the accuracy, completeness or fairness of this Official Statement. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the City by the City Attorney.

FINANCIAL ADVISOR

Public Financial Management, Inc. is acting as Financial Advisor to the City with respect to the Bonds. The Financial Advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. Because of its limited participation in reviewing this Official Statement, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

ABSENCE OF LITIGATION

No litigation is pending, with service of process having been accomplished or, to the knowledge of the City, threatened, concerning the validity of the Bonds, the corporate existence of the City, or the title of the officers of the City who will execute the Bonds as to their respective offices. The City will furnish to the initial purchaser or purchasers of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds. For a discussion of other litigation involving the City, see "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- LITIGATION"

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City 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 Fiscal Year 2006-07 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally

Recognized Municipal Securities Information Repository and State Repository, if any, or with the DisclosureUSA maintained by the Municipal Advisory Council of Texas or any successor thereto. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX D -- FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchasers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The City has never failed to comply in all material respects with any previous undertakings with regard to such Rule to provide annual reports or notices of material events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report on the City's web site at www.oaklandnet.com. In addition, a wide variety of information concerning the City, including financial information in addition to the City's Comprehensive Annual Financial Report, may be available from time to time from the City, City departments and agencies, and their respective publications and websites. Such information may be derived from a number of other sources which the City or City departments and agencies believe to be reliable; however, no representation can or will be made by the City regarding the truth or accuracy of such other information. Any information that is inconsistent with the information set forth in the City's Annual Reports or notices of material events, should be disregarded. No such information is a part of or incorporated into the City's Annual Reports or notices of material events, except as expressly noted therein.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal year ending June 30, 2005, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias, Gini & Company, LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Macias, Gini & Company, LLP has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any actions intended or likely to illicit information concerning the accuracy, completeness or fairness of the statements in this Official Statement, and no opinion is expressed by Macias, Gini & Company, LLP with respect to any event subsequent to its report dated December 16, 2005.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch"), have given the Bonds ratings of "Aaa," "AAA" and "AAA," respectively, with the understanding that upon the delivery of the Bonds, Ambac Assurance will issue the Policy. Moody's, S&P and Fitch have given the Bonds underlying and uninsured ratings of "A1," "A+" and "A+," respectively.

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

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

SALE OF THE BONDS

The Bonds were sold at competitive bid on June 14, 2006 and awarded to Bear Stearns Securities Corporation (the "Underwriter") at a purchase price of $21,002,402.50, which is equal to the aggregate principal amount of the Bonds, plus an original issue premium in the amount of $203,552.50, less an Underwriter's discount in the amount of $103,750.00 and less the premium paid to Ambac Assurance for the Policy. The Official Notice Inviting Bids provides that all Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice Inviting Bids, the legal opinion of Bond Counsel, and certain other conditions. The Underwriter of the Bonds has represented to the City that the Bonds have been re-offered to the public at the prices or yields stated on the cover page hereof.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to the initial purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution, the Fiscal Agent Agreement, other documents and laws contained herein do not purport to be complete, and reference is hereby made to said documents and laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

All data contained herein have been taken or construction from the City's records and other sources. The appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The appropriate City official will execute a certificate to this effect upon delivery of the Bonds. This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

CITY OF OAKLAND, CALIFORNIA

By: /s/ Deborah A. Edgerly
City Administrator

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

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CITY OF OAKLAND, CALIFORNIA

By: ______________________
City Administrator

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

GENERAL INFORMATION

Overview

The City of Oakland (the "City") is located in the County of Alameda (the "County") on the east side of the San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay on the west to suburban foothills in the east. Formerly the industrial heart of the San Francisco Bay Area, the City has developed into a diversified financial, commercial and governmental center. The City is also the hub of an extensive transportation network, which includes a freeway system and the western terminals of major railroads and trucking operations, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State of California (the "State").

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City of Oakland became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employees' pension funds; and the creation and organization of the Port of Oakland (the "Port"). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The current Mayor, Jerry Brown, is serving his second consecutive term, which expires in January 2007. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Roland E. Smith, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2009.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City.

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

FINANCIAL INFORMATION

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

In advance of each two-year cycle, the City Administrator and Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

During the off-year of the two-year budget cycle, the City conducts a mid-cycle (end of year one) budget review limited to significant variances in estimated revenue and/or revised mandates arising from Federal, State or court actions.

The City's Adopted Policy Budget for Fiscal Years 2005-06 and 2006-07 was approved on June 21, 2005, and a mid-cycle review will be conducted by the end of Fiscal Year 2005-06. To preserve core programs and services and to minimize the necessity for employee layoffs or service reductions, the City has utilized strategies that reduce the cost of doing business and raise certain fees and fines. At the core of the budget is restructuring and streamlining of City government to maximize the efficient delivery of services while minimizing reductions in such services.

City Financial Statement

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2004-05 was Macias, Gini & Company, LLP.

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

State Budget

Several of the City's revenue streams, including property tax, sales tax and the motor vehicle license fee, are collected or allocated in accordance with State law. In the past, the State has amended such laws, in part to address its own budgetary requirements. The following information concerning the State of California's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City and the City can take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2005-06. The 2005-06 Budget Act was passed by the State Legislature on July 7, 2005 and signed by the Governor on July 11, 2005. The 2005-06 Budget Act authorized $113 billion in spending, of which $90 billion was from the General Fund and $23 billion was from special funds, and reflected an improving State fiscal outlook resulting from better-than-expected growth in General Fund Revenues.

Fiscal Year 2004-05 began with a prior-year balance of $7.3 billion, which amount included approximately $4 billion in amnesty-related payments. General Fund Revenues, including transfers, were estimated to total $79.9 billion in Fiscal Year 2004-05 and $84.5 billion in Fiscal Year 2005-06, which amounts assumed the approximately $1 billion reduction in tax collections for each of Fiscal Year 2004-05 and Fiscal Year 2005-06. The 2005-06 Budget Act includes $525 million in one-time revenues from the refinancing of a previous tobacco-settlement backed bond, a $428 million loan to fund a settlement relating to flood-related damage that occurred in 1986 and the retention of $380 million in transportation-related sales tax proceeds in the General Fund. The 2005-06 Budget Act also included approximately $6 billion in savings and related budget solutions, about one-half of which related to holding 2004-05 Proposition 98 funding at the level set forth in the 2004-05 Budget Act and $450 million of which related to reductions in social services programs.

The repayment of the Vehicle License Fee ("VLF") revenues diverted by the State in fiscal year 2003-04 have been received in fiscal year 2005-06 by the City in the amount of approximately $6.9 million.

The 2005-06 Budget Act included projected expenditures of approximately $81.7 billion in Fiscal Year 2004-05 and approximately $90 billion in Fiscal Year 2005-06. The increase in projected expenditures partly reflected (1) the Proposition 42 transfers, which were deferred in Fiscal Year 2004-05 but fully funded in Fiscal Year 2005-06, (2) the prepayment of the $1.2 billion local government loan in Fiscal Year 2005-06 and (3) increases in both kindergarten through twelfth grade and higher education. The excess of expenditures over revenues in both Fiscal Year 2004-05 and 2005-06 was expected to decrease the General Fund reserve to approximately $1.3 billion by the end of Fiscal Year 2005-06.

According to the LAO, the savings included in the 2005-06 Budget Act would address part of the State's ongoing structural budget shortfalls, but the legally required expenditures would exceed projected revenues by approximately $6.9 billion in Fiscal Year 2006-07, including an $880 million transfer to the Budget Stabilization Account required by Proposition 58. Absent corrective actions, the remaining year-end shortfall projected for Fiscal Year 2006-07 would be approximately $4.8 billion, which amount assumed the availability of the $1.3 billion reserve projected for the end of Fiscal Year 2005-06.

Governor Proposed Budget for Fiscal Year 2006-07. The Governor's revised proposed budget for Fiscal Year 2006-07 was released on May 12, 2006. As a result of a strong California economy and higher than expected state revenues, the Governor's budget proposes additional revenues for California cities. The additional revenues will be used to pay down State debts, and provide additional funding for city programs, such as the Citizens Option for Public Safety (COPS), the juvenile Justice Crime Prevention Act (JJCPA), and local libraries.

The revised proposed budget calls for a prepayment in Fiscal Year 2006-07 of an additional $87 million for the cost of unfunded mandates to local governments (not including school districts). Additionally, the revised budget proposal increases funding to cities for the COPS and JJCPA Programs by a total of $42.6 million, $21.3 million to each program. The City of Oakland's share of these funds is yet to be determined.

In other budgetary areas, the revised budget proposes to fully fund Proposition 42, including prepayment of $920 million of a transportation loan that was borrowed in Fiscal Year 2004-05. This would include $127 million for cities, which would provide approximately $1.74 million for the City of Oakland

Future State Budgets. No prediction can be made by the City as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on 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 will be affected by national and State economic conditions and other factors over which the City has no control.

City Investment Policy

The authority to invest the City's pooled moneys (the "Pooled Operating Portfolio") is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City expects to adopt an investment policy for Fiscal Year 2006-07 on June 20, 2006. The City Council adopted an investment policy for Fiscal Year 2005-06 on June 21, 2005. The investment policy may be revised by the City Council at any time.

The objectives of the investment policy are to preserve capital, to provide adequate liquidity to meet cash disbursements of the City and to reduce overall portfolio risks while maintaining market rates of return.

Current Investment Portfolio

The City currently maintains approximately $348 million in operating funds, excluding certain restricted special revenue and pension trust funds. The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the investment policy. The composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of April 30, 2006.

Fitch Inc. ("Fitch") has assigned a managed fund credit rating of "AAA" and a market-risk rating of "V-1+" to the City's Pooled Operating Portfolio. Fitch's managed-fund credit ratings are an assessment of the overall credit quality of a fund's portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch's managed-funds market risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market-risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch's managed-fund credit and market risk ratings are based on information provided to Fitch by the City. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

Table 1
City of Oakland
Pooled Operating
Portfolio
April 30, 2006

Investments	Market Value	Book Value	Percent of Portfolio	Term	Days to Maturity	360-Day Equivalent	365-Day Equivalent
Federal Agency Issues - Coupon	$184,220,958.40	$188,601,012.13	54.05%	1,259	525	3.230%	3.275%
Federal Agency Issues - Discount	26,493,650.00	26,493,650.00	7.59	138	124	4.962	5.030
Medium Term Notes	2,996,441.80	3,025,675.00	0.87	730	153	2.712	2.750
Money Market	62,310,000.00	62,310,000.00	17.86	1	1	4.675	4.740
Local Agency Investment Funds	27,000,000.00	27,000,000.00	7.74	1	1	4.379	4.440
Certificates of Deposit	199,000.00	199,000.00	0.06	182	50	3.948	4.003
Commercial Paper - Discount	41,495,581.50	41,329,674.71	11.84	115	102	45.046	5.116
Total Average	$344,715,631.70	$348,959,011.84	100.00%	762	343	3.919%	3.974%

Source: City of Oakland, Finance and Management Agency.

GENERAL FUND REVENUES

The City's General Fund receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The major General Fund revenues are discussed below.

Property Taxation

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

The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 0.41% of taxes collected for tax collection services provided in Fiscal Year 2004-05.

The State Budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of VLF revenues, and the temporary ERAF transfers (see "FINANCIAL INFORMATION -- *State Budget,"* and "-- *Other Taxes,"* herein).

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

Future assessed valuation growth allowed under Article XIIIA (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 availability to such entities of revenue from growth in tax bases may be affected by the establishment of redevelopment project areas which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

The following table represents a five-year history of assessed valuations in the City:

Table 2
City of Oakland
Assessed Valuations
(in $000s)

Fiscal Year	Local Secured [(1)]	Utility	Unsecured	Total
2001-02	$20,529,197	$53,823	$2,719,940	$23,302,960
2002-03	22,468,401	49,548	2,655,756	25,173,705
2003-04	24,592,384	66,993	2,755,382	27,414,759
2004-05	26,812,360	79,048	2,750,645	29,642,053
2005-06	29,648,879	77,961	2,884,779	32,611,619

(1) Net of exemptions other than homeowners' exemptions.

Source: Alameda County Auditor-Controller.

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Tax Levies, Collections and Delinquencies

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

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

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

The City does not participate in a Teeter Plan. The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City. Included in these collections are the City's share of the 1 % tax rate and levies for voter-approved indebtedness.

Table 3
City of Oakland
Property Tax Levies and Collections
(in $000s)

Fiscal Year	City's Share of 1%	Levy Voter-Approved	Total	Total Collected	Percent Collected	Delinquent Collections
2000-01	$53,376	$42,225	$ 95,601	$ 91,868	96.10%	$3,733
2001-02	56,947	49,024	105,921	102,119	96.37	3,851
2002-03	61,164	48,441	109,605	105,277	96.05	4,328
2003-04	65,248	61,760	127,008	123,148	96.96	3,860
2004-05	68,095	59,673	127,768	123,859	96.91	3,909

Source: Alameda County Auditor-Controller.

Tax Rates

The City is divided into 33 Tax Rate Areas ("TRAs"). TRA 17-001 is the largest tax rate area in the City. TRA 17-001 provides almost 50% of the City's *ad valorem* revenues and the distribution of its tax rates among the City, the County, and other taxing jurisdictions is typical for most of the City's TRAs. A five-year history of the property tax rates for TRA 17-001 is shown below.

Table 4
City of Oakland
Property Tax Rates (TRA 17-001) (1)

Fiscal Year Ended June 30	City of Oakland	Alameda County	Others (2)	Total
2002	0.4856	0.1570	0.6817	1.3243
2003	0.4625	0.1570	0.6845	1.3040
2004	0.5054	0.1570	0.6761	1.3385
2005	0.4777	0.1570	0.6710	1.3057
2006	0.4762	0.1570	0.6897	1.3229

(1) Includes the allocation of the 1% basic property tax rate to various taxing entities pursuant to State law (AB 8), as adjusted for transfers to the Education Revenue Augmentation Fund (ERAF). Also includes local levies for voter approved indebtedness.

(2) Includes: Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo. Also includes allocations to ERAF.

Sources: Alameda County, Office of the Auditor-Controller and City of Oakland, Finance and Management Agency.

Principal Property Taxpayers

A summary of the City's Fiscal Year 2005-06 largest secured taxpayers is presented below:

Table 5
City of Oakland
Top Ten Taxpayers, 2005-06 (1)

	Property Owner	Type of Business	2005-06 Assessed Valuation	Percentage of Total Assessed Valuation (1)
1.	OCC (Oakland City Ctr.) Venture LLC	Office Building	$ 202,490,342	0.68%
2.	Kaiser Foundation Health Plan	Office Building	133,635,543	0.45
3.	Prentiss Properties Acquisition Partners/Prentiss Properties Lake Merritt LLC	Office Building	130,299,001	0.44
4.	Kaiser Center	Office Building	116,687,504	0.39
5.	1800 Harrison Foundation	Office Building	112,647,611	0.38
6.	555 Twelfth Street, Venture LLC	Office Building	108,696,836	0.37
7.	LMP I LLC	Office Building	103,668,725	0.35
8.	Clorox Company	Office Building	91,935,112	0.31
9.	KSL Claremont Resort Inc.	Hotel	82,535,524	0.28
10.	Sodalite LP	Office Building	64,750,000	0.22
	Cumulative Sub-total		$ 1,152,451,291	3.87%

(1) City of Oakland 2005-06 Local Secured Assessed Valuation: $29,648,879,226.

Source: California Municipal Statistics, Inc.

Other Taxes

The City's General Fund has seven other sources of taxes, in addition to property taxes. They are sales and use, utility consumption, business license, real estate transfer, transient occupancy, motor vehicle in lieu, and parking taxes.

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

The City's General Fund also receives as a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993 for public safety. The City also receives a portion of the 0.50% countywide transportation sales tax, which are deposited in a special revenue fund.

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

Business License. The City's business license tax is charged annually to businesses based in the City, and is applied to gross receipts or payroll, depending on the type of business. The business license tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts, and is 0.048% when applied to payroll.

Real Estate Transfer. Real estate transfer tax revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a county portion: 0.11 % is allocated to Alameda County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. Recently, Real Estate Transfer Tax revenues have exceeded budgeted expectations, but it is unlikely that such revenues will be sustained at current levels.

Transient Occupancy. The transient occupancy tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn or other lodging facility, and is collected by the lodging facility operator, who then remits the collected tax to the City. The City's TOT rate is 11%.

Motor Vehicle In Lieu Fee. Motor vehicle license fees ("VLF") are collected by the State in lieu of property taxes on vehicles and apportioned to cities and counties based on their population. The fee applies to all vehicles subject to registration in the State.

In 1999, the State started implementing a gradual, multi-phase reduction in the VLF fee, backfilling lost local receipts out of its general fund. As part of the State's Fiscal Year 2004-05 Budget, the VLF rate was permanently reduced to 0.65%, with the lost revenue replaced by an incremental allocation of property tax. The City received approximately $6.9 million from the State in July 2005 for its share of the VLF payment.

Parking. The City's parking tax is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate is 10 % and is applied to the gross receipts of parking facility operators.

General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. The City's fiscal year ends on June 30.

Table 6
City of Oakland
Revenues and Expenditures
General Fund
(in $000s)

	Fiscal Years				
Revenues	2000-01	2000-02	2002-03	2003-04	2004-05
Taxes					
Property (1)	$95,440	$94,306	$114,742	$109,927	$143,436
Sales and Use	42,256	38,447	38,162	36,464	41,651
Motor Vehicle In-Lieu	21,361	22,854	24,259	18,178	9,656
Business License	38,738	42,094	42,020	44,243	43,902
Utility Consumption	48,703	49,547	46,581	48,056	49,781
Real Estate Transfer	38,309	37,272	42,088	55,665	77,722
Transient Occupancy	12,766	10,530	10,863	9,857	10,926
Parking	6,762	7,525	8,242	9,799	7,029
Franchise	10,396	10,944	10,824	11,592	11,128
Total Taxes	314,731	313,519	337,781	343,761	395,231
Licenses and Permits	11,418	11,738	13,074	13,453	15,652
Traffic Fines and Various	16,150	12,277	18,543	26,817	24,632
Interest Income (Loss) (2)	6,530	11,442	16,996	(5,100)	20,845
Revenue from Current Services	40,962	48,442	51,708	56,883	66,375
Grant Revenue	5,385	2,842	1,794	2,147	591
Other Revenue, incl. Transfers	11,056	14,025	17,927	23,276	21,896
Annuity Income	--	16,568	15,851	--	--
Total Revenues	$406,232	$434,899	$473,674	$461,237	$545,222
Expenditures					
General Government (3)	$44,110	$47,219	$44,251	$51,673	$53,433
Public Safety (4)	207,392	225,407	238,568	247,630	262,081
Public Works (5)	24,185	26,052	23,261	27,475	28,909
Life Enrichment (6)	37,149	36,320	37,526	41,359	37,581
Economic and Community Development (7)	20,288	22,512	26,701	20,152	18,902
Other (8)	33,112	28,889	21,353	24,902	31,237
Transfers/other sources and uses	364	--	--	--	--
Total Expenditures	$366,600	$386,399	$391,660	$413,191	$432,143
Excess of Revenues and Other Sources over Expenditures and Other Uses	$ 39,362	$ 48,500	$ 82,014	$ 48,046	$113,079

(1) Includes voter-approved tax override for pension obligation, but excludes tax levy for general obligation bonds.
(2) Loss relates to mark-to-market accounting.
(3) Includes elected and appointed officials, general governmental agencies and administrative services.
(4) Includes police and fire services.
(5) Includes Design and Construction Services, Infrastructure and Operations, Facilities and Environment.
(6) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.
(7) Includes Planning and Building, Housing and Neighborhood Development, and Economic Development and Employment.
(8) Includes capital outlays and certain debt service charges.

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

Table 7
City of Oakland
Balance Sheet
General Fund
(in $000s)

	June 30				
	2001	2002	2003	2004	2005
ASSETS					
Cash and investments	$ 8,073	$ 16,837	$ 38,566	$ 51,902	$79,445
Receivables					
Accrued interest	108	345	87	429	418
Property taxes	17,411	10,391	7,125	3,161	5,484
Accounts receivable	58,739	53,367	51,391	49,669	65,855
Due from component unit	12,172	19,573	11,377	24,527	20,367
Due from other funds		89,147	87,652	67,378	68,721
Notes and loans receivable	28,295	14,826	15,034	37,059	38,619
Restricted cash and investments (1)	9	181,055	196,035	172,468	175,198
Other	1,498	33	35	35	1,887
TOTAL ASSETS	210,063	385,574	407,302	406,628	455,994
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other accrued liabilities	101,479	84,027	92,433	114,151	102,181
Due to other funds	1,474	1,267	451	23,571	25,110
Deferred revenue	83,971	73,463	57,483	31,633	29,882
Other	343	1,084	3,817	3,965	6,963
TOTAL LIABILITIES	187,267	159,841	154,184	173,320	164,157
Fund Balances					
Reserved:					
Encumbrances	--	1,744	3,227	4,779	4,115
Long term receivables	--	--	--	6,000	6,000
Debt service (1)	--	181,679	198,058	--	3,379
Capital project	--	12,644	13,032	--	--
Total Reserved	1,664	196,067	214,317	10,799	13,494
Unreserved (1)	21,132	29,666	38,801	222,529	140,343
TOTAL FUND BALANCES	$22,796	$225,733	$253,118	$233,328	291,837
TOTAL LIABILITIES AND FUND BALANCES	$210,063	$385,574	$407,302	$406,628	$455,994

(1) The large increase in restricted cash as of June 30, 2002, and corresponding increases in reservation for debt service for Fiscal Years 2001-02 and 2002-03 and for unreserved fund balance for Fiscal Year 2003-04 represent changes in accounting recording. The unreserved fund balance for Fiscal Year 2003-04 includes $174.47 million retirement annuity and debt service, $39.80 million in undesignated fund balance, and $8.26 million in designations for capital projects.

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

DEBT OBLIGATIONS

The City has never defaulted on the payment of principal of or interest on any of its indebtednes or lease obligations.

General Obligation Debt

As of June 30, 2005, the City had outstanding a total of $227,010,000 aggregate principal amou of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thir of the voters. The City has the power and is obligated to levy ad valorem taxes upon all property withi the City subject to taxation without limitation as to the rate or the amount (except certain property taxabl at limited rates) for the payment of principal and interest on these bonds.

Table 8
City of Oakland
General Obligation Bonds
As of June 30, 2005
(in $000's)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
General Obligation Bonds, Series 2002A (Measure G)	11/6/2002	2032	$ 38,000	$ 37,215
General Obligation Bonds, Series 2003A (Measure DD)	8/6/2003	2033	71,450	62,525
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	6/16/2005	2025	122,170	122,170
Total				$227,010

All of the City's general obligation debt is authorized by voter approval of certain measures. Th table below summarizes all of the voter-approved measures that have outstanding general obligation debt After the issuance of the Bonds, the City will have a total of $126,800,000 remaining in bon authorizations under Measure DD.

Table 9
City of Oakland
General Obligation Bond Remaining Authorization
As of June 30, 2005
(in $000's)

Authorization	Date Passed	Use	BondAuthorization Total	Remaining
Measure G [(1)]	3/5/2002	Museum and zoo facilities	$ 59,000	$ 21,000
Measure DD	11/5/2002	Recreational and aquatic facilities	198,250	126,800
Total				$147,800

(1) After the issuance of the Bonds, the remaining bond authorization with respect to Measure G will be $0.

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last 12 Fiscal Years, including the issuance of $65,000,000 aggregate principal amount Tax and Revenue Anticipation Notes during Fiscal Year 2004-05. The City anticipates issuing Tax and Revenue Anticipation Notes before the end of Fiscal Year 2005-06. The City has never defaulted on the payment of any of these notes. The following table shows a five-year history of the par amount of tax and revenue anticipation notes issued each year.

Table 10
City of Oakland
Tax and Revenue Anticipation Notes
(in $000's)

Fiscal Year	Par Amount
2001-02	$65,000
2002-03	53,965
2003-04	76,325
2004-05	65,000
2005-06	70,000

Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, to occupy public buildings or use equipment. The table below summarizes the City's outstanding long-term lease obligations.

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Table 11
City of Oakland
Lease Obligations
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding	Leased Asset
Civic Improvement Corporation Variable Rate Demand COPS, 1985	1/13/1986	2015	$ 52,300	$31,800	Portion of sewer system
City of Oakland Refunding COP, (Oakland Museum), Series 1992	6/9/1992	2012	39,408	2,203	Oakland Museum
Oakland -Alameda County Coliseum Authority Lease Revenue Bonds (Arena Project), Series 1996 (1) Series A1 & A2	8/2/1996 8/2/1996	2026 2022	70,000 70,000	61,800 61,800	Coliseum Arena
Oakland -Alameda County Coliseum Authority Lease Revenue Bonds, Series 2000 C-1, C-2, & D (1)	5/25/2000	2025 2025 2011	75,400 75,400 50,500	75,400 75,400 50,500	Coliseum Stadium
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Convention Center) Series 2001	6/14/2001	2014	134,890	100,465	Oakland Convention Center
City of Oakland Refunding Certificates of Participation, Series 2002	3/21/2002	2012	16,295	16,295	Oakland Museum
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Administration Buildings). Series 2004 (2)	6/10/2004	2026	117,200	117,200	Oakland Buildings
Oakland Joint Powers Financing Authority Lease Revenue Bonds. 2005 Series A-1. A-2. and B (2) (3)	6/21/2005	2017	65,500 63,475 17,975	63,500 63,475 17,975	Portion of sewer system
Total				$714,413	

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

(2) The City entered into a floating-to-fixed swap in conjunction with these bonds issue to create a "synthetic-fixed-rate" obligation.

(3) Refunded a prior lease obligation, which had refunded a pension obligation bond.

Swaps

The City has entered into several interest rate swap agreements in conjunction with variable-rate bond issues to create "synthetic-fixed-rate" obligations. The City entered into a $170,000,000 forward-starting, floating-to-fixed-rate swap with Goldman Sachs in conjunction with the $187,500,000 Oakland Joint Powers Financing Authority, 1998 Series A-l/A-2 bonds, which were issued in variable-rate mode. The agreement commenced on July 31, 1998. On March 27, 2003, the City entered into an Amended and Revised Confirmation with GS Financing Products, U.S., L.P., which changed the index on which the swap is based. The City now receives 65% of the one-month London Interbank Offer Rate ("LIBOR") and still pays the fixed rate of 5.6775%. As a result of the change in the index, the City received an up-front payment, which partially compensates the City for assuming a potentially greater basis risk. The City refunded the underlying bonds with proceeds from the sale of 144,950,000 aggregate principal amount Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 (the "2005 JPFA Bonds"). The swap that was entered into on July 31, 1998 remains in effect and is set to terminate on July 31, 2021.

The City has entered into two interest rate swap agreements in conjunction with the $117,200,000 aggregate principal amount Series A-1/A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2004 (the "2004 Series A-1 Bonds" and the "2004 Series A-2 Bonds"), which were sold as auction rate securities. The swap agreements are with Bank of America, N.A. and UBS AG and relate to the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds, respectively, to create a synthetic fixed interest rate until August 1, 2026, for Base Rental Payments corresponding to the $58,600,000 initial aggregate principal amounts for each of the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds. The City pays each of the counterparties a fixed rate of 3.533% and receives 58% of the one-month LIBOR rate plus 35 basis points.

For further discussion of the structure and risks associated with these swaps, please see the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2005.

Pension Obligation Bonds

The City has issued two series of pension obligation bonds to fund a portion of the current balance of the City's Unfunded Actuarial Accrued Liability ("UAAL") for retirement benefits to members of the Oakland Police and Fire Retirement System ("PFRS"). The second series, issued in 2001, was part of a plan of finance undertaken by the City to extend the maturity of the 1997 pension obligation bonds and to reduce the annual debt service on the bonds and so minimize the need for the City to use general fund revenues other than property tax override funds to pay debt service on the 1997 and 2001 Bonds. The 1997 and 2001 Bonds are secured by a senior pledge of certain tax override revenues. In June 2005, the Oakland Joint Powers Financing Authority issued the 2005 JPFA Bonds. The 2005 JPFA Bonds are secured, in part, by a subordinate pledge of such tax override revenues. The table below summarizes the two currently outstanding pension obligation bond issues.

Table 13
City of Oakland
Pension Obligation Bonds
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
City of Oakland Taxable Pension Obligation Bonds, Series 1997 A&B	2/5/1997	2010	$436,289	$176,205
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	195,636	195,636
Total				$371,841

The table below summarizes the City's payments for pension obligation bonds for the next five years. The maximum debt service payment for these bonds is $53,130,000 in Fiscal Year 2022-23.

Table 14
City of Oakland
Annual Payments for Pension Obligation Bonds

Fiscal Year	Annual Payment
2005-06	$34,947,586
2006-07	35,967,615
2007-08	37,011,289
2008-09	38,082,816
2009-10	39,181,314

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

Limited Obligations

The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City. These obligations are summarized below.

Redevelopment Agency of the City of Oakland

The City's Redevelopment Agency has issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City, or for the construction of low-income housing. The bonds are payable from tax increment revenues received from the specific redevelopment project areas they support. Existing tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area and the Coliseum Area Redevelopment Project Area. The following table summarizes the City's outstanding tax allocation bonds.

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Table 15
City of Oakland
Redevelopment Agency
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Redevelopment Agency of the City of Oakland, Acorn Redevelopment Project, 1988 Tax Allocation Refunding	11/16/1988	2007	$ 3,375	$ 715
Redevelopment Agency of the City of Oakland, Central District Project, Senior Tax Allocation Refunding Bonds, Series 1992	12/17/1992	2014	97,655	52,365
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	110,080
Redevelopment Agency of the City of Oakland, Coliseum Area Project Tax Allocation Bonds, Series 2003	1/9/2003	2033	23,085	22,305
Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2000T	5/16/2000	2018	39,395	36,645
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2005	2/8/2005	2022	44,360	44,360
Total				$266,470

Special Assessments

The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts. The City is not responsible for debt service on the bonds in the event that assessment collections are not sufficient. The table below summarizes the City's outstanding assessment bonds.

Table 16
City of Oakland
Special Assessments
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/22/1996	2020	$ 465	$ 220
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997	12/3/1997	2012	1,250	720
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	6,350
Total				$7,290

Enterprise Revenue Bonds

The City has also issued bonds secured by revenues of its sewer system. These bonds, issued o December 14, 2004 in the par amount of $62,330,000, mature in June 2029.

Estimated Direct and Overlapping Debt

Located within the City are numerous overlapping local agencies providing public services. Thes local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates c participation, and special assessment bonds. The direct and overlapping debt of the City as of April 30, 200(according to California Municipal Statistics, Inc., is shown below. The City makes no representations as to th accuracy of the following table; inquiries concerning the scope and methodology of procedures carried out t complete the information presented should be directed to California Municipal Statistics, Inc. Self-supportin revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this deb statement.

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Table 17
City of Oakland
Statement of Direct and Overlapping Debt
As of April 30, 2006

2005-06 Assessed Valuation:	$32,611,618,917
Redevelopment Incremental Valuation:	6,348,493,148
Adjusted Assessed Valuation:	$26,263,125,769

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/30/06	
Bay Area Rapid Transit District	7.260%	$ 7,260,000	
East Bay Municipal Utility District	20.587	432,327	
East Bay Municipal Utility District, Special District No. 1	52.256	19,076,053	
East Bay Regional Park District	10.620	14,585,508	
Chabot-Las Positas Community College District	1.298	1,211,488	
Peralta Community College District	54.923	108,851,894	
Berkeley and Castro Valley Unified School Districts	0.005 & 0.140	77,652	
Oakland Unified School District	99.996	447,016,328	
San Leandro Unified School District	12.693	5,839,293	
City of Oakland	**100.000**	**225,261,041**	(1)
City of Oakland 1915 Act Bonds	100.000	7,010,000	
City of Emeryville 1915 Act Bonds	4.183	478,744	
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$837,100,328	
Less: East Bay Municipal Utility District (100% self-supporting)		432,327	
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$836,668,001	

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Alameda County and Coliseum Authority General Fund Obligations	18.172%	$ 113,138,509	
Alameda County Pension Obligations	18.172	51,259,201	
Alameda County Board of Education Public Facilities Corporation	18.172	233,510	
Alameda-Contra Costa Transit District Certificates of Participation	21.739	4,316,278	
Chabot-Las Positas Community College District General Fund Obligations	1.298	101,504	
Oakland Unified School District Certificates of Participation	99.996	24,549,018	
San Leandro Unified School District Certificates of Participation	12.693	229,743	
Castro Valley Unified School District Certificates of Participation	0.140	1,820	
City of Oakland and Coliseum Authority General Fund Obligations	**100.000**	**543,813,667**	
City of Oakland Pension Obligations	**100.000**	**341,474,842**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,079,118,092	
GROSS COMBINED TOTAL DEBT		$1,916,218,420	(2)
NET COMBINED TOTAL DEBT		$1,915,786,093	

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:
Direct Debt ($225,261,041) 0.69%
Total Gross Direct and Overlapping Tax and Assessment Debt..............2.57%
Total Net Direct and Overlapping Tax and Assessment Debt 2.57%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($1,110,549,550) 4.23%
Gross Combined Total Debt...7.30%
Net Combined Total Debt 7.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $113,677

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $25,000,000 after a $2,000,000 per occurrence self-insured retention for the risks of general liability, malpractice liability, and auto liability. All properties are insured against damage from fire and other forced perils at full replacement value after a $10,000 deductible to be paid by the City. The City does not insure for damage from earthquakes and floods. As of June 30, 2005, the amount of all self-insured general liability exposure is valued at approximately $43,099,000. Of this amount, approximately $13,992,000 is estimated to be due within one year. The City is self-insured for its Workers' Compensation liabilities. Payment of Worker's Compensation claims is provided through annual appropriations. As of June 30, 2005, the amount of Workers' Compensation liability determined to be probable is approximately $96,166,000. Of this amount, $17,562,000 is estimated to be due within one year.

Labor Relations

City employees are represented by seven labor unions and associations, identified in the table below, the largest one being the Service Employees International Union (Local 790), which represents approximately 57% of all City employees. Approximately 95% of all City employees are covered by negotiated agreements, as detailed in the following table. Memoranda of Understanding effective July 1, 2002, were entered into with all non-sworn employee organizations. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milias-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

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Table 18
City of Oakland
Labor Relations
As of June 30, 2005

Employee Organization/Bargaining Unit *	Number of Employees	Contract Termination
International Association of Firefighters (Local 55)	466	6/30/07
International Brotherhood of Electrical Workers (Local 1245)	24	6/30/08
International Federation of Professional and Technical Engineers (Local 21)/Units A, W, and F	495	6/30/08
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	385	6/30/08
IFPTE, Local 21 (Deputy City Attorneys)	27	6/30/08
Oakland Police Officers Association	718	6/30/06
Service Employees International Union (Local 790)/full-time	1,414	6/30/08
Service Employees International Union (Local 790)/part-time	1,254	6/30/08
Oakland Park Rangers Association	7	6/30/06
Deputy City Attorney V & Special Counsel Association	9	6/30/06
	4,799	

* The City has negotiated the following cost of living adjustments with employee organizations:

- Local 55, based on CPI;
- Locals 1245, 21 & 790, increases of 4% each year until contract termination;
- Oakland Police Officers Association, increase of 5% on 1/1/06; and,
- Oakland Park Rangers Association, increase of 4% on 7/2/05.

Source: City of Oakland Office of Personnel and Resource Management

Retirement Programs

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

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "Retirement Board"). The PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of June 30, 2005, PFRS covered three current employees and 1,403 retired employees. On December 12, 2000, the voters of the City amended the City Charter to give active members of the Retirement System the option to terminate their membership and transfer to PERS upon certain conditions. As a result, 126 former members transferred to PERS.

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

In 1997, the City of Oakland issued $436.3 million in Pension Obligation Bonds, sized to represent the actuarial present value of the City's expected contributions to PFRS from March of 1997 through June of 2011. PFRS received a deposit of $417 million from the bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City will not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of $17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to its police and fire system. The next City contribution to PFRS will be in July of 2011, if necessary, as determined by the actuarial valuation as of July 1, 2010. The City pays debt service on the Pension Obligation Bonds from proceeds of the Tax Override.

On October 3, 2001, the City issued $195.6 million in Pension Obligation Bonds, the proceeds of which were primarily used to purchase at tender for cancellation and to defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's Pension Obligation Bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

An actuarial valuation on the PFRS benefit plan is conducted every two years; the most recent complete valuation was for the period ended June 30, 2005. PFRS utilizes the aggregate actuarial cost method for its actuarial calculations. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. The allocation is performed for the group as a whole, not as a sum of individual allocations. The City's actuaries do not make an allocation of the contribution amount between normal cost and the UAAL because the PFRS plan is closed. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 4.5%, and a general inflation rate of 3.5%.

The following schedule shows PFRS's recent funding progress.

Table 19
Schedule of Funding Progress
Police and Fire Retirement System
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll (1)
2002	$875.5	$674.7	$200.8	77.1%	$2.6
2003	890.6	615.1	275.5	69.1%	0.4
2004	890.3	621.6	268.6	69.8%	0.3
2005	883.6	614.9	268.7	69.6%	0.3

(1) Because this is a closed system with few employees, UAAL as a percentage of payroll is not presented

Source: Actuary's Report as of June 30, 2005.

In light of the contribution holiday funded by proceeds of Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2010 is primarily to track the relationship between the available assets and the estimated liabilities so that the City will be prepared for the necessary contributions, if any, in July of 2011. The Actuary's Report, as of June 30, 2005, contains a projection of the annual contributions necessary beginning in 2011 based on the valuation assumptions. The results of that projection are in the table below.

Table 20
Police and Fire Retirement System
Projection of Future Contributions

	Valuation Assumptions	Unfavorable Experience	Favorable Experience
Investment Return	8.00%	8.00%	8.00%
Wage Growth	4.50%	5.00%	4.00%
Annual City Contribution 2011-2012 Amount	$37 million	$41 million	$32 million

Source: Actuary's Report as of June 30, 2005.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a second closed system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to PERS. The program covers no active employees and 96 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent complete valuation was for the period ended June 30, 2005. OMERS utilizes the aggregate actuarial cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 3.0%, and a general inflation rate of 3.5%. As of June 30, 2005, the actuarially determined surplus was $5.3 million. During Fiscal Year 2004-05 the City, in accordance with actuarially determined contribution requirements, did not contribute to OMERS, as the plan is fully funded.

California Public Employees Retirement System. PERS is a defined benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970, as well as former members of PFRS and OMERS except those who have not elected to transfer from OMERS. PERS acts as a common investment and administrative agent for public entities participating with the state of California. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with PERS.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to PERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Historically, the City had paid the entire amount of its employees' contributions for miscellaneous and safety employees. However, under current bargaining agreements, sworn fire personnel contribute at a 4% rate and all non-sworn personnel make a 3% contribution since July 2002.

In Fiscal Year 2002, the City increased its benefits for public safety employees to provide 3.0% of highest salary per year of employment at age 55. In Fiscal Year 2004, benefits were further increased for safety members to provide 3.0% of highest salary at age 50. In Fiscal Year 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following represents the City of Oakland's employer contribution rates as determined by PERS for the past four years, as well as PERS' projection for Fiscal Year 2006-07.

Table 21
Contribution Rates
Public Employees Retirement System
City of Oakland

	2002-03	2003-04	2004-05	2005-06	2006-07 (Projected)
Miscellaneous Plan	0.00%	0.00%	15.04%	18.55%	18.40%
Safety Plan	15.17%	25.29%	29.83%	29.71%	29.80%

Source: California Public Employees' Retirement System ("CPERS")

PERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions include a 3.0% inflation rate and a 7.75% investment return.

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits, and prior asset losses in PERS investments recognized on an actuarial basis over a three-year "smoothing" period.

Table 22
Schedule of Funding Progress
Public Employees Retirement System
Public Safety Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2001	$432.1	$363.7	$ 68.4	84.2%	$92.1	74.2%
2002	563.2	373.7	189.9	66.3	104.0	183.5
2003	631.5	454.7	176.8	72.0	111.0	159.2

Source: CPERS.

Table 23
Schedule of Funding Progress
Public Employees Retirement System
Miscellaneous Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as of Payroll
2001	$ 883.3	$1,059.6	$(176.3)	120.0%	$171.9	(102.6%)
2002	952.4	1,003.3	(50.9)	105.3	197.4	(25.8)
2003	1,197.3	1,010.7	186.7	84.4	207.9	89.8
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5

Source: CPERS.

The following table represents the City's annual contribution to PERS over the past five years:

Table 24
Annual Pension Cost
Public Employees Retirement System
($millions)

Fiscal Year Ended July 30	Annual Cost July
2000	$23.6
2001	$24.0
2002	$26.9
2003	$37.0
2004	$48.4
2005	$87.4

Source: City of Oakland Comprehensive Annual Financial Reports.

Post-Retirement Health Benefits

The City provides certain post-retirement health insurance benefits to qualifying retired employees. A portion of the health insurance premiums are paid by the City for all retirees from City employment receiving a pension annuity earned through City service and who participate in a City sponsored PERS health benefit plan. These contributions are funded on a pay-as-you-go basis. Approximately $2.6 million was paid on behalf of 767 retirees under this program during Fiscal Year 2004-05.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

These disclosure requirements will be effective for the City beginning in Fiscal Year 2007-08. The City will obtain an actuarial valuation of its Post-Employment Health Benefits obligations and plans to work with its actuary to review its liabilities and take appropriate actions to manage the impact.

Natural Hazard Risks

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

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

ECONOMIC HIGHLIGHTS

The City of Oakland, located immediately east of the City and County of San Francisco, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, the City is served by two major interstate freeways, lies at the crossroads of the Bay Area Transit System and major railroads, and boasts a world-class seaport and a growing international airport. Oakland is California's most strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace. In 2002, the City was rated by Forbes as the eighth best city for business in the nation.[1]

As the 19th largest metropolitan economy in the United States[2], Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life,

[1] Forbes/Milkin Institute List of Best Places for Business and Careers, Forbes, May 27, 2002.
[2] U.S. Metro Economies: The Engines of America's Growth, DRI-WEFA, June 2002.

comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – ranked the eighth most educated in the nation.[1]

All of these factors – combined with great weather, a vibrant waterfront, lush hills, plentiful open space, beautiful neighborhoods, panoramic vistas, and abundant cultural amenities – make Oakland a highly desirable place to live, work and do business.

Housing Development

A cornerstone of the City's economic development program since the inauguration of Mayor Jerry Brown in 1999 is the "10K Initiative," a multi-phase program to develop housing for 10,000 new residents in downtown Oakland by 2006. This goal translates to a target of developing 6,000 new residential units. On December 7, 2005, the 10K goal was met when the Planning Commission approved two new projects. Since the initiation of this program, 17 projects with 1,663 units have been completed, 15 projects with 2,144 units are under construction, 20 additional projects with 2,196 units have planning approval and 10 projects with 1,366 units are in the planning process. With 7,369 units completed or underway, the City has exceeded the 10K goal by 25%.

Commercial and Industrial Development

The City has facilitated a number of major commercial developments throughout the City. Several recent surveys have ranked Oakland as among the top ten office markets in the nation. Since 2001, Oakland has experienced a 22% increase in new businesses reporting Oakland as a primary location.

The Fruitvale BART Transit Village, a mixed-use development, opened in May 2004. The project offers 38,000 square feet of retail, 47 residential units including 10 affordable units, a child development facility, the new Cesar Chavez Public Library, a new medical clinic, a multipurpose senior center, and 114,500 square feet of office lease space. The Fruitvale Village project is nationally recognized as a leading smart-growth initiative and as one of the leading neighborhoods in the National Main Street Program. The project has won several awards, including the 2003 San Francisco Business Times Award and the 2004 Best in American Living Award in the Best Urban Smart Growth Neighborhood/Community category.

Hegenberger Gateway, which opened in 2005, offers 250,000 square feet of retail space. This $45 million development is anchored by Wal-Mart and also complemented by Starbucks, Panda Express and In-N-Out Burger. This key retail development is strategically located along the busy stretch of road that connects I-880 with the Oakland International Airport.

The Oakland Coliseum Intercity Amtrak Station Project consists of a passenger platform constructed along the existing Amtrak/Capitol Corridor passenger rail route located between the Coliseum Stadium and the Coliseum BART station. The new pedestrian ramp will connect the passenger platform to the existing Coliseum-BART pedestrian bridge. The total project cost is approximately $6.6 million. Construction began in June 2004, with the facility opening in May 2005.

The Infiniti of Oakland Dealership was completed in May 2005 and this 4.35-acre parcel is part of the Coliseum Auto Mile. The $7.5 million dollar facility employs about 50 people. By locating the Infiniti of Oakland adjacent to the Coliseum Lexus dealership, which opened in November 2002, the City is creating a cluster of Oakland's luxury automotive dealers.

[1] 2000 U.S. Census.

Transportation

During the 2004-2005 fiscal year, Oakland International Airport (the "Airport") marked its seventh consecutive year of passenger growth, making it one of the few airports in the country and the only one in the Bay Area whose utilization has grown in the post-9/11 environment. The Airport is served by 16 airlines with more than 200 daily nonstop flights to 38 domestic and international destinations, including Atlanta, New York, Washington D.C., Hawaii and Mexico. It is ranked third among U.S. airports for serving the highest proportion of domestic passengers using "low-cost" service (at 74%). Originally designed for approximately eight million passengers annually, the Airport served 14.1 million passengers last year.

As of June 30, 2004, the Airport completed the 98th Avenue/Doolittle Road intersection reconstruction, including a new underpass into the airport. This project was part of the Airport's expansion program, which widened the 98th Avenue/Airport Access Road to a six-lane parkway between the Airport, Bay Farm Island (Alameda) and Interstate 880.

The Airport will spend approximately $150 million over the next 2-3 years on its Terminal Improvement Program. This project includes a five-gate extension to Terminal 2 with a new concourse and waiting areas, expanded ticketing, security and baggage claim facilities. It also includes renovations to the existing facility and new utilities. The Airport will also improve the terminal roadways and curbside areas to ease congestion in front of the terminals. The program is expected to be complete by fall 2007.

The Port of Oakland was among the first ports globally to specialize in the inter-modal container operations that have revolutionized international trade and created the global economy. The seaport ranks among the top four in the nation and 20 in the world in terms of annual container traffic. The Port proudly welcomed the arrival of one of the world's largest container ships and the first 8,000 plus TEU (twenty-foot-equivalent) ship to enter the San Francisco Bay. The 8,200 TEU Hugo made its maiden voyage to the Port of Oakland on August 21, 2004.

The Port completed construction of the 37-acre Middle Harbor Shoreline Park and a 180-acre shallow-water habitat restoration. These projects, which opened to the public in September 2004, expand waterfront access for residents of Oakland and the Bay Area. In April 2005, Oakland became the first port in the nation where radiation portal monitors are completely installed and operable. The twenty-five portals will screen all international container traffic passing through the Port of Oakland for sources of radiation.

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Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2005, at 412,300. This figure represents 27.35% of the corresponding County figure and 1.12% of the corresponding State figure. The City's population has grown over 20% in the twenty-four years since 1980. The following table illustrates the City's population relative to the population of Alameda County and the State of California.

Table 25
City of Oakland, County of Alameda and State of California
Population

Year	City of Oakland	County of Alameda	State of California
1980	339,337	1,109,500	23,782,000
1990	372,242	1,276,702	29,758,213
2000	399,566	1,443,939	33,873,086
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	412,300	1,507,500	36,810,000

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2005 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

Employment

The following table shows the labor patterns in the City, the State of California, and the United States for the past five years.

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Table 26
City of Oakland, State of California and United States
Civilian Labor Force, Employment, and
Unemployment[1] June 2001 through June 2005

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
June 2001				
Oakland	196,870	182,340	14,530	7.4
California	17,181,800	16,275,700	906,100	5.3
United States	141,354,000	134,932,000	6,422,000	4.5
June 2002				
Oakland	202,340	179,780	22,560	11.2
California	17,397,200	16,216,700	1,180,600	6.8
United States	142,476,000	134,053,000	8,423,000	5.9
June 2003				
Oakland	200,650	177,930	22,720	11.3
California	17,486,500	16,288,300	1,198,000	6.9
United States	148,117,000	138,468,000	9,649,000	6.5
June 2004				
Oakland	199,070	180,220	18,850	9.5
California	17,683,000	16,555,400	1,127,900	6.4
United States	148,478,000	139,861,000	8,616,000	5.8
June 2005				
Oakland	200,100	184,300	15,800	7.9
California	17,811,200	16,845,200	965,900	5.4
United States	149,123,000	141,638,000	7,486,000	5.0

(1) Civilian labor force data are by place of residence, and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) Preliminary.

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics. United States figures as of December of each year.

Commercial Activity

A five-year history of total taxable transactions for the City is shown in the following table.

Table 29
City of Oakland
Taxable Transactions, 1999-2004
(Taxable Transactions in $000s)

Year	Taxable Transactions
1999	$3,085,079
2000	3,453,695
2001	3,287,050
2002	3,226,210
2003	3,402,977
2004	3,822,822

Source: State Board of Equalization.

Construction Activity

A five-year history of building permits and valuation (including electrical, plumbing, and mechanical permits) appears in the following table.

Table 30
City of Oakland
Building Permits and Valuations, Fiscal Years 2001-2005

Fiscal Year	Number Issued	Authorized New Dwelling Units	Residential Valuation (in $000s)	Nonresidential Valuation (in $000s)
2000-01	16,879	954	$138,570	$481,635
2001-02	15,805	757	317,792	165,731
2002-03	15,910	930	170,527	260,000
2003-04	16,424	857	268,600	156,699
2004-05	15,942	1,350	356,256	173,292

Source: Comprehensive Annual Financial Report.

Median Household Income

Effective Buying Income ("EBI") is defined as personal income less personal income tax and non-tax payments, such as fines, fees, or penalties. Median household EBI for the City is shown in the table below.

Table 31
City of Oakland, Alameda County,
State of California and United States of America
Median Household
Effective Buying Income

Year[(a)]	City of Oakland	Alameda County	State of California	United States of America
1999[(b)]	$32,751	$44,730	$39,492	$37,233
2000	38,602	50,631	44,464	39,129
2001	39,567	54,076	43,532	38,365
2002	37,095	49,574	42,484	38,035
2003	37,558	50,431	42,924	38,201
2004	38,517	51,415	43,915	39,324

(a) As of January 1.

(b) Changes in market rankings, retail sales, total retail sales, merchandise line sales and metro markets make it impossible to trend the 1999 and 2000 Survey of Buying Power numbers. The changes are so significant that any attempt at trending will produce misleading results.

Source: "Survey of Buying Power", Sales and Marketing Management Magazine.

LITIGATION

The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes, except for the Oakland Raiders litigation, discussed below, there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the financial position or results of operation of the City.

Oakland Raiders Litigation. On September 29, 1997, the City, the County of Alameda and the Oakland Alameda County Coliseum Authority (the "Authority"), collectively known as the "East Bay Entities," filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage.

Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. The Authority prevailed on its declaratory relief claims that the Raiders were contractually obligated to remain in Oakland for the term of the contract. In a series of decisions, the court has ruled that (1) Raider Management cannot rescind or terminate the lease; (2) the East Bay Entities do not have claims for damages and (3) Raider Management does not have claims for damages against the City, the County or the Authority. The court later dismissed the City and the County of Alameda from the case on the basis that Raider Management failed to comply with the California Torts Claims Act.

On March 24, 2003, trial began on Raider Management's claims for damages of $1.1 billion for fraudulent inducement against the Oakland-Alameda County Coliseum Authority and one of its former directors. The trial resulted in a $34,000,000 verdict in favor of Raider Management and against the Authority. The former Authority Director, who the City had agreed to indemnify, was not found liable.

The Authority's motion for a judgment notwithstanding the verdict was denied on November 18, 2003. The Authority has appealed the judgment against it and the Raiders have appealed the verdicts against it. The trial court stayed the judgments pending appeal and the Raiders filed a motion to set aside the stay. In May 2004, the Court of Appeals denied the Raiders' motion to set aside the stay of the action. Appellate briefs have been filed and the matter is scheduled for hearing on August 22, 2006. It is too early to assess whether the City will have to contribute funds to the Authority if the Court of Appeals upholds the trial court verdicts. Even then, the litigation may continue for years before the issue of ultimate liability is resolved.

APPENDIX B

CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 AND CERTAIN OTHER INFORMATION EXCERPTED FROM THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT

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CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

WILLIAM E. NOLAND, DIRECTOR

LARAE BROWN, CONTROLLER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

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FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION

150 FRANK H. OGAWA PLAZA, SUITE 6353
OAKLAND, CALIFORNIA 94612
(510) 238-3264

December 16, 2005

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in financial position for the fiscal year ended June 30, 2005, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

The **Introductory Section** includes the transmittal letter, information about the organizational structure of the City, the profile of the government, information useful in assessing the financial condition of the City, and the Government Finance Officers Association's (GFOA) Certificate of Achievement.

The **Financial Section** is prepared in accordance with the GASB 34 requirements by including the Management's Discussion and Analysis (MD&A), the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, and fiduciary funds. Also included in this section is the Independent Auditors' Report on the basic financial statements.

The **Statistical Section** includes ten years of unaudited summary financial data, debt computations, and a variety of demographic, economic and social information that may be of interest to potential investors in the City's bonds and to other inquiring readers.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2005. The Independent Auditors Report is presented as the first component of the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

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

GASB 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments, retains many of the most popular features of the traditional reporting for state and local governments. It also incorporates these important new features:

- Government-wide financial reporting;
- Management's Discussion and Analysis (MD&A);
- Separate presentation of major funds; and
- Expanded budgetary reporting.

Moreover, GASB 34 requires that states and local governments annually disclose the full net value of all capital assets, including infrastructure assets, in order to comply with generally accepted accounting principles.

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

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

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

Profile of the Government

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

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

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

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

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 29, 2004, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2004-05.

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

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

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various magazines and comments by public officials. For example, the City is:

- "…4th Best commercial real estate market in the country" (Moody's Investors 2003)
- "…8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "…7th Most Creative City in America" (Carnegie Mellon);

- "....6th Best City to live in the U.S." (Money, Dec. 2002);
- "....leader among America's top ten technology cities." (Newsweek, April 30, 2001); and
- "....uniquely positioned as an excellent point for international business." (Mickey Kantor, former U.S. Secretary of Commerce)

These statements are a testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8th as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Jerry Brown's leadership that enthusiastically supports and embraces sustainable economic development. Moreover, transportation systems such as four freeways (I-880, I-580, Hwy. 13, and Hwy. 24), railroad, trucking, shipping (4th largest port in the nation), air transportation, and public transit converge in the City of Oakland to make it the hub of interstate and international commerce on the West Coast. Its strategic location and proximity to Silicon Valley and to highly acclaimed institutions of higher learning provide excellent synergy for collaborative research and innovation for improved business products and services.

Oakland occupies 56 square miles of land with nineteen miles of coastline to the west and magnificent rolling hills to the east. It is the eighth largest city in California with a population of 412,300. Its economy ranks in the top 20 economies in the United States and the 84th largest in the world. Some of the diverse attributes which helped Oakland survive the dot.com bust are:

- Featured as among 10 top technology cities in the future (Newsweek, April 2001)
- Oakland ranked nation's #1 office market through 2005 (Landauer OM Index);
- Commercial building permits issued in 2003 valued at $278.9 million, 25.5% increase;
- Ranked 3rd in the nation in percentage of women-owned businesses;

Two primary engines that drive the economies of the City in particular and Northern California in general are the Port of Oakland and the Oakland International Airport. Both entities celebrated their 75th anniversaries in 2002 with pride and enthusiasm in meeting the challenges of the new century. Both are investing billions of dollars in major expansion programs in anticipation of the new challenges. Finally, both entities have significant impacts on the City's and the region's economies. For example, in 2003, the Port of Oakland moved $1.2 billion in agricultural goods. The Port is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

In a recent article by the San Francisco Chronicle headlined, "*It's full steam ahead at the Port of Oakland*," it declared a booming business at the Port benefiting businesses and jobs in 2003. Those benefiting are dockworkers, truckers, rail companies, the California Central Valley farmers, and shipping companies. Ranked the 4th busiest port in the nation, the Port of Oakland handled 99% of Northern California's ocean container cargo with a remarkable growth of 13.8% in containers handled compared to 2002. Part of this tremendous growth is driven by China's booming manufacturing trade and other economies in the Far East.

Downtown Oakland remains the largest center for office development in the East Bay with 15.3 million square feet of office space and 70,000 day time workers. The Shorenstein Company recently completed a 20-story, 450,000 square foot office tower in the City Center that is occupied by various businesses. Ask Jeeves company moved its operations from Emeryville to

Oakland. It signed a lease to occupy 55,803 square feet and will occupy the fourth and fifth floors along with the plaza level in the new tower.

In a recent article by the Oakland Tribune, a study conducted by a Harvard business professor for the Initiative for a Competitive Inner City concluded that while many of America's inner cities continue to hemorrhage jobs, the City of Oakland gained jobs, fueled by immigrant population growth. The study targeted inner cities with population of 50,000 residents or more. It found that only ten added jobs at a higher rate than surrounding metropolitan areas: Oakland; San Jose; Long Beach; Anaheim; Portland, Oregon; Seattle; Jersey City, N.J.; Tulsa Okla; St. Petersburg, Fla; and Winston-Salem, N.C.

Long-term Financial Planning

Mayor's 10K Project: A major initiative launched by Mayor Jerry Brown when he took office in 1999, the 10K Downtown Housing Initiative, is realizing its goal of attracting 10,000 new residents to downtown Oakland by encouraging the development of 6,000 market-rate housing units. A near perfect climate, California's best mass transit system, a central Bay Area location and a growing downtown workforce all contribute to make downtown Oakland a great place to live.

As of October 1, 2005, the 10K Downtown Housing Initiative has exceeded the goal with 61 residential projects, 7,053 units, housing for about 12,000 new residents, completed or in process. Seventeen projects (1,663 units) have been completed, fourteen projects (1,479 units) are in construction, twenty projects (2,570 units) have received planning approvals, and ten projects (1,341 units) are in the planning process. The Initiative has literally altered Oakland's skyline with the construction of the Essex on Lake Merritt, the first high-rise residential construction in downtown Oakland in 20 years.

Cash Management Policies and Practices

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

The permitted investments include U.S. Treasury notes (with certain restrictions), federal agency issues, bankers' acceptances, commercial paper, corporate stocks and bonds with ratings of A1 or P1 by either Standard and Poor's or Fitch's, negotiable certificates of deposit, Local Agency Investment Fund, and repurchase agreements.

Risk Management

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 15 of the last 16 years. The City's Fiscal Year 2004-05 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

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

Respectfully submitted,

William E. Noland, Director
Finance and Management Agency

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland, California

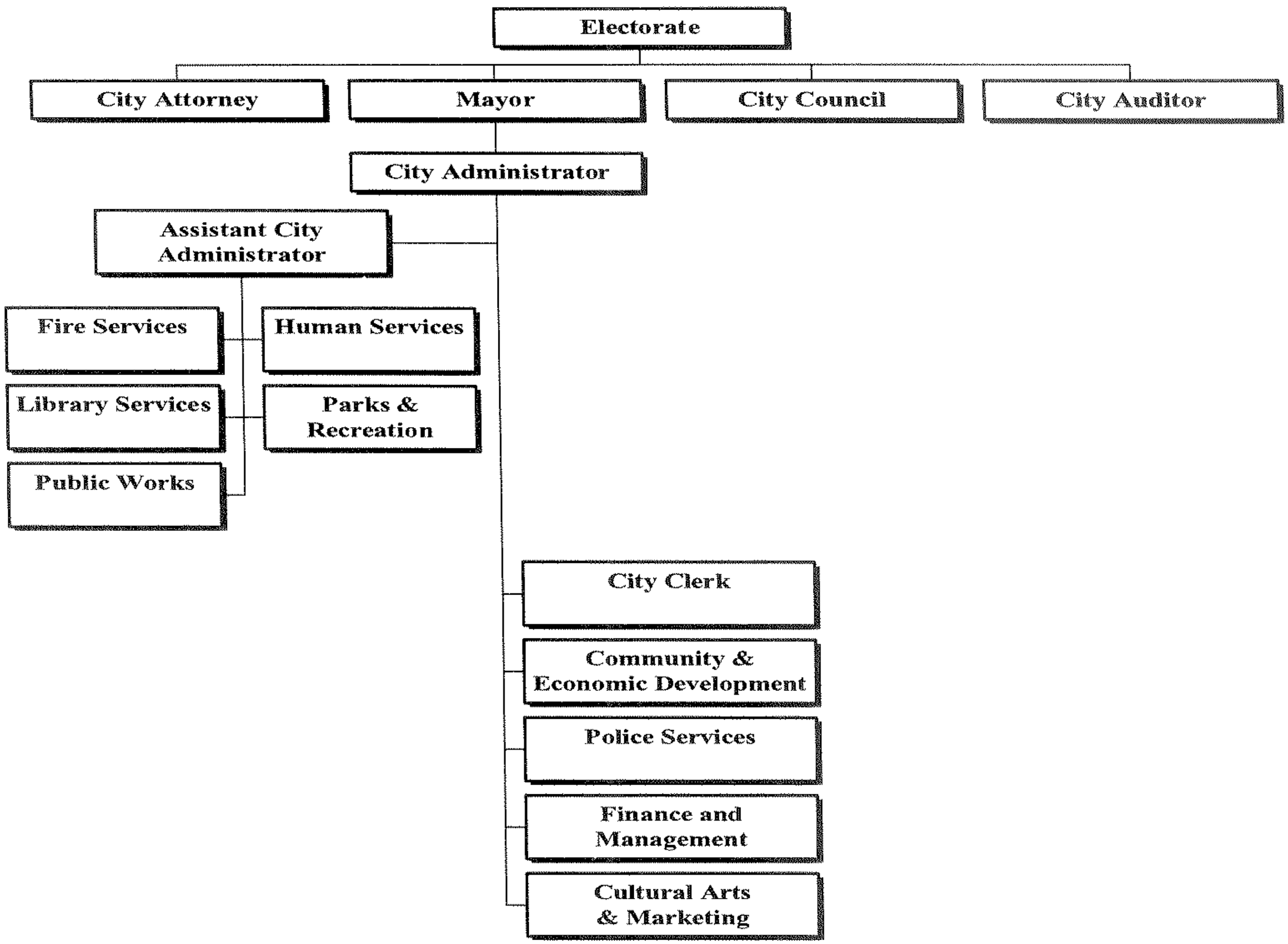
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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.

President

Executive Director

City of Oakland Organization Chart



DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2005

MAYOR

Jerry Brown

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente, *President (District 5)*
Jane Brunner, *Vice-Mayor (District 1)*

At Large – *Henry Chang, Jr.*
District 2 – Patricia Kernighan
District 3 – Nancy Nadel
District 4 – Jean Quan
District 6 – Desley Brooks
District 7 – Larry Reid

COUNCIL APPOINTED OFFICERS

Deborah A. Edgerly, *City Administrator*

LaTonda Simmons, *City Clerk*

ELECTED OFFICERS

John Russo, *City Attorney*
Roland Smith, *City Auditor*

AGENCY & DEPARTMENT DIRECTORS

Raul Godinez
Public Works

Carmen Martinez
Library Services

William E. Noland
Finance & Management

Vacant
Cultural Arts & Marketing

Audree Jones-Taylor
Parks & Recreation

Daniel Farrell
Fire Services

Wayne Tucker
Police Services

Andrea Youngdahl
Human Services

Dan Vanderpriem/Claudia Cappio
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

LaRae Brown
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Ace A. Tago, *Assistant Controller*

FINANCIAL STATEMENT PREPARATION

CAFR Section Leaders

Bruce Levitch
Accountant III

Osborn Solitei
Financial Analyst

Theresa Woo
Accountant III

Accounting Team (GL, ORA & GRANTS)

Myrna Bangloy
Bernadette Bangloy
Frank Catalya
Connie L. Chu
Edward Chun

Mercy David
Carol Hoomanawanui
Felipe Kiocho
Lani Pallotta
Eric Parras

Sandra Tong
Norma Torres
Marilyn Tran
David Warner
Andy Yang

ADMINISTRATIVE SUPPORT

Novette G. Flores, *Administrative Assistant*

SPECIAL ASSISTANCE

Donna Treglown
David Jones

Kathleen Larson
Janet An

Katano Kasaine
Sharon Holman

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Administrator's Office
City Attorney's Office
FMA-Treasury Division
Community & Economic Development Agency
Risk Management

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), which represent 4%, 11%, and 3%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
December 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its total liabilities by $657.6 million as of June 30, 2005, compared to $552.7 million at June 30, 2004. This represents an increase of 19% ($104.9 million) compared to the previous year. The largest portion of the City's net assets (64%) reflects its $418.0 million of investments in capital assets for governmental and business type activities, net of related debt. Of the remaining balance, (44%) reflects $292.4 million in funding for debt service, capital projects and other continuing development projects for the City, and a deficit in unrestricted assets of ($52.9) million or (-8%).

- The City's cumulative fund balances grew by 31% ($213.3 million) to $900.6 million compared to $687.3 million for the prior fiscal year. This growth is primarily attributed to: (1) the combined increase of $183.3 million or 28% in pooled and restricted cash and investments as a result of unspent Lease Revenue Bonds, Series 2005 proceeds issued on June 21, 2005; (2) the improved revenue collections as a result of double digit increases in property taxes; and (3) the 3% reduction in overall governmental liabilities excluding long-term debts.

- As of June 30, 2005, the City had total long-term obligations outstanding of $1.87 billion compared to $1.68 billion outstanding for the prior fiscal year, an increase of 11%. Of this amount, $227.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City's General Fund unreserved/undesignated fund balance at June 30, 2005 was $46.3 million compared to $39.8 million for the previous year, an increase of $6.5 million or 16%, attributed primarily to conservative revenue forecasting for real estate transfer taxes. The unreserved/undesignated fund balance exceeded the City Council's 7.5% reserve policy by 43%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of three components: (1)

government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Notes to the Basic Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, other than this discussion and analysis, concerning the City's progress in funding its obligation to provide pension benefits to its employees and budget-to-actual information for the City's general fund. This required supplementary information is presented immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are immediately following the required supplementary information along with budgetary comparison schedules.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2005 by $657.6 million compared to $552.7 million as of June 30, 2004, an increase of $104.9 million. The largest portion of the City's net assets (64%) reflects its $418.0 million of investments in capital assets for governmental and business type activities net of related debt. Of the remaining balance, (44%) reflects $292.4 million in funding for debt service, capital projects and other continuing development projects for the City, and a deficit in unrestricted assets of ($52.9) million or (-8%).

City of Oakland's Net Assets
June 30, 2005
(In Thousands)

	Governmental Activities	Business-type Activities	2005 Total	2004 Total
Assets:				
Current and other assets	$1,651,554	$ 61,075	$1,712,629	$1,443,658
Capital assets	839,375	121,240	960,615	946,004
TOTAL ASSETS	2,490,929	182,315	2,673,244	2,389,662
Liabilities:				
Long-term liabilities outstanding	1,794,616	70,814	1,865,430	1,677,195
Other liabilities	149,248	991	150,239	159,745
TOTAL LIABILITIES	1,943,864	71,805	2,015,669	1,836,940
Net assets:				
Invested in capital assets, net of related debt	310,633	107,396	418,029	502,955
Restricted net assets:				
Debt service	28,375	-	28,375	70,562
Pension obligations	175,247	-	175,247	31,048
Urban redevelopment and housing	84,752	-	84,752	189,555
Other purposes	4,041	-	4,041	24,861
Unrestricted	(55,983)	3,114	(52,869)	(266,259)
TOTAL NET ASSETS	$ 547,065	$ 110,510	$ 657,575	$ 552,722

The City's investment in capital assets of $418.0 million, decreased by $84.9 million compared to the previous fiscal year, is attributed to the increase in long-term debt related to capital assets. Other factors that contributed to the reduction in investment in capital assets include annual deduction for depreciation expense and asset retirements, net of new additions. The City's restricted net assets totaling $292.4 million represents resources that are subject to external restrictions on how they may be used. The unrestricted deficit of ($52.9) million is primarily caused by the Agency, which issues bonds and other indebtedness to fund urban development and housing projects that are not capitalized as assets.

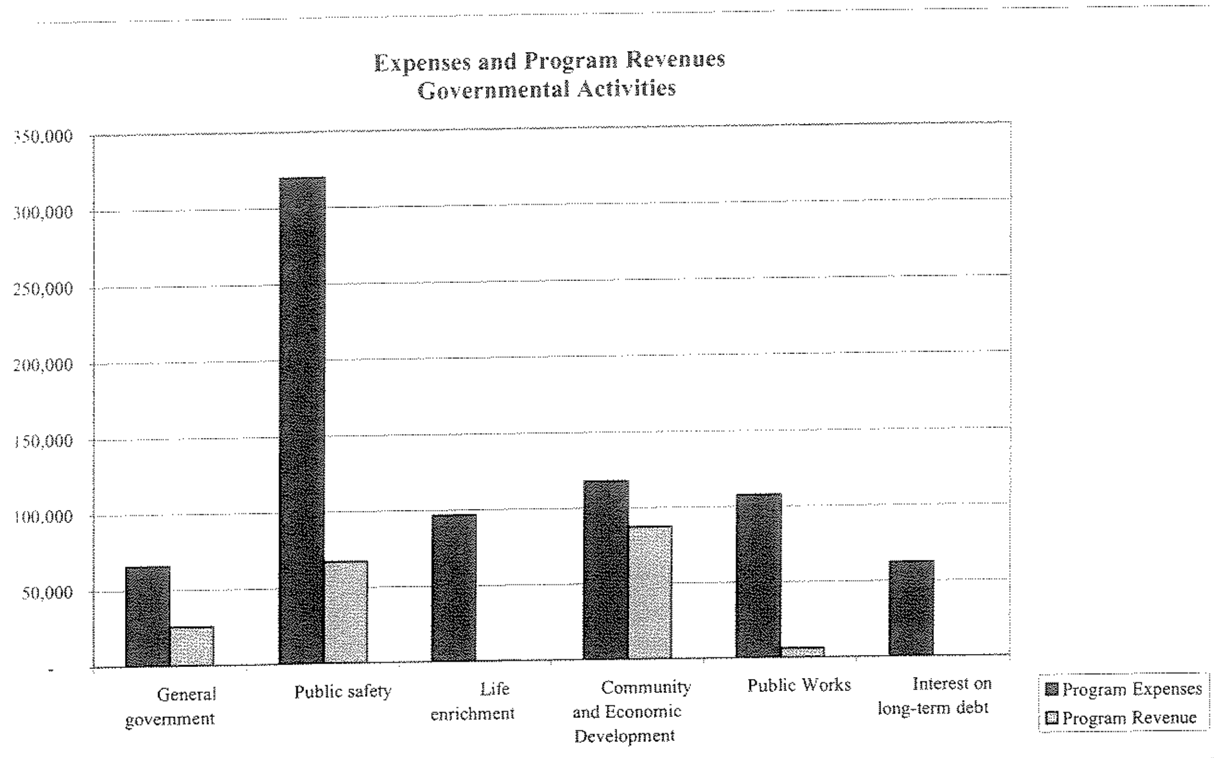
Governmental activities. The City's change in net assets of $104.9 million for the year ended June 30, 2005 represents an increase of $72.0 million compared to $32.9 million for the prior fiscal year. The key elements of this increase are listed below.

Changes in Net Assets
June 30, 2005
(In Thousands)

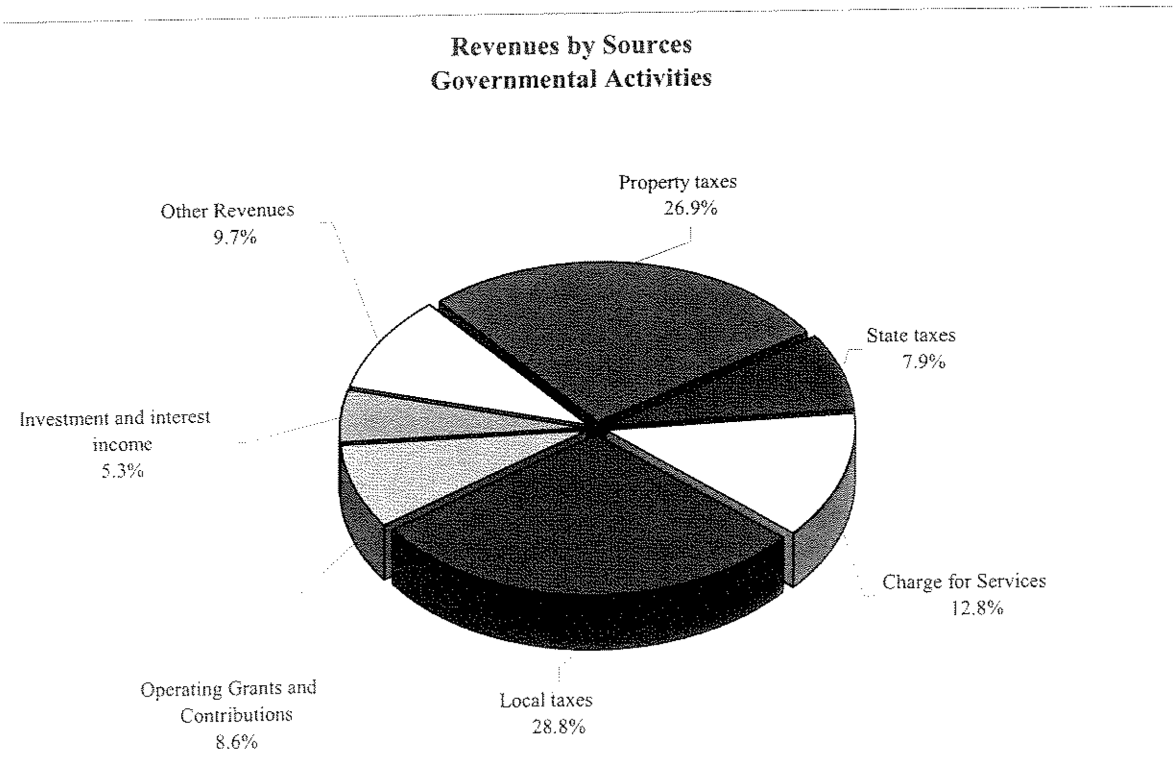
	Governmental Activities	Business-type Activities	2005* Total	2004 * Total
Revenues:				
Program revenues:				
Charges for services	$111,467	$ 24,496	$ 135,963	$ 87,480
Operating grants and contributions	74,694	-	74,694	78,965
Capital grants and contributions	-	-	-	10,366
General revenues:				
Property taxes	234,127	-	234,127	200,731
State taxes	68,451	-	68,451	72,906
Local taxes	251,301	-	251,301	197,873
Interest and investment income	46,063	707	46,770	5,660
Other	84,850	-	84,850	117,238
TOTAL REVENUES	870,953	25,203	896,156	771,219
Expenses:				
General government	65,865	-	65,865	67,069
Public safety	319,908	-	319,908	297,869
Life enrichment	96,649	-	96,649	102,314
Community & economic development	117,689	-	117,689	121,160
Public works	107,457	-	107,457	70,369
Interest on long-term debt	62,238	-	62,238	58,020
Sewer	-	21,337	21,337	20,597
Parks and recreation	-	160	160	159
TOTAL EXPENSES	769,806	21,497	791,303	737,557
Change in net assets before transfers	101,147	3,706	104,853	32,862
Transfers	621	(621)	-	-
Change in net assets	101,768	3,085	104,853	32,862
Net assets at beginning of year	445,297	107,425	552,722	519,860
NET ASSETS AT END OF YEAR	$547,065	$ 110,510	$ 657,575	$ 552,722

* Certain amounts have been reclassified to conform with current year presentation.

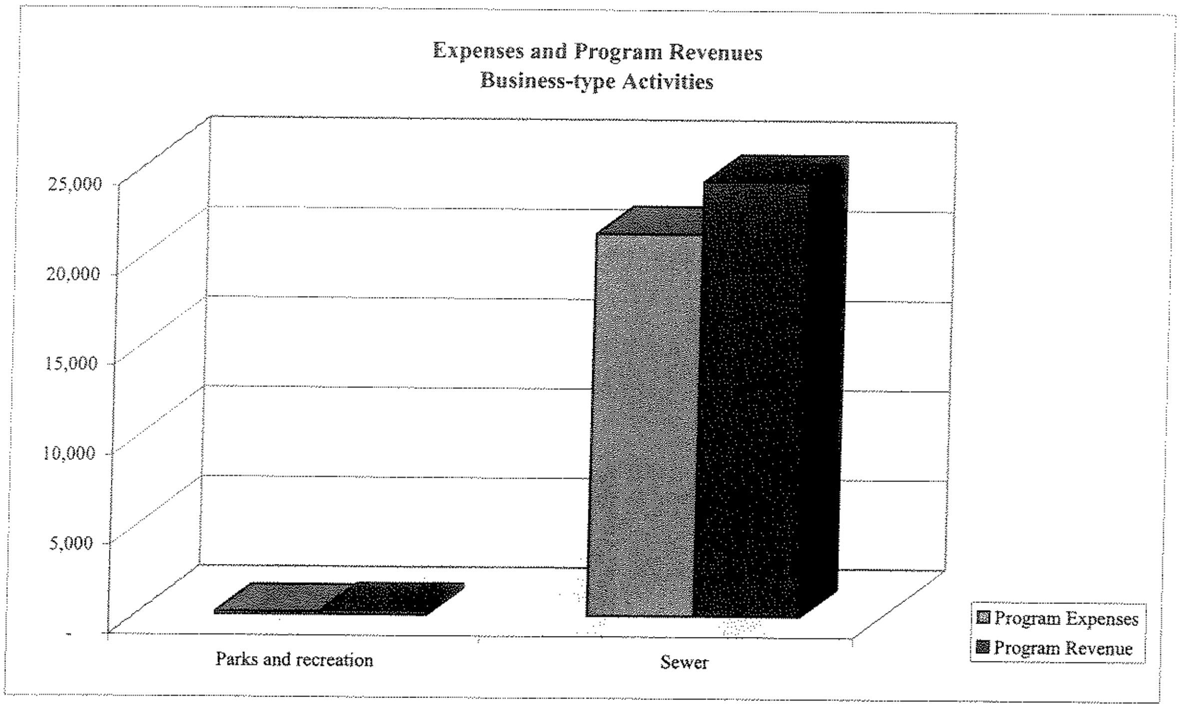
The City's net assets increased by $104.9 million for the year ended June 30, 2005 compared to $32.9 million as of June 30, 2004. The increase of $72.0 million is the result of a 16% improvement in revenue collections compared to the previous year matched against an increase of 7% in expenditures. Significant components that make up this increase are itemized below.

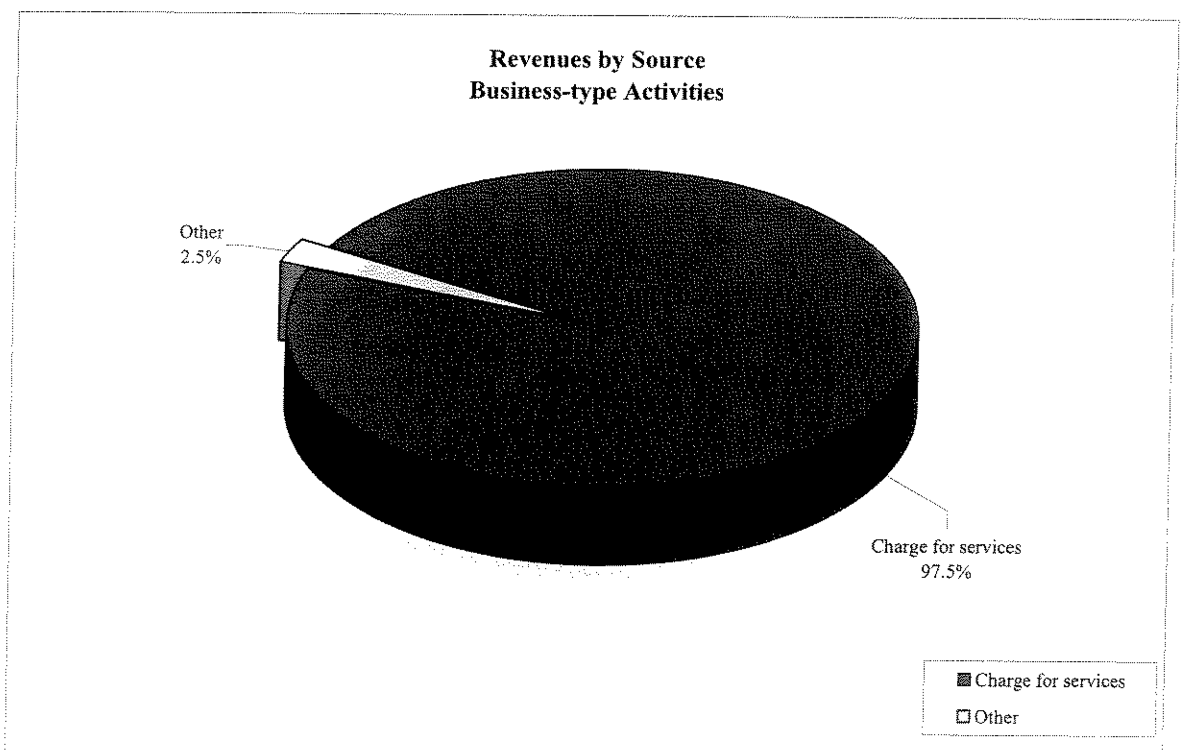


Expenses and Program Revenues
Governmental Activities
350,000
300,000
250,000
200,000
150,000
100,000
50,000
General government
Public safety
Life enrichment
Community and Economic Development
Public Works
Interest on long-term debt
Program Expenses
Program Revenue



Revenues by Sources
Governmental Activities
Property taxes 26.9%
State taxes 7.9%
Charge for Services 12.8%
Local taxes 28.8%
Operating Grants and Contributions 8.6%
Investment and interest income 5.3%
Other Revenues 9.7%


Expenses and Program Revenues
Business-type Activities
25,000
20,000
15,000
10,000
5,000
-
Parks and recreation
Sewer
Program Expenses
Program Revenue


Revenues by Source
Business-type Activities
Other
2.5%
Charge for services
97.5%
Charge for services
Other

- The increases in State and local property taxes were driven by a 42% enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2004-05 as reported by the County of Alameda.

- The increase in interest and investment income of $41.1 million is primarily attributable to the presentation of negative interest for pension annuity last year and increased earnings from the City's pooled and restricted cash and investments as a result of carrying higher balances compared to the previous year.

- The decrease of $32.4 million in other revenues when compared to the previous year is attributed primarily to last year's revision of the City's allowance for doubtful accounts, as the City re-evaluated the collectibility of its long-term notes receivables.

- The increase of $22.0 million of spending in public safety when compared to the previous year is due primarily to overtime costs and national disaster responses for which the City had not been reimbursed by the Federal agencies.

- The $5.7 million reduction in life enrichment expenditures reflects the transfer of all parks and recreation maintenance personnel to public works for management, resource allocation, and maximum flexibility in scheduling maintenance.

- The increase of $37.1 million in public works expenditures reflect the addition of all maintenance personnel transferred from parks and recreation to public works and the completion of various current and continuing projects assigned.

Business-type activities. Business-type activities increased the change in its net assets by $3.1 million for the year ended June 30, 2005. A key element of the increase for Business-type activities is attributed primarily to an 11% annual rate increase and the volume of billings for sewer services as a result of the surge in downtown housing development under the Mayor's 10 K Program. The 10K Program's goal is to develop housing to attract 10,000 new residents to downtown Oakland.

Financial Analysis of the Government's Funds

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

As of June 30, 2005, the City's governmental funds reported combined ending fund balances of $900.6 million compared to $687.3 for the previous fiscal year, as restated. The majority of the $210.1 million increase (31%) is attributed to (1), the combined increase of $183.3 million or 28% in pooled and restricted cash and investments as a result of unspent Lease Revenue Bonds, Series 2005 proceeds issued on June 21, 2005,

(2) the improved revenue collections as a result of double digit increases in property tax valuation, and (3) the 3% reduction in overall governmental liabilities excluding long-term debts.

At June 30, 2005, the Federal/State Grant Fund ended with a negative fund balance of $2.5 million compared to a negative fund balance of $23.1 million for the previous fiscal year. The significant reduction in negative fund balance is due to systematic collection efforts to reimburse City advances to pay for grant activities.

The Oakland Redevelopment Agency had a fund balance of $268.1 million as of June 30, 2005 that represents an increase of 28% over the prior fiscal year. The net increase of $58.5 million was primarily related to the improvement in property tax revenues in the project areas and the remaining bond proceeds for the Central District Project Area to be completed by fiscal year 2007.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements under the *business-type* column but in more detail.

The portion of net assets invested in capital assets, net of related debt amounted to $107.4 million as of June 30, 2005, compared to $113.6 for the previous fiscal year. The 5% decrease is related to partial proceeds spent from a new debt issued to finance sewer projects. During the fiscal year, the City capitalized $3.1 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

Differences between the original and the final amended expenditure budgets totaling $16.7 million were due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Total general fund actual expenditures compared to the final amended expenditure budget showed net budget savings of $1.2 million for the year ended June 30, 2005, compared to $3.6 million in savings for the previous fiscal year. The net savings is attributed to the significant turnover in full time employees due to retirement and City efforts to reduce personnel costs in line with its revenue forecast.

Actual revenues compared to the final amended general fund revenue budget exceeded projections by $40.0 million, compared to an unfavorable variance of $3.6 million for the previous fiscal year. The increase is primarily attributed to improved property taxes driven by a 42% improvement in assessed property valuation as reported by the County of Alameda.

Capital Assets

The City's capital assets, net of depreciation, totaled $960.6 million as of June 30, 2005 compared to $946.0 million as of June 30, 2004, an increase of 2.0%. Governmental activities additions of $13.3 million in capital assets included land acquisition and capitalization of infrastructure, facilities improvements, and furniture and equipment which met the City's threshold for capitalization. These additions were offset by retirements and depreciation, the net effect of which was a reduction of $3.9 million in capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $1.4 million net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has active construction projects as of June 30, 2005. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	Spent to date	Remaining Commitment
Infrastructure – streets	$ 92,621	$ 50,031
Infrastructure – parks	14,057	39,863
Facility improvements	22,878	34,065
Sewer and storm drains	10,414	49,315
Technology enhancements	13,800	5,587
Miscellaneous	14,058	8,676
Totals	$167,828	$187,537

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75% of property valuation, net of exemptions subject to taxation) was $903.4 million. The total amount of debt applicable to the debt limit was $227.0 million. The resulting legal debt margin was $676.1 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2004, were as follows:

Standard and Poor's Corporation	A+
Moody's Investors Services, Inc.	A1
Fitch, JBCA, Inc.	A+

As of June 30, 2005, the City had total long-term obligations outstanding of $1.87 billion compared to $1.68 billion outstanding for the prior fiscal year, an increase of 11%. Of this amount, $227.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
June 30, 2005
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	$ 227,010	$ 232,045	$	$ —	$ 227,010	$ 232,045
Tax allocation bonds	270,085	235,555		—	270,085	235,555
Certificates of participation	50,195	54,780		—	50,195	54,780
Lease revenue bonds	488,721	386,200		—	488,721	386,200
Pension obligation bonds	366,405	388,824		—	366,405	388,824
Special assessment debt with government commitment	7,370	7,940		—	7,370	7,940
Accreted interest on appreciation bonds	70,811	52,863			70,811	52,863
Sewer-bonds and notes payable	—	—	67,985	6,362	67,985	6,362
Less: Deferred amounts						
Bond issuance premiums	24,186	11,830	2,829	—	27,015	11,830
Bond refunding loss	(22,793)	(20,333)		—	(22,793)	(20,333)
Total bonds payable	1,481,990	1,349,704	70,814	6,362	1,552,804	1,356,066
Notes payable	45,209	46,153			45,209	46,153
Other long-term obligations	267,417	274,976		—	267,417	274,976
TOTAL OUTSTANDING DEBT	$1,794,616	$1,670,833	$70,814	$ 6,362	$1,865,430	$1,677,195

The City's overall total long-term obligations increased by $182.7 million compared to fiscal year 2004. The net increase is primarily attributable to (1) the issuance of Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"), (2) the issuance of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"), and (3) the Agency's issuance of Tax Allocation Bonds, Series 2005 for redevelopment within the Central District project area. The notes payable and other long-term obligations increased basically because of the additional amounts provided for compensated absences, workers' compensation, and estimated claims payable for fiscal year 2005.

Summary of New Debt:

Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"): On June 21, 2005, the Joint Powers Financing Authority issued its $144,950,000 Refunding Revenue Bonds, Series A-1, A-2, and B. A portion of the proceeds were to be used to refund and defease all of the Authority's outstanding lease Revenue Bonds, 1998

Series A. However, the Interest Rate Swap Agreement associated with the 1998 Series A Bonds still remains in effect and set to terminate on July 31, 2021.

Sewer Revenue Bonds, 2004 Series A: On December 14, 2004, the City issued $62,330,000 of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"). The 2004 A Project involves the rehabilitation and, where necessary, replacement of sections of the existing sewer system, including the sewer pipelines and connections to private sewer lines. The project is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the system, and eliminate sewer overflows of untreated water into the San Francisco Bay. The 2004 Series A Bonds have interest rates ranging from 3.00% to 5.25% and mature in 2029.

Solar Panel Tax-Exempt Lease Transaction: On November 14, 2004, the City of Oakland (the "Lessee") for $4,138,858 to finance the design and construction of solar photovoltaic generation systems as described in the Design/Build Agreement for the Solar Power and Energy Efficiency Project, between the Lessee and the PowerLight Corporation (the "Contractor"). This financing was a capital lease at an interest rate of 4.25%.

Enterasys Equipment Lease: On February 15, 2005, the electorate authorized the execution of a seven-year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed $215,000 annually or $1,500,000 over the term of the contract. The purpose of the lease financing was to finance the installation and maintenance of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%. On March 30, 2005, the City entered into a lease financing with Enterasys, Inc., in the amount of $1,139,884.

Shoretel Equipment Lease: On February 15, 2005, the electorate authorized the successful completion of the City's Voice over IP pilot project and the execution of a seven-year contract for the lease of telephone equipment and services with ShoreTel Communications, Inc., for an amount not to exceed $275,000 annually or $1,650,000 over the term of the contract. The purpose of the lease financing was to finance the purchase and installation of equipment necessary to update the City's network telephone infrastructure. The financing was a capital lease and part of the lease was taxable at an interest rate of $5.522% and the tax-exempt portion was 3.54%. On March 30, 2005, the City entered into a lease financing with ShoreTel Communications, Inc., in the amount of $1,397,326.

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005: On February 8, 2005, the Agency issued the Series 2005 Bonds for $44,360,000 to finance various redevelopment activities within the Central District Project Area including the following: property acquisition to facilitate residential and commercial development downtown; environmental remediation; parking garage expansion; renovation and maintenance of public facilities such as the Fox Theater; and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005

Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency-sponsored public capital projects for fiscal years 2005 through 2007.

Current Year Refunding: On June 16, 2005, the Oakland Joint Powers Financing Authority (JPFA) issued its $122,170,000 Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) Bonds. The bonds have interest rates ranging from 3.00% to 5.00% and mature in 2025. The Bonds were issued to (1) purchase City of Oakland General Obligation Refunding Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate principal amount of $122,476,041, which were issued simultaneously with the issuance of Bonds to defease all of the City's outstanding Refunded GO Bonds, (2) finance certain public capital improvements to be acquired under/or constructed by the Authority, (3) pay the premium for a financial guaranty insurance policy, and (4) pay certain costs of issuance associated with the Bonds.

Refunding Revenue Bonds, 2005 Series: On June 21, 2005, the City, through the JPFA, issued 2005 Refunding Revenue Bonds, 2005 Series (2005 Bonds) in the amount of $144,950,000, comprised of $63,500,000 tax-exempt 2005 Series A-1 Bonds, $63,475,000 tax-exempt 2005 Series A-2 Bonds, and $17,975,000 taxable Series B bonds. The 2005 Bonds were issued as auction rate securities. The purpose of the bonds was to (1) refund and defease all of the Oakland Joint Powers Finance Authority's (JPFA) outstanding Lease Revenue Bonds, 1998 Series A, which were issued to refund Special Refunding Revenue Bonds (Pension Financing) 1988 Series A issued by the City, and (2) fund a portion of the City's obligation to make payments to its Police and Fire Retirement system.

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

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2005-06.

- The City of Oakland's unemployment rate dropped to 7.8% in October 2005 compared to an average unemployment rate of 9.1% for 2004.

- The annual rate of the Bay Area's consumer price index decreased slightly to 2.04% in October 2005 (2.09% in September 2005), while the U.S. City average decreased from 3.52% to 3.19%.

- Oakland's vacancy rate for class A and B office space has dropped to 7.5% for the 2005 third quarter compared to 10.2% for the 2004 third quarter. By comparison, the 2005 third quarter Class A vacancy rates for the City of San Francisco and the Silicon Valley were 13.1% and 13.9%, respectively.

- For the 2005 third quarter, the average office space rental rate per square foot for the City ranged from \$1.66 to \$1.89 compared to \$2.40 for San Francisco and \$2.09 for the Silicon Valley.

- Oakland's gross metropolitan product, estimated at \$99.6 billion for 2001, ranks in the top 20 metropolitan economies in the United States and the 84th largest economy in the world.

- Estimated population for 2005 is 415,700 with a total number of households of 150,790 and an average household size of 2.60 persons with a mean household income of \$59,500.

- Electric utility rates for commercial range from 13.67 to 17.67 cents per kilowatt hour while industrial rates are from 9.21 to 13.47 cents per kilowatt hour.

- Increases in expenditures due to new union contracts, CalPers pension rates, and healthcare costs have been factored into the City's Fiscal Year 2005-06 budget without raising or imposing new taxes.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093.

City of Oakland
Statement of Net Assets
June 30, 2005
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
ASSETS					
Cash and investments	$ 288,237	$ 4,897	$ 293,134	$ 95,581	$ 6,060
Receivables (net of allowance for uncollectibles of $9,560):					
Accrued interest	1,340	-	1,340	970	-
Property taxes	10,871	-	10,871	-	-
Accounts receivable	69,816	3,243	73,059	34,425	714
Grants receivable	24,623	-	24,623	-	168
Due from component unit	21,763	-	21,763	-	-
Internal balances	4,751	(4,751)	-	-	-
Due from other governments	4,898	-	4,898	-	-
Due from pension trust fund	2,070	-	2,070	-	-
Notes and loans receivable (net of				-	-
allowance for uncollectibles of $6,490)	184,438	-	184,438	-	-
Restricted assets:					
Cash and investments	562,935	56,970	619,905	373,478	8,932
Receivables	-	-	-	5,915	-
Inventories	1,057	-	1,057	-	-
Capital assets:					
Land and other assets not being depreciated	100,702	5,002	105,704	695,254	-
Facilities, infractructure, and equipment, net of depreciation	738,673	116,238	854,911	1,230,615	490
Property held for resale	57,738	-	57,738	-	89,408
Unamortized bond issuance costs	22,903	716	23,619	-	-
Net pension asset	392,203	-	392,203	-	-
Other	1,911	-	1,911	106,831	-
TOTAL ASSETS	2,490,929	182,315	2,673,244	2,543,069	105,77[illegible]
LIABILITIES					
Accounts payable and other current liabilities	122,727	983	123,710	46,208	1,010
Accrued interest payable	9,160	-	9,160	33,430	-
Due to other governments	235	-	235	-	3,676
Due to primary government	-	-	-	18,828	2,935
Unearned revenue	8,404	8	8,412	69,897	90
Matured bonds and interest payable	520	-	520	-	-
Other	8,202	-	8,202	45,535	714
Noncurrent liabilities:					
Due within one year	148,849	2,338	151,187	20,660	-
Due in more than one year	1,645,767	68,476	1,714,243	1,545,395	7,495
TOTAL LIABILITIES	1,943,864	71,805	2,015,669	1,779,953	15,920
NET ASSETS (deficit)					
Invested in capital assets, net of related debt	310,633	107,396	418,029	592,698	490
Restricted net assets:					
Debt service	28,375	-	28,375	136,004	-
Pension obligations	175,247	-	175,247	-	-
Urban redevelopment and housing	84,752	-	84,752	-	83,302
Other purposes	4,041	-	4,041	-	-
Unrestricted net assets (deficit)	(55,983)	3,114	(52,869)	34,414	6,060
TOTAL NET ASSETS	$ 547,065	$ 110,510	$ 657,575	$ 763,116	$ 89,852

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

City of Oakland
Statement of Activities
For the Year Ended June 30, 2005
(In Thousands)

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Port of Oakland	Component Units: Oakland Base Reuse Authority
Primary government:									
Governmental activities									
General government	$ 65,865	$ 25,641	$ -	$ -	$ (40,224)	$ -	$ (40,224)		
Public safety	319,908	66,983	-	-	(252,925)	-	(252,925)		
Life enrichment	96,649	125	-	-	(96,524)	-	(96,524)		
Community and economic developmen	117,689	12,528	74,694	-	(30,467)	-	(30,467)		
Public works	107,457	6,190	-	-	(101,267)	-	(101,267)		
Interest on long-term debt	62,238	-	-	-	(62,238)	-	(62,238)		
TOTAL GOVERNMENTAL ACTIVITIES	769,806	111,467	74,694	-	(583,645)	-	(583,645)		
Business-type activities:									
Sewer	21,337	24,252	-	-	-	2,915	2,915		
Park and recreation	160	244	-	-	-	84	84		
TOTAL BUSINESS-TYPE ACTIVITIES	21,497	24,496	-	-	-	2,999	2,999		
TOTAL PRIMARY GOVERNMENT	$ 791,303	$ 135,963	$ 74,694	$ -	(583,645)	2,999	(580,646)		
Component units:									
Port of Oakland	$ 266,060	$ 251,010	$ 5,375	$ 51,365				$ 41,690	
Oakland Base Reuse Authority	$ 7,881	$ 7,957	$ 1,062	$ -					$ 1,138
General revenues:									
Property taxes					234,127	-	234,127	-	-
State taxes					68,451	-	68,451	-	-
Local taxes					251,301	-	251,301	-	-
Interest and investment income					46,063	707	46,770	8,935	249
Other					84,850	-	84,850	3,678	203
Transfers					621	(621)	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					685,413	86	685,499	12,613	452
Changes in net assets					101,768	3,085	104,853	54,303	1,590
NET ASSETS - BEGINNING					445,297	107,425	552,722	708,813	88,262
NET ASSETS - ENDING					$ 547,065	$ 110,510	$ 657,575	$ 763,116	$ 89,852

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

CITY OF OAKLAND
Balance Sheet
Governmental funds
June 30, 2005
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 79,445	$ -	$ 129,143	$ 20,274	$ 55,975	$ 284,837
Receivables (net of allowance for uncollectibles of $8,047):						
Accrued interest	418	-	411	138	373	1,340
Property taxes	5,484	734	1,187	21	3,445	10,871
Accounts receivable	65,855	158	373	1	3,034	69,421
Grants receivable	-	23,928	-	-	695	24,623
Due from component unit	20,367	-	-	-	1,396	21,763
Due from other funds	68,721	2,842	31,125	-	3,440	106,128
Due from other governments	-	-	4,898	-	-	4,898
Notes and loans receivable (net of allowance for uncollectibles of $6,490)	38,619	78,788	51,351	-	15,680	184,438
Restricted cash and investments	175,198	4,090	89,801	112,073	165,792	546,954
Property held for resale	-	-	57,738	-	-	57,738
Other	1,887	24	-	-	-	1,911
TOTAL ASSETS	$455,994	$ 110,564	$ 366,027	$ 132,507	$ 249,830	$1,314,922
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$102,181	$ 5,108	$ 9,456	$ 1,311	$ 3,509	$ 121,565
Due to other funds	25,110	23,435	6,669	-	13,957	69,171
Due to other governments	21	-	213	-	1	235
Deferred revenue	29,882	84,481	81,190	21	19,046	214,620
Matured bonds and interest payable	-	-	-	520	-	520
Other	6,963	-	380	612	247	8,202
TOTAL LIABILITIES	164,157	113,024	97,908	2,464	36,760	414,313
Fund balances (deficit)						
Reserved:						
Encumbrances	4,115	15,265	-	434	4,837	24,651
Long-term receivables	6,000	-	-	-	2,659	8,659
Debt service	3,379	-	-	-	155,769	159,148
Property held for resale	-	-	57,738	-	-	57,738
Capital projects	-	-	208,829		-	208,829
Pension obligations	138,000	-	-	-	-	138,000
Unreserved/(deficit) reported in:						
General fund	140,343	-	-	-	-	140,343
Special revenue funds	-	(17,725)	-	-	37,510	19,785
Capital project funds	-	-	1,552	129,609	12,295	143,456
TOTAL FUND BALANCES (DEFICIT)	291,837	(2,460)	268,119	130,043	213,070	900,609
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$455,994	$ 110,564	$ 366,027	$ 132,507	$ 249,830	$1,314,922

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

City of Oakland
Reconciliation of the Government Fund Balance Sheet to the Statement of Net Assets for Governmental Activities
June 30, 2005

(In Thousands)

Fund balance - total governmental funds	$ 900,609
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resource and therefore, are not reported in the funds.	812,585
Accounts recivable from OMER's	306
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the government activities on the statement of net assets.	22,903
Net pension assets are recognized in the statement of net assets as an asset, however it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.	392,203
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(9,160)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.	206,216
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,771,226)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(7,371)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 547,065

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

CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 143,436	$ -	$ 69,797	$ -	$ 18,828	$ 232,061
State:						
Sales and use	41,651	800	-	-	8,697	51,148
Motor vehicle in-lieu	9,656	-	-	-	-	9,656
Gas	-	-	-	-	7,647	7,647
Local:						
Business license	43,902	-	-	-	-	43,902
Utility consumption	49,781	-	-	-	-	49,781
Real estate transfer	77,722	-	-	-	-	77,722
Transient occupancy	10,926	-	-	-	-	10,926
Parking	7,029	-	-	-	4,551	11,580
Voter approved special tax	-	10,712	-	-	19,443	30,155
Franchise	11,128	-	-	-	-	11,128
Licenses and permits	15,652	-	-	-	24	15,676
Fines and penalties	24,632	341	-	-	1,352	26,325
Interest and investment income	20,845	3,450	4,580	3,880	5,740	38,495
Charges for services	66,375	73	5,173	38	1,474	73,133
Federal and state grants and subventions	591	84,620	-	-	11,798	97,009
Other	21,896	7,056	4,208	191	20,360	53,711
TOTAL REVENUES	545,222	107,052	83,758	4,109	99,914	840,055
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	1,552	-	-	-	179	1,731
Council	2,279	-	-	28	1,789	4,096
City Manager	9,276	198	-	1,990	2,179	13,643
City Attorney	8,055	307	-	8	2,659	11,029
City Auditor	1,106	-	-	-	-	1,106
City Clerk	1,644	-	-	21	61	1,726
Agencies/Departments:						
Personnel Resource Management	3,726	-	-	-	-	3,726
Information Technology	7,853	3	-	518	35	8,409
Financial Services	17,942	259	-	3,215	781	22,197
Police Services	171,639	6,342	-	-	832	178,813
Fire Services	90,442	1,276	-	145	6,166	98,029
Life Enrichment:						
Administration	7	-	-	-	-	7
Parks and Recreation	13,097	86	-	4	3,553	16,740
Library	10,478	9,359	-	-	710	20,547
Museum	7,089	-	-	45	249	7,383
Aging & Health and Human Services	6,910	25,654	-	-	3,045	35,609
Community and Economic Development	18,902	21,149	47,034	414	13,532	101,031
Public Works	28,909	5,845	-	8,682	29,902	73,338
Other	29,260	366	-	-	8,701	38,327
Capital outlay	1,184	13,478	-	12,760	8,797	36,219
Debt service:						
Principal repayment	670	1,407	9,830	41	58,848	70,796
Payment to refunding bond escrow agent	-	-	-	-	17,710	17,710
Bond issuance costs	-	-	1,241	89	3,148	4,478
Interest charges	123	705	14,886	12	44,930	60,656
TOTAL EXPENDITURES	432,143	86,434	72,991	27,972	207,806	827,346
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	113,079	20,618	10,767	(23,863)	(107,892)	12,709
OTHER FINANCING SOURCES (USES)						
Proceeds from bonds issuance	-	-	44,360	7,894	381,702	433,956
Premiums on issuance of bonds	-	-	3,387	656	9,492	13,535
Payment to refunding bond escrow agent	-	-	-	-	(247,860)	(247,860)
Property sale proceeds	349	45	-	-	-	394
Transfers in	27,506	-	-	-	82,405	109,911
Transfers out	(82,405)	-	-	(6,300)	(20,606)	(109,311)
TOTAL OTHER FINANCING SOURCES (USES)	(54,550)	45	47,747	2,250	205,133	200,625
NET CHANGE IN FUND BALANCES	58,529	20,663	58,514	(21,613)	97,241	213,334
Fund balances (deficit) - beginning	233,308	(23,123)	209,605	151,656	115,829	687,275
FUND BALANCES (DEFICIT) - ENDING	$ 291,837	$ (2,460)	$ 268,119	$ 130,043	$ 213,070	$ 900,609

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

City of Oakland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities of Governmental Activities
June 30, 2005
(In Thousands)

Net change in fund balance - total governmental funds	$ 213,334
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	12,996
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in the deferred amounts during the current period.	(9,263)
Certain long-term accrued obligations, such as claims, vacations, and sick leave, are reported in the fund statements only when they mature, rather than when the obligation is incurred. The increase made to net change in fund balance is caused by the payments made during the year that exceeded the liabilities incurred and changes in estimates.	13,058
Changes to the net pension assets, as reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as an expenditure's in the governmental funds.	10,833
Bond issuance costs are expended in the governmental funds when paid, and are deferred and amortized over the life of the corresponding life of the bonds for purposes of the statement of net assets. This is the amount by which current year bond issuance costs exceeded amortization expense in the current period.	4,478
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transaction, however have no effect on net assets. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.	
Principal payments	70,796
Payments to escrow agent for refunded debt	265,570
Issuance of bonds and notes	(433,956)
Premium on bond proceeds	(13,535)
Amortization of bond premiums	1,179
Amortization of cost of issuances	(785)
Amortization of refunding loss	(2,672)
Additional accrued and accreted interest calculated on bonds and notes payable	(17,145)
Other long-term liability for mandated Alameda County environmental clean-up health costs	(5,499)
The net loss of activities of internal service funds is reported with governmental activities.	(7,621)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 101,768

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

CITY OF OAKLAND
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	$ -	$ 4,897	$ 4,897	$ 3,400
Accounts receivables (net of uncollectibles of $997 and $516 for the enterprise funds and internal service funds, respectively)	3,211	32	3,243	89
Inventories	-	-	-	1,057
Restricted cash and investments	56,970	-	56,970	15,981
Total current assets	60,181	4,929	65,110	20,527
Noncurrent Assets:				
Capital assets:				
Land and other assets not being depreciated	4,784	218	5,002	310
Facilities and equipment, net of depreciation	114,373	1,865	116,238	26,480
Total capital assets	119,157	2,083	121,240	26,790
Unamortized bond issuance costs	716	-	716	-
Total noncurrent assets	119,873	2,083	121,956	26,790
TOTAL ASSETS	180,054	7,012	187,066	47,317
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	983	-	983	1,162
Due to other funds	4,751	-	4,751	30,136
Deferred revenue	8	-	8	-
Bonds, notes and other payables	2,338	-	2,338	5,616
Total current liabilities	8,080	-	8,080	36,914
Noncurrent Liabilities:				
Bonds, notes and other payables	68,476	-	68,476	17,774
Total noncurrent liabilities	68,476	-	68,476	17,774
TOTAL LIABILITIES	76,556	-	76,556	54,688
NET ASSETS				
Invested in capital assets, net of related debt	105,313	2,083	107,396	3,400
Unrestricted (deficit)	(1,815)	4,929	3,114	(10,771)
TOTAL NET ASSETS (DEFICIT)	$ 103,498	$ 7,012	$ 110,510	$ (7,371)

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

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2005
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 237	$ 237	$ -
Sewer services	23,292	-	23,292	-
Charges for services	-	-	-	32,373
Other	960	7	967	788
TOTAL OPERATING REVENUES	24,252	244	24,496	33,161
OPERATING EXPENSES				
Personnel	10,648	3	10,651	14,313
Supplies	337	-	337	5,479
Depreciation and amortization	3,531	152	3,683	4,856
Contractual services and supplies	1,364	-	1,364	1,331
Repairs and maintenance	38	-	38	1,679
General and adminsitrative	2,916	-	2,916	3,572
Rental	726	5	731	1,508
Other	-	-	-	6,811
TOTAL OPERATING EXPENSES	19,560	160	19,720	39,549
OPERATING INCOME (LOSS)	4,692	84	4,776	(6,388)
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	592	115	707	111
Interest expense	(1,777)	-	(1,777)	(1,447)
Other, net	-	-	-	82
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,185)	115	(1,070)	(1,254)
INCOME (LOSS) BEFORE TRANSFERS	3,507	199	3,706	(7,642)
Transfers in	-	-	-	284
Transfers out	(621)	-	(621)	(263)
TOTAL TRANSFERS	(621)	-	(621)	21
Change in net assets	2,886	199	3,085	(7,621)
Net Assets - Beginning	100,612	6,813	107,425	250
NET ASSETS - ENDING	$ 103,498	$ 7,012	$ 110,510	$ (7,371)

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, including other funds and cash deposits	$ 23,041	$ (3)	$ 23,038	$ 32,782
Cash received from tenants for rents	-	237	237	787
Cash from other sources	960	7	967	-
Cash paid to employees for services	(10,648)	(3)	(10,651)	(14,313)
Cash paid to suppliers for goods & services	(5,800)	(26)	(5,826)	(20,870)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,553	212	7,765	(1,614)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment of interfund loans	(7,927)	-	(7,927)	8,172
Transfers in	-	-	-	284
Transfers out	(621)	-	(621)	(263)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(8,548)	-	(8,548)	8,193
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(4,951)	-	(4,951)	(5,203)
Long-term debt:				
Bond proceeds	65,217	-	65,217	6,676
Costs of issuance	(730)		(730)	-
Repayment of long-term debt	(707)	-	(707)	(5,598)
Interest paid on long-term debt	(1,456)	-	(1,456)	(1,280)
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES	57,373	-	57,373	(5,405)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	592	115	707	(56)
Other investing activities	-	-	-	83
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	592	115	707	27
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,970	327	57,297	1,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	4,570	4,570	18,180
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 56,970	$ 4,897	$ 61,867	$ 19,381
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 4,692	$ 84	$ 4,776	$ (6,388)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	3,531	152	3,683	4,856
Changes in assets and liabilities:				
Receivables	(179)	(3)	(182)	31
Inventories	-	-	-	148
Accounts payable and accrued liabilities	(419)	(21)	(440)	(261)
Deferred revenue	(72)	-	(72)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,553	$ 212	$ 7,765	$ (1,614)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	-	4,897	4,897	3,400
Restricted cash and investments	56,970	-	56,970	15,981
TOTAL	$ 56,970	$ 4,897	$ 61,867	$ 19,381

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

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ASSETS		
Cash and investments	$ 35,097	$ 4,981
Receivables:		
Accrued interest and dividends	2,240	17
Investments and contributions	74,737	-
Restricted:		
Cash and investments	650,169	-
Securities lending collateral	50,594	-
TOTAL ASSETS	812,837	4,998
LIABILITIES		
Accounts payable and accrued liabilities	136,751	215
Due to other funds	2,070	-
Securities lending collateral	50,594	-
Other	-	7
TOTAL LIABILITIES	189,415	222
NET ASSETS		
Net assets held in trust	$ 623,422	$ 4,776

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

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2005
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Member contributions	$ 24	$ -
City contributions	17,710	34
Total contributions	17,734	34
Trust receipts	-	1,045
Investment income:		
Net appreciation in fair value of investments	35,276	-
Interest	11,731	94
Dividends	3,089	-
Securities lending	911	-
TOTAL INVESTMENT INCOME	51,007	94
Less investment expenses:		
Investment expenses	(1,495)	
Borrowers rebates and other agent fees on securities lending transactions	(793)	-
Total investment expenses	(2,288)	-
NET INVESTMENT INCOME	48,719	94
Other income	38	-
TOTAL ADDITIONS	66,491	1,173
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	43,791	-
Disability	25,982	-
Death	2,236	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	72,009	-
Administrative expenses	936	3
Change in payable to City	(306)	-
Police services	-	1,278
TOTAL DEDUCTIONS	72,639	1,281
Change in net assets	(6,148)	(108)
NET ASSETS - BEGINNING	629,570	4,884
NET ASSETS - ENDING	$ 623,422	$ 4,776

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

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(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

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

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are combined with the data of the Primary Government within the governmental activities column in the government-wide financial statements and governmental funds in the fund financial statements. The Port of Oakland (Port) and the Oakland Base Reuse Authority (OBRA) are the City's discretely presented component units and are reported in separate columns in the government-wide financial statements to emphasize that they possess characteristics that they are legally separate from the City. Although the Port and OBRA have a significant relationship with the City, the entities are fiscally independent and do not provide services solely to the City and, therefore, are presented discretely.

Blended Component Units

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

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. The Corporation's activities are reported in other governmental funds.

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and is composed of the City and the Agency. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the government-wide statement of net assets.

Discretely Presented Component Units

The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport; the Port of Oakland Marine Terminal Facilities; and commercial real estate which includes Oakland Portside Associates (OPA), a California limited partnership, and the Port of Oakland Public Benefit Corporation (Port-PBC), a nonprofit benefit corporation. OPA and Port-PBC were dissolved effective June 30, 2004, and all assets were transferred to the Port. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (the Board) that is appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

The OBRA was established in 1995 as a Joint Powers Authority (JPA) by the City; the Agency; and the County of Alameda (County). OBRA was established to assure the effective transition of military facilities in Oakland that have been or may be selected for closure. OBRA currently is assuming the effective transition of the Oakland Army Base (OAB) to the Agency and the Port. Effective July 1, 2003, OBRA's governing body amended the JPA agreement, which among other things, changed the composition of the governing body, reducing it to a five-member board consisting of the Mayor of Oakland and four other members of the Oakland City Council (which does not represent the majority of the City Council and therefore the Board is not substantively the same as the City Council).

The votes of a majority of OBRA's governing body are required to take action on most matters. The revised Joint Powers Assessment requires OBRA to deposit its revenues in the City Treasury. The City is responsible for investing and managing such funds. OBRA is presented in a separate column in the government-wide financial statements.

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

Finance and Management Agency, Accounting Division
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612-2093

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the City evaluated potential component units and determined that none of the remaining potential component units were individually significant to the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of inter-fund activity has been removed from these statements except for interfund services provided among funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from its discretely presented component units, legally separate entities for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and local taxes, grants, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered current. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue.

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property. Property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2005.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business, utility and real estate transfer taxes, interest and investment income, and charges for services.

The **Federal/State Grant Fund** accounts for various Federal and State grants used or expended for a specific purpose, activity or program.

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

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

The **Private Purpose Trust Fund** accounts for the operations of the Youth Opportunity Program and certain gifts that are not related to ORA projects or parks, recreation and cultural activities.

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

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

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

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

Cash and Investments

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

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

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

Adoption of GASB Statement No. 40

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, effective July 1, 2004. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the governmental, proprietary and fiduciary funds. These resources are necessary for the delivery of governmental services and programs, or to carry out fiduciary responsibilities. Some key changes with GASB 40 include disclosure of:

- Common deposit and investment risks related to credit risk;
- Concentration of credit risk;
- Interest rate risk;
- Investments that have fair values that are highly sensitive to changes in interest rates; and
- Deposit and investment policies related to those risks.

Due From/Due To Other Funds and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type activities are classified as internal balances.

Interest Rate Swap Agreements

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. Refer to Note 12 for additional information.

Inter-fund Transfers

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

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

Bond Issuance Costs and Discounts/Premiums

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

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

Inventories

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

Capital Assets

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

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

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

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	15-40 years
Furniture, machinery and equipment	3-20 years
Infrastructure	7-50 years

Property Held for Resale

Property held for resale is recorded as an asset at the lower of cost or estimated net realizable value. In its fund statements, the Agency charges as expenditures, the cost of developing and administering its capital development projects related to costs over and above the cost of the initial acquisition.

Net Pension Asset

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). And in June 2005, the City contributed $17.7 million to PFRS to be used to fund a portion of the City's obligation under its Charter to the Retirement System. The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

Compensated Absences

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

Retirement Plans

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

Refunding of Debt

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

Fund Balances

Reservations of fund balances of the governmental funds indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use. Following is a brief description of the nature of certain reserves.

1. **Reserve for Encumbrances** – Encumbrances outstanding at fiscal year end are reported as reservations of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

2. **Reserve for Long-Term Receivables** – This fund balance is reserved for long-term receivables that do not represent expendable available financial resources

3. **Reserve for Debt Service** – This fund balance is reserved for the payment of debt service requirements in subsequent years.

4. **Reserve for Property Held for Resale** – This fund balance is reserved for the cost of developing and administering residential and commercial properties intended for resale.

5. **Reserve for Capital Projects** – This fund balance is reserved for ongoing projects in specific areas excluding the General Fund. This reservation includes $38,122,381 reserved for low and moderate housing projects.

6. **Reserve for Pension Obligations** – This fund balance is reserved for the City's obligations under its pension plans.

Designations of portions of the General Fund unreserved fund balance have been made to indicate those portions of the fund balances which the City has tentative plans to utilize in a future period. These amounts may or may not result in actual expenditures. See Note 13 for specific designations.

Restricted Net Assets

Restricted net assets are those assets, net of their related liabilities, that have constraints placed on their use by laws, regulations, creditors, grantors, contributors, or by enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues.

Effects of New Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement is effective for the City's fiscal year ending June 30, 2006.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending June 30, 2007.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement No.1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In December 2004, GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34, which requires that limitation on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government-such as citizens, public interest groups, or the judiciary-can compel a government to honor. This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 47, Accounting for Termination Benefits, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not other wise identifiable from information displayed on the face of the financial statements) and significant methods and assumptions used to determine termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. For all other termination benefits, application of this Statement is effective for the City's fiscal year ending June 30, 2006.

Use of Estimates

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

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

Primary Government

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

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

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

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

The retirement systems' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans and real estate. The systems' investment portfolios are managed by external investment managers. During the year ended June 30, 2005, the number of external investment managers was six for the PFRS and one for the OMERS.

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

	Primary Government				Port	OBRA
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total		
Cash and investments	$ 288,237	$ 4,897	$ 40,078	$ 333,212	$ 95,581	$ 6,060
Restricted cash and investments	562,935	56,970	650,169	1,270,074	373,478	8,932
Restricted securities lending collateral	—	—	50,594	50,594	—	—
TOTAL	$ 851,172*	$ 61,867	$740,841	$1,653,880	$ 469,059	$ 14,992
Deposits				$ 29,188	$ 7,443	$ 7,361
Investments				1,624,692	461,616	7,631
TOTAL				$1,653,880	$ 469,059	$ 14,992

*$851,172 consists of all governmental funds and the internal service funds.

Investments - Primary Government

The City adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB No. 3*, effective July 1, 2004 for its annual financial statements. The objective of this Statement is to update custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Financial Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how the City mitigates each type of risk.

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

At June 30, 2005, the carrying amount of the City's deposits was $29.2 million and the bank balance was $28.6 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $0.6 million was FDIC insured and $28 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

Credit Risk (Financial Risk): Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. The City invests only in securities from highly rated entities. As of June 30, 2005, approximately 65% of the pooled investments was invested in "AAA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2005 (in thousands):

Pooled Investments

		Ratings as of Fiscal Year Ended 06-30-05				
	Fair Value	AAA	Aa/AA	A / A-1+ / A-	A1P1/F-1	Not Rated
U.S. Govt. Agency Securities	$ 244,642	$ 244,642	$ -	$ -	$ -	$ -
U.S. Govt. Ag. Security Disc.	47,850	-	-	47,850	-	-
Corporate Bond	5,846	-	5,846	-	-	-
Corporate Bond	3,032	-	-	3,032	-	-
Money Market Funds	50,838	50,838	-	-	-	-
LAIF	54,582	-	-	-	-	54,582
Commercial Paper	24,963	-	-	24,963	-	-
Commercial Paper	20,245	-	-	-	20,245	-
Total Investment Pool	$ 451,998	$ 295,480	$ 5,846	$ 75,845	$ 20,245	$ 54,582

Restricted Investments

		Ratings as of Fiscal Year Ended 06-30-05		
	Fair Value	AAA	A1/P1	Not Rated
Commercial Paper	$ 5,982	$ -	$ 5,982	$ -
Money Market Funds	73,679	73,679	-	-
Corporate Bonds	3,000	-	-	3,000
Resolution Funding	26,117	-	-	26,117
Local Govt. Bonds	122,476	-	-	122,476
U.S. Govt. Ag. Securities	15,810	15,810	-	-
LAIF	44,843	-	-	44,843
Investment Agreement	46,102	-	-	46,102
Investment Agreement	144,915	-	-	144,915
Annuity	138,000	-	-	138,000
Total	$ 620,924	$ 89,489	$ 5,982	$ 525,453

Concentration of Credit Risk: This risk represents the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes. The JPFA's investment in the City of Oakland General Obligation Refunding Bonds, Series 2005 in the amount of $122,476,000 and the guaranteed non-participating annuities in New York Life Insurance Company in the amount of $138,000,000 represents 11.4% and 12.9% of the total City portfolio respectively, at June 30, 2005. The City also has an Investment Agreement in the amount of $64,879,000, representing 6.05% of the total City portfolio at June 30, 2005.

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

Pooled Investments

	Fair Value	% of Portfolio
U.S. Govt. Agency Securities	$ 244,642	54.12%
U.S. Govt. Ag. Security Disc.	47,850	10.59%
Corporate Bond	8,878	1.96%
Money Market Funds	50,838	11.25%
LAIF	54,582	12.08%
Commercial Paper	45,208	10.00%
TOTAL	**$ 451,998**	**100.00%**

Restricted Investments

	Fair Value	% of Portfolio
U.S. Govt. Ag. Securities	$ 15,810	2.55%
Commercial Paper	5,982	0.96%
Corporate Bond	3,000	0.48%
U.S. Treasury Notes	26,117	4.21%
LAIF	44,843	7.22%
Money Market Funds	73,679	11.87%
Local Government Bonds	122,476	19.72%
Investment Agreement	191,017	30.76%
Annuity	138,000	22.22%
TOTAL	**$ 620,924**	**100.00%**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the City's policy that the maximum maturity for any one investment shall not exceed five (5) years unless authority for such investment is expressly granted in advance by the City Council.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2005, the City's pooled portfolio had an average day to maturity of 427 days and had the following investments and original maturities (in thousands):

Pooled Investments

	Fair Value	Interest Rates (%)	12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	$ 244,642	3.40 – 7.84	$ 94,846	$ 100,824	$ 48,972
U.S. Govt. Ag. Security Disc.	47,850	3.18 – 3.30	47,850	-	-
Corporate Bond	8,878	3.81 – 6.23	5,846	3,032	-
Money Market Funds	50,838	2.97	50,838	-	-
LAIF	54,582	2.85	54,582	-	-
Commercial Paper	45,208	2.86 – 5.78	45,208	-	-
TOTAL	**$ 451,998**		**$ 299,170**	**$ 103,856**	**$ 48,972**

Restricted Investments

	Fair Value	Interest Rates (%)	12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Govt. Agency Securities	$ 15,810	3.72 – 4.17	$ 6,912	$ 8,898	$ -	$ -
Commercial Paper	5,982	4.35 – 8.99	5,982	-	-	-
Corporate Bond	3,000	3.81 – 6.22	-	-	-	3,000
U.S. Treasury Notes	26,117	3.18 – 4.58	2,164	4,052	3,737	16,164
LAIF	44,843	1.60 – 2.97	44,843	-	-	-
Money Market Funds	73,679	0.93 – 2.95	73,679	-	-	-
Local Government Bonds	122,476	4.86	5,102	10,841	12,030	94,503
Investment Agreement	191,017	3.94 – 3.91	-	144,915	46,102	-
Annuity	138,000	4.30	-	-	-	138,000
TOTAL	**$ 620,924**		**$ 138,682**	**$ 168,706**	**$ 61,869**	**$ 251,667**

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

Other Disclosures: As of June 30, 2005, the City's investment in LAIF is $99.4 million ($54.6 million in pooled investments and $44.8 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately $18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Pensions Cash and Investments

Oakland Municipal Employee's Retirement System (OMERS)

City's Investment Pool

Cash and cash equivalents are funds held by the City Treasurer as pooled cash or held by the third party custodian as short-term investment funds for the temporary placement of proceeds from the sale or maturity of investments or in anticipation of investment purchases.

OMERS maintains its operating cash in the City's investment pool. It is not possible to disclose relevant information about the System's separate portion of the investment pool. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2005 basic financial statements. A copy of that report may be obtained by contacting the City Treasurer. As of June 30, 2005, the OMERS's share of the City's investment pool totaled $573.3 thousand.

Investments

OMERS investment policy authorizes investment in domestic common stocks and bonds. Portfolio concentrations are limited to 5% of a single issuer. Industry concentrations are limited to 40% of a specific industry. There is also a limit that the investment manager cannot hold more than 7% of a single issuer in its portfolio. During the year ended June 30, 2005, OMERS investment portfolio was managed by one external investment manager.

Interest Rate Risk: This risk represents the possibility that changes interest rates will adversely affect the fair value of an investment. OMERS investment policy limits the duration of the fixed income investments to within a range of 1.5 years to that of the Lehman Aggregate Bond Index. As of June 30, 2005 the duration for the OMERS fixed income investments was 4.95, while the duration of the Lehman Aggregate Bond Index was 4.16.

As of June 30, 2005, OMERS had the following investments and maturities (in thousands):

Investments	Fair Value	Modified Duration (Year)
Government bonds	$ 1,362	9.97
GNMA mortgage pool	1	0.87
Corporate bonds	500	3.20
Bonds mutual funds	2,068	2.06
Total Fixed Investments	**3,931**	**4.95**
Other Investments		
Domestic equities	5,576	
Total Investments	**$ 9,507**	

Credit Risk: Credit risk represents the possibility that that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS investment policy states that the fixed income portfolio shall be 100% investment grade with a focus on capital preservation and income generation. The table below shows OMERS credit risk as of June 30, 2005:

S & P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 2,652	67%
AA	1,279	33%
Total Fixed Investments	**$ 3,931**	**100%**

Concentration of Credit Risk: This risk represents the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2005, the investment portfolio contained the following concentration of investments in a single issuer (other than those issued or explicitly guaranteed by the U.S. government) that represented 5 percent or more of OMERS investments (in thousands):

Investments	Amount
Capstead Mortgage Corp.	$ 456
Cherokee Inc.	519
Crucell, NV Ads	480
Total	$ 1,455

Oakland Police and Fire Retirement System (PFRS)

City's Investment Pool

Cash in treasury is held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. Information regarding the custodial credit risk categorization of the City's cash and investment pool can be found in the City's basic financial statements. As of June 30, 2005, the PFRS share of the City's investment pool totaled $34.5 million.

Investments

PFRS investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non U.S. issued fixed income securities denominated in foreign currencies. PFRS investment portfolio is managed by external investment managers. During the year ended June 30, 2005, the number of external investment managers was seven.

Interest Rate Risk: PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. As of June 30, 2005 the duration for PFRS fixed income investment portfolio was 3.33, excluding the fixed income short-term investments and securities lending investments.

As of June 30, 2005, PFRS had the following fixed income investments and maturities (in thousands):

Investments	Fair Value	Modified Duration (Year)
U.S. Govt. Agencies	$ 152,447	2.4
U.S. Govt. Agencies (short-term)	26,598	0.1
U.S. Govt. Bond	28,320	7.9
Other Govt. Bonds	6,787	0.6
Corporate Bonds	120,734	4.2
Corporate Bonds – securities lending	50,000	0.0
Repurchase Agreement – securities lending	500	0.0
Total Fixed Income Investments	**$ 385,386**	**2.9**
Other Investments		
Domestic equities	191,675	
International equities	83,337	
Other short-term investments	30,015	
Real estate mortgage loans	59	
Total Investments	**$ 690,472**	

Credit Risk: Credit risk represents the risk that an issuer or other counterparty to an investment will not fulfill its obligation. PFRS investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the core style managers to invest in securities rated "BBB" or higher (investment grade using Standard & Poor's or Moody's ratings). The policy also allows enhanced core style managers to invest in securities with a minimum rating of B or higher (non investment grade using Standard & Poor's or Moody's ratings) as long as the portfolio maintains an average credit quality of BBB. The following table provides information as of June 30, 2005 concerning credit risk (in thousands):

S&P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 213,934	55.5%
AA	12,109	3.1%
A	80,305	20.8%
BBB	26,489	6.9%
BB	6,088	1.6%
B	4,919	1.3%
CC	286	0.1%
Not Rated	41,256	10.7%
Total Fixed Investments	**$ 385,386**	**100%**

Concentration of Credit Risk: The investment policy allows for each fixed asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio. As of June 30, 2005, there was no concentration in excess of 5% of PFRS net assets.

Securities Lending Transactions

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

Metropolitan West Securities, Inc. (MetWest) administers the securities lending program. MetWest is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% (105% for international) of the market value of loaned U.S. government securities. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

At year-end, PFRS had no credit risk exposure to securities borrowers because the amounts PFRS owed to borrowers exceeded the amounts the borrowers owed to PFRS. PFRS' contract with MetWest requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

There are no restrictions on the amount of securities that may be lent.

At present, the custodians are investing the cash collateral received for securities lent for periods averaging one week or less which generally matches the term of the period of the security loans.

The following table provides information as of June 30, 2005 concerning security lending investments and collateral received (in thousands):

Securities Lending
Investments and Collateral Received (At Fair Value)

Type of Investment	**Amount**
Cash Collateral	
U.S. Government and agencies	$ 42,346
Corporate bonds	230
U.S. equity	7,321
Total Securities Lent	49,897
Type of Collateral Received	
Cash Collateral	
Cash	94
Corporate bonds	50,000
Repurchase agreement	500
Total Collateral Received	$ 50,594

Fair Value Highly Sensitive to Change in Interest Rates: The term of a debt investment may cause its fair value to be highly sensitive to interest rates changes. Collateralized Mortgage Obligation (CMO) is a type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of mortgage-back security pass-through/CMOs are considered sensitive to interest rate changes because they have embedded options. The investment policy states that investments in derivative securities known as CMOs shall be limited to a maximum of 20% of an account's market value with no more than 5% in any one issue.

The following table shows sensitive interest rate analysis as of June 30, 2005:

Securities Name	Coupon Rate	Fair Value (in millions)	Percent of account market value
Federal Home Loan Mortgage Corp Structured Pass-Through	7.0%	$ 2.32	1.60%
Commercial Mortgage Pass-Through	3.3%	1.32	0.91%
Commercial Mortgage Pass-Through	3.3%	0.44	0.30%
Commercial Mortgage Pass-Through	6.1%	0.19	0.13%
Federal Home Loan Mortgage Corp Structured Pass-Through	1.5%	0.12	0.09%
		$ 4.39	3.03%

Discretely Presented Component Units

Port of Oakland

The Port's cash, cash equivalent, investments and deposits consisted of the following at June 30, 2005 (in thousands):

Bank Deposit	
Cash on hand and at bank	$ 3
Bank deposit – escrow in-lieu of retentions	7,440
Investments	461,616
Total Cash, Cash Equivalent, Investment and Deposits	$ 469,059

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

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Bonds are deposited with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the 1989 Trust Indenture as amended. Escrow funds are on deposit with an escrow agent.

At June 30, 2005 the Port had the following investments (in thousands):

	Fair Value	Credit Rating	Maturities: Less than 1 Year	1 - 5 Years	5 or More Years
U.S. Treasury Note	$ 11,960	Not Rated	$ -	$ 11,960	$ -
Federal Agency Securities	244	AAA	132	112	-
Government Securities Money Market Mutual Funds	1,791	AAA	1,791	-	-
Investment Agreement	314,872	Not Rated	-	234,342	80,530
Commercial Paper	1,106	A-1+	1,106	-	-
City Investment Pool	131,643	AAA	131,643	-	-
Total Investment	**$ 461,616**		**$ 134,672**	**$ 246,414**	**$ 80,530**

An "Investment Agreement" is a non-marketable interest bearing agreement with or guaranteed by certain financial institutions. Moneys invested include construction and reserve funds.

Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity
U.S Government Securities	None
U.S. Treasury & Agency Obligations	None
Obligations of any State in the U.S.	None
Prime Commercial Paper	270 days
FDIC or FSLIC Insured Deposits	None
Certificates of Deposits/Banker's Acceptances	365 Days
Money Market Mutual Funds	None
State-sponsored investment pools	None
Investment Agreements	None
Forward Delivery Agreement	None

Interest Rate Risk

Most bond proceeds are invested in Investment Agreements structured so that the entire amount of the investment is available if the need should arise, regardless of changes in the interest rates.

Credit Risk

Provisions of the Port's Trust Indenture limit the Port's investment to agreements or financial institutions that, at the time of investment, are rated Aaa by Moody's and AAA by Standard & Poor's (S&P). Providers must also maintain ratings of at least Aa3 by Moody's or AA- by S&P and all current providers exceed these minimums.

Concentration of Credit Risk

The Trust Indenture places no limit on the amount the Port may invest in any one issuer. Those that exceed 5% of the total investment are as follows.

Investment	Investment Type	% of Investments
Bayerische LandesBank Girozentrale	Investment Agreement	6.28%
FSA Capital Management Services LLC	Investment Agreement	5.87%
AMBAC Capital Funding, Inc.	Investment Agreement	22.84%
CDC Funding Corp	Investment Agreement	22.80%
XL Asset Funding Company I LLC	Investment Agreement	9.10%
City Investment Pool	City Pool	28.52%

Port revenues are deposited in the City Treasury. These and all the City funds are commingled and invested in the City's investment pool. The City's investment portfolio average maturity may not exceed 540 days. The maximum maturity for any one investment may not exceed 5 years. Authorized investments included federal agency obligations, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, state investment pool (Local Agency Investment Fund), bonds of the City or its agencies, State of California bonds, bankers' acceptances, commercial paper, medium-term corporate bonds and notes, negotiable certificates of deposit, certificates of deposit, and money market mutual funds. All investments deposited in the City Treasury are insured or registered, or held by the City or its agent in the City's name. The City's investment pool is rated annually. Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the City's investment pool is presented in the notes of the City's basic financial statements

Cash and Investments with the City of Oakland

Pursuant to the City Charter, Port operating revenues are deposited in the City Treasury. These funds are commingled in the City's investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments.

Restricted Cash and Investments

Port bond resolutions authorize the investment of restricted cash, including deposits, with fiscal agents for debt service and construction funds. Authorized investment securities are specified in the various bond indentures. Authorized investments are U.S. Treasury obligations, bank certificates of deposit, federal agency obligations, certain state and secured municipal obligations, long-term and medium-term guaranteed corporate debt securities in the two highest rating categories, commercial paper rated prime, repurchase agreements, certain money market mutual funds, and certain guaranteed investment contracts.

Deposits and Investments

The carrying amount of Port deposits with banks and cash on hand was $7.4 million at June 30, 2005. Bank balances and escrow deposits of $7.4 million at June 30, 2005, respectively, are insured or collateralized with securities held by the pledging financial institution's trust departments in the Port's name.

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

All investments subject to custodial credit risk categorization are Category 1 investments.

Oakland Base Reuse Authority (OBRA)

Cash and Investment at June 30, 2005 consist of the following (in thousands):

	Fair Value
Unrestricted investment	$6,060
Restricted:	
Deposit	7,361
Investment	1,571
	8,932
Total	$14,992

Deposits

At June 30, 2005, the carrying amount of OBRA's deposits was $7.4 million and the bank balance was $5.1 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, $0.1 million was FDIC insured and $5.0 million was collateralized with securities held by the pledging financial institution in OBRA's name, in accordance with Section 53652 of the California Government Code.

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

Investments

OBRA's governing body has adopted the same investment policy as adopted by the Oakland City Council. Accordingly, all cash and investments are invested in accordance with this policy. The Authority had no investments subject to categorization at June 30, 2005.

Investments consisted of the following fair value at June 30, 2005 (in thousands):

	Fair Value	Credit Risk	Effective Duration
Money market funds	$6,060	Unrated	—
Escrow deposit	2,250	Unrated	—
Deposits with banks	5,111	Unrated	—
Local Agency Investment Fund	1,571	Unrated	—
Total cash and investments	$14,992		

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Agency are related to advances and interfund loans made by the City for projects, loans and services. The receivable amounts in the Agency relate to project advances made by the Agency for the City. The composition of interfund balances as of June 30, 2005, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

Receivable Fund	Payable Fund	Amount
General Fund	Federal/State Grant Fund	$ 20,450
	Oakland Redevelopment Agency	387
	Other Governmental Funds	10,930
	Sewer Service Fund	4,748
	Internal Service Funds	30,136
	Pension Trust Funds	2,070
TOTAL		68,721
Federal/State Grant Fund	Oakland Redevelopment Agency	2,842
Oakland Redevelopment Agency	General Fund	25,110
	Federal/State Grant Fund	2,985
	Other Governmental Funds	3,027
	Sewer Service Fund	3
TOTAL		31,125
Other Governmental Funds	Oakland Redevelopment Agency	3,440
TOTAL		$106,128

INTERFUND TRANSFERS:

TRANSFER OUT	TRANSFERS IN: General Fund	Other Governmental Funds	Total Governmental	Internal Service Funds	Total
General Fund	$ -	$ 82,405	$ 82,405	$ -	$ 82,405
Municipal Capital Improvement Fund	6,300	-	6,300	-	6,300
Other Governmental Funds	20,606	-	20,606	-	20,606
Sewer Service Fund	600	-	600	21	621
Internal Service Fund	-	-	-	263	263
Total	**$ 27,506**	**$ 82,405**	**$ 109,911**	**$ 284**	**$ 110,195**

The $82.4 million transferred from the General Fund consists of transfers made to provide funding for the following:

- $ 8.8 million for the Kids' First Children's Program;
- $14.6 million for special refunding revenue bonds; and
- $59.0 million for debt service payments.

The $20.6 million transferred from Other Governmental Funds to the General Fund consist of the following:

- $17.7 million is proceeds from the 2005 JPFA Series B Bonds to be contributed to PFRS to pay for a portion of the City's obligations under its Charter to PFRS; and
- $2.9 million is the unwinding of the 1998 reserve fund, including accrued interest, transferred to the General Fund.

The $6.3 million transferred from the Municipal Capital Improvement Fund to the General Fund is for the Oakland Convention Center operations.

The $0.6 million transfer from the Sewer Service Fund is to provide funds for City-wide lease payments.

INTERFUND LOANS:

Certain interfund loans made from the General Fund to the ORA Governmental Fund have been removed as they are not expected to be repaid within a reasonable period of time. The loans continue to be obligations of the ORA, and will be recognized as other financing sources in the general fund upon receipt. The loan balances are as follows:

Oak Center Project	$ 13,086
City Center Garage	18,349
Total	$ 31,435

(5) MEMORANDUMS OF UNDERSTANDING

The City and the Port have Memorandums of Understanding (MOUs) relating to: (a) general obligation bonds issued by the City for the benefit of the Port; (b) various administrative, personnel, data processing, and financial services (Special Services); and (c) police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port.

Payments for Special Services are treated as a cost of Port operations and have priority over certain other expenditures of Port revenues. At June 30, 2005, $18,828,000 in Special Services expenses has been accrued as a current liability by the Port and as a receivable by the City.

The Port's legal counsel advised the Port that payments to the City for General Services and Lake Merritt tideland trust purposes are payable only to the extent the Port determines annually that surplus monies are available. Subject to final approvals by the Port and the City, and subject to availability of surplus monies, the Port will reimburse the City annually for General Services and Lake Merritt tideland trust properties. At June 30, 2005, $2,241,000 and $1,213,000 have been accrued by the Port as a current liability and by the City as a receivable for General Services and Lake Merritt Tideland Trust properties, respectively.

The City and Port are in the process of negotiating an MOU for payments to be made by the Port to the City in consideration for services provided by the City on Tidelands Trust properties. Such payments are expected to amount to $3,000,000 per year, and represent a portion of the total expenses incurred by the City in the provision of services within the Lake Merritt Tidelands boundaries. Included in the amount recorded as a receivable from the Port is $2,500,000 for fiscal year 1997, which the Port has also recorded as an obligation due to the City. Any additional amount due to the City will be recorded when an MOU has been executed.

(6) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2005, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total Governmental Funds/ Governmental Activities
Pass-through loans	$ 24,756	$ 2,985	$ —	$ 799	$ 28,540
Loans to Oakland Hotel Assoc. Ltd	12,038	—	—	—	12,038
Community Development Block Grant	—	62,777	—	—	62,777
Economic Development loans and other	1,932	18,164	52,428	15,049	87,573
Less: Allowance for uncollectible accounts	(107)	(5,138)	(1,077)	(168)	(6,490)
TOTAL LOANS, NET	$ 38,619	$ 78,788	$ 51,351	$ 15,680	$ 184,438

(7) CAPITAL ASSETS

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2005, is as follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 76,604	$ 538	$ —	$ 77,142
Museum Collections	—	150	—	150
Construction in progress	7,083	20,070	3,743	23,410
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	83,687	20,758	3,743	100,702
Capital assets, being depreciated:				
Facilities and improvements	645,581	10,513	8	656,086
Furniture, machinery and equipment	160,287	7,479	161	167,605
Infrastructure	353,929	24,724	1,544	377,109
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,159,797	42,716	1,713	1,200,800
Less accumulated depreciation:				
Facilities and improvements	207,241	19,590	—	226,831
Furniture, machinery and equipment	102,579	13,467	157	115,889
Infrastructure	107,632	11,816	41	119,407
TOTAL ACCUMULATED DEPRECIATION	417,452	44,873	198	462,127
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	742,345	(2,157)	1,515	738,673
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 826,032	$ 18,601	$ 5,258	$ 839,375

(continued)

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities:				
Sewer fund:				
Capital assets, not being depreciated:				
Land	$ 4	$ —	$ —	$ 4
Construction in progress	2,882	1,959	61	4,780
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	2,886	1,959	61	4,784
Capital assets, being depreciated:				
Facilities and improvements	306	—	—	306
Furniture, machinery and equipment	749	—	—	749
Sewers and storm drains	173,131	3,053	—	176,184
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	174,186	3,053	—	177,239
Less accumulated depreciation:				
Facilities and improvements	30	20	—	50
Furniture, machinery and equipment	701	11	—	712
Sewers and storm drains	58,604	3500	—	62,104
TOTAL ACCUMULATED DEPRECIATION	59,335	3,531	—	62,866
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	114,851	(478)	—	114,373
SEWER FUND CAPITAL ASSETS, NET	117,737	1,481	61	119,157
Other proprietary funds:				
Capital assets, not being depreciated:				
Land	218	—	—	218
Capital assets, being depreciated:				
Facilities and improvements	2,179	—	—	2,179
Furniture, machinery and equipment	453	—	—	453
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	2,632	—	—	2,632
Less accumulated depreciation:				
Facilities and improvements	191	146	—	337
Furniture, machinery and equipment	424	6	—	430
TOTAL ACCUMULATED DEPRECIATION	615	152	—	767
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	2,017	(152)	—	1,865
OTHER PROPRIETARY FUND CAPITAL ASSETS, NET	2,235	(152)	—	2,083
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 119,972	$ 1,329	$ 61	$ 121,240

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General government	$ 5,175
Public safety:	
Police services	948
Fire services	2,921
Life enrichment	11,541
Community and economic development	2,512
Public works	16,920
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	4,856
TOTAL	$ 44,873
Business-type activities:	
Sewer	$ 3,531
Golf	152
TOTAL	$ 3,683

Construction Commitments

The City has active construction projects as of June 30, 2005. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	Spent to date	Remaining Commitment
Infrastructure – streets	$ 92,621	$ 50,031
Infrastructure – parks	14,057	39,863
Facility improvements	22,878	34,065
Sewers and storm drains	10,414	49,315
Technology Enhancements	13,800	5,587
Miscellaneous	14,058	8,676
TOTAL	$167,828	$187,537

Discretely Presented Component Units

Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2005, is as follows (in thousands):

	Balance July 1, 2004	Additions	Adjustment and Retirements	Transfer of Completed Construction	Balance June 30, 2005
Capital assets, not being depreciated:					
Land	$ 261,326	$ 6,561	$ 56,288	$ —	$ 324,175
Construction in progress	238,160	215,145	50	(82,276)	371,079
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	499,486	221,706	56,338	(82,276)	695,254
Capital assets, being depreciated:					
Facilities and improvements	547,537	—	(3,612)	35,033	578,958
Container cranes	152,221	—	—	552	152,773
Systems and structures	1,064,624	887	(57,538)	43,957	1,051,930
Other equipment	38,760	1,574	(6,423)	2,734	36,645
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,803,142	2,461	(67,573)	82,276	1,820,306
Less accumulated depreciation:					
Facilities and improvements	237,485	22,873	1,440	—	258,918
Container cranes	46,350	6,058	—	—	52,408
Systems and structures	224,506	36,598	2,807	—	258,297
Other equipment	23,088	2,920	5,940	—	20,068
TOTAL ACCUMULATED DEPRECIATION	531,429	68,449	10,187	—	589,691
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	1,271,713	65,988	(57,386)	82,276	1,230,615
TOTAL CAPITAL ASSETS, NET	$1,771,199	$ 155,718	$ (1,048)	$ —	$1,925,869

The depreciation charge above reconciles to the Statements of Revenue, Expenses and Changes in Net Assets as follows:

Depreciation charge above	$68,449
Amortization of intangible assets	443
Depreciation and amortization	$68,892

The capital assets on lease at June 30, 2005, consist of the following (in thousands):

Land	$ 172,888
Container cranes	152,773
Facilities and improvements	932,853
Total	1,258,514
Less accumulated depreciation	(257,608)
Capital assets, net, on lease	$ 1,000,906

Leases

A major portion of the Port's capital assets is held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. All leases are classified as operating leases.

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. Such leases generally provide for minimum rentals, and certain preferential assignments provide for both minimum and maximum rentals.

A summary of revenues from long-term leases for the year ended June 30, 2005, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$105,694
Contingent rentals in excess of minimums	16,337
Secondary use of facilities leased under preferential assignments	3,055
	$125,086

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

Year	Rental Revenues
2006	$ 114,027
2007	124,194
2008	128,835
2009	126,860
2010	113,011
2011-2015	443,278
2016-2020	149,852
2021-2025	18,767
2026-2030	16,209
2031-2035	14,582
Thereafter	53,725
	$1,303,340

Oakland Base Reuse Authority (OBRA)

Capital asset activity for OBRA during the year ended June 30, 2005 consisted of the following (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, being depreciated:				
Facilities and structures	$1,000	$ —	$ —	$ 1,000
Leasehold improvements	456	2	—	458
Total capital assets, being depreciated	1,456	2	—	1,458
Less accumulated depreciation for:				
Facilities and structures	314	343	—	657
Leasehold improvements	164	146	—	310
Total accumulated Depreciation	479	489	—	968
Total capital assets, being depreciated, net	$ 977	$ 487	$ —	$ 490

The depreciation charge for the year ended June 30, 2005 is $0.5 million, which reconciles to the Statements of Revenue, Expenses and Changes in Net Assets.

(8) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Property held for resale	$ 71,501	$ 2,818	$ 16,581	$ 57,738

The increase of $2,818,000 in the property held for resale represents the 135 public parking spaces repurchased by the Agency from the developer of the SNK 9th and Franklin Garage. These parking spaces were required to be repurchased in order to replace the surface parking that was on the site prior to the Agency's sale of the property to the developer in Fiscal Year 2004.

The decrease of the $16,581,000 corresponds to the properties that the Agency sold in Fiscal Year 2005 including four properties sold at a loss of $1.4 million. These include properties that will be renovated for commercial retail and office spaces, developed into residential condominium units and to continue to be operated as a non-profit office park.

Discretely Presented Component Unit

Oakland Base Reuse Authority (OBRA)

A summary of changes in property held for resale follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Property held for resale	$79,778	$11,762	$2,132	$89,408

On August 7, 2003, the Army conveyed approximately 366 acres of Oakland Army Base (the EDC property), plus certain buildings and improvements, to OBRA. The conveyance from the Army is treated as a donation; accordingly, the land conveyed to OBRA was recorded at its total estimated fair market value of $81,775,000. As part of the conveyance agreement, OBRA agreed to pay the Oakland Army Base Workforce Development Collaborative (Workforce Collaborative) an amount to be negotiated. OBRA and the Workforce Collaborative finalized an agreement on December 14, 2004, which provided that OBRA, the Agency and the Port would pay a total of $10,800,000 to the Workforce Collaborative. Under a separate agreement between OBRA and the Port dated July 31, 2003, the two parties agreed to each pay 50 percent of the $10,800,000 liability.

OBRA recorded capital contributions of $74,407,184 and payable of $5,400,000 to the Workforce Collaborative during the year ended June 30, 2004 to reflect the conveyance of the land. All expenditures directly associated with the conveyance of the EDC property incurred prior to August 7, 2003 were included in other assets, and transferred to property held for resale on this date. OBRA incurred property-related expenditures between August 7, 2003 and June 30, 2005 that have been recorded in property held for resale.

Immediately after OBRA obtained title to the EDC property, 70 acres (including 50 acres of submerged property) were conveyed to the Port at a fair value of $5,250,000.

On September 1, 2004, the Authority purchased certain parcels of land with an aggregate area of 19.32 acres adjacent to the former OAB for a total of $10,600,000. Immediately after purchasing this property, the Authority transferred 2.51 acres to the Port for total consideration of $1,427,000. Additionally, approximately $1,200,000 in environmental remediation costs incurred during the fiscal year ended June 30, 2005 have been added to property held for resale.

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE

Accounts payable and accrued liabilities payable as of June 30, 2005, for the City's individual major funds, non major funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Checks Payable	Accrued Payroll/ Employee Benefits	Total
Governmental funds:				
General	$ 19,818	$4,067	$78,296	$102,181
Federal/state grant fund	4,039	—	1,069	5,108
Oakland Redevelopment Agency	9,456	—	—	9,456
Municipal Capital Improvement Fund	1,224	—	87	1,311
Other governmental funds	3,436	—	73	3,509
TOTAL	37,973	4,067	79,525	121,565
Governmental activities- Internal service funds	1,005	—	157	1,162
TOTAL	$ 38,978	$ 4,067	$79,682	$122,727
Business-type activities – Enterprise Funds:				
Sewer Service	$ 193	$ —	$ 790	$ 983

Accounts payable and accrued liabilities for the pension trust funds at June 30, 2005, are as follows (in thousands):

Accounts payable	$ 7
Investment payable	130,407
Accrued investment management fees	360
Member benefits payable	5,977
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 136,751

(10) DEFERRED REVENUE

Governmental funds report deferred revenue in connection with unearned revenue and receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2005, the various components of deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Major funds:		
General Fund	$ 22,312	$ 7,570
Federal and State Grants Funds	83,647	834
Oakland Redevelopment Agency	81,190	—
Municipal Capital Improvement Fund	21	—
Non-major Funds:		
Other Governmental Funds	19,046	—
TOTAL GOVERNMENTAL ACTIVITIES	$206,216	$ 8,404

(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of 1.44%. Principal and interest were paid on June 30, 2005.

The short-term debt activity for the year ended June 30, 2005, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Notes	$—	$ 65,000	$ (65,000)	$—

(12) LONG-TERM OBLIGATIONS

Long-term Obligations

The following is a summary of long-term obligations for the year ended June 30, 2005 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2033	2.50-5.00%	$ 227,010
Tax allocation bonds (B)	2033	2.50-8.03%	270,085
Certificates of participation (C)	2015	4.00-6.55%	50,195
Lease revenue bonds (C)	2026	3.60-5.50%	488,721
Pension obligation bonds (D)	2022	6.09-7.31%	366,405
Accreted interest (C) & (D)			70,811
City guaranteed special assessment district bonds (D)	2024	4.60-6.70%	7,370
Notes payable (C) & (E)	2016	1.70-8.27%	18,440
Capital Leases (C) & (E)	2016	3.54-5.52%	26,769
Accrued vacation and sick leave (C)			31,503
Self-insurance liability for workers' compensation (C)			96,166
Estimated claims payable (C)			43,099
Estimated environmental cost (B) & (C)			5,499
Pledge obligation for authority debt (C)			91,150
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS			1,793,223
DEFERRED AMOUNTS:			
Bond issuance premiums			$ 24,186
Bond refunding loss			(22,793)
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS, NET			$ 1,794,616

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Property tax allocated to the Oakland Redevelopment Agency based on increased assessed valuations in the project area
(C) Revenues recorded in the general fund
(D) Property tax voter approved debt
(E) Revenues recorded in the special revenue funds

Business-Type Activities

Entity and Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund – Notes payable	2014	3.0-3.50%	$ 5,655
Sewer fund – Bonds	2029	3.0-5.25%	62,330
Unamortized Bond Premium			2,829
BUSINESS-TYPE ACTIVITIES – TOTAL LONG-TERM OBLIGATIONS			$70,814

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Parity bonds	2033	2.75-6.00%	$ 1,410,431
Notes and loans	2029	1.25-6.80%	157,135
			1,567,566
Self-insurance liability for workers' compensation			4,600
Total			1,572,166
Unamortized bond discount and premium, net			(891)
Deferred loss on refunding			(5,220)
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			$ 1,566,055

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City and Agency. Management believes that the City and Agency are in compliance.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2005, the City's debt limit (3.75% of valuation subject to taxation) was $903,392,821. The total amount of debt applicable to the debt limit was $227,010,000. The resulting legal debt margin was $676,382,821.

Interest Rate Swaps

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2
Objective of the interest rate swap. As a means to lowering its borrowing costs, the City entered into a Forward Swap (the "Swap") in connection with its $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2. The intent of the interest rate swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 5.6775% through the end of the swap agreement in 2021. On April 25, 2000, the Swap was assigned to Goldman Sachs Mitsui Marine Derivative Products, U.S., L.P (the "Counterparty") in the notional amount of $170,000,000.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate (the "65% of LIBOR Rate"). This amendment resulted in the City receiving approximately $5,975,000 from Goldman Sachs reflecting the change in market value. The funds received as a result of the change in the Swap index were used to lower cost of borrowing when used in combination with the Bonds, and enhance the relationship between risk and return with respect to the City's overall bond program. As of June 30, 2005, the notional amount to be amortized was $128,300,000.

Terms. The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2005 of $128,300,000. The notional amount of the swap declines through 2021. Under the Swap, the Authority pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The Authority's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $24,452,209 as of June 30, 2005. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aaa by Moody's Investors Service, and AA+ by Standard and Poor's as of June 30, 2005. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Basis Risk. Another risk associated with the synthetic fixed rate swap is basis risk. This is the risk that as the City receives a floating rate index on the swap to offset the variable rate it pays on its underlying variable rate bonds, these two variable rate cash flows could potentially mismatch. The swap agreement provides that the payment received by the City shall be at 65% of 1-month LIBOR.

Termination Risk. An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

The counterparty may terminate the Swap if both the City and the bond insurer fail to perform under the terms of the contract. The counterparty also may terminate the Swap upon the occurrence of the following events: 1) the bond insurer falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's; and 2) the City falls below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If the Swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the Swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the Swap's fair value.

On June 21, 2005, the Authority issued its $144,950,000 Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). A portion of the proceeds were used to refund and defease all of the Authority's outstanding Lease Revenue Bonds, 1998 Series A. However, the Interest Rate Swap Agreement associated with the 1998 Series A Bonds still remains in effect and set to terminate on July 31, 2021. Please refer to the Section titled "Current Year Refunding" of this footnote for a more detailed description of the Series 2005 A & B Bonds.

Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings), 2004 Series A-1/A-2

Objective of the Interest Rate Swap. On May 21, 2004, the City entered into a floating-to-fixed rate ("fixed-payer") interest rate swap with Bank of America, N.A. and UBS AG ("Counterparties") in order to lock-in the low long-term interest rates available in the market place at that time. The swap became effective on June 10, 2004, in conjunction with the issuance of the $58,600,000 Series A-1 and $58,600,000 Series A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Oakland Administration Buildings (Auction Rate Securities).

The executed transaction consisted of a $117,200,000, 22-year interest rate swap under which the City will pay the Counterparties a fixed rate of 3.533% and receive 58% of 1-month London Interbank Offer Rate (LIBOR) plus 35 basis points (100 basis points equals 1%).

The City was able to take advantage of current market conditions and synthetically create fixed-rate debt at a very favorable rate. In addition to the decline in the general level of interest rates at that time, the City, after careful review, elected to utilize percentage of LIBOR (58%) plus a margin (35 basis points) versus a straight percentage of LIBOR to reduce the basis risk in a lower interest rate environment.

Terms. The bonds mature on August 1, 2026, and are subject to optional redemption while any Auction Rate is in effect equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The swaps terminate on August 1, 2026, and have a total notional amount of $112,550,000 as of June 30, 2005. The trade date of the swap was May 21, 2004, and became effective on June 10, 2004, at which time the bonds were issued. Under the swap, the City pays the counterparties a fixed rate of 3.533% and receives a variable payment computed at 58% of 1-month LIBOR plus 35 basis points. The Authority then pays the bondholder a tax-exempt variable rate of interest.

Fair Value. As of June 30, 2005, the interest rate swap with Bank of America, N.A. (notional amount of $56,275,000) had a negative fair value of $3,558,596 and the interest rate swap with UBS AG (notional amount of $56,275,000) had a negative fair value of $3,641,278. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The counterparties were rated as follows as of June 30, 2005: Bank of America, N.A. (Aa2 by Moody's Investors Service and AA- by Standard and Poor's), and UBS AG (Aa2 by Moody's Investors Service, AA+ by Standard and Poor's, and AA+ by Fitch).

To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's, the swap agreement provides that the counterparty, the City, the bond insurer for the Bonds, and a third party collateral agent are to execute a collateral agreement establishing the type of collateral, the amount of collateral, the collateral agent, and the terms of the collateral agreement.

Basis Risk. Another risk associated with the synthetic fixed rate swap is basis risk. This is the risk that as the City receives a floating rate index on the swap to offset the variable rate it pays on its underlying variable rate bonds, these two variable rate cash flows could potentially mismatch. The swap agreement provides that the payment received by the City shall be at 58% of 1-month LIBOR plus 35 basis points.

Termination Risk. An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the swap if the counterparty fails to perform under the terms of the contract. The City may also terminate the swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer if the counterparty's ratings fall below "A3" by Moody's Investors Service or "A-" by Standard and Poor's. The termination events are bilateral agreements between the City and the counterparties. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. The following table presents the estimated debt service requirements for the 2004 Series A Bonds. It is assumed that the interest rate on the 2004 Series A Bonds and the variable rate portion of the Swap (58% of LIBOR) averages 3.00% through the maturity date of both the 2004 Series A Bonds and the Swap (August 21, 2026).

Year Ending June 30	Principal	Interest*	Net Interest Rate Swap Payment*	Total Debt Service
2006	$ 3,350,000	$ 3,150,181	$ 591,377	$ 7,091,558
2007	3,475,000	3,054,828	573,204	7,103,032
2008	3,575,000	3,247,424	554,428	7,376,852
2009	3,750,000	2,838,488	534,773	7,123,261
2010	3,875,000	3,009,606	514,623	7,399,229
2011	4,050,000	2,615,355	493,524	7,158,879
2012	4,175,000	2,746,337	471,620	7,392,957
2013	4,375,000	2,364,432	448,678	7,188,110
2014	4,525,000	2,244,799	425,159	7,194,958
2015	4,675,000	2,325,890	400,660	7,401,549
2016	4,875,000	1,967,880	375,233	7,218,113
2017	5,050,000	2,008,614	348,596	7,407,210
2018	5,275,000	1,672,171	321,316	7,268,488
2019	5,450,000	1,672,490	292,756	7,415,246
2020	5,675,000	1,350,026	263,136	7,288,161
2021	5,900,000	1,187,504	232,072	7,319,576
2022	6,125,000	1,120,983	200,297	7,446,280
2023	6,375,000	829,582	167,015	7,371,598
2024	6,600,000	709,596	132,465	7,442,060
2025	6,875,000	440,711	96,304	7,412,015
2026	7,125,000	267,545	59,309	7,451,853
2027	7,400,000	22,504	20,633	7,443,137
TOTALS	$ 112,550,000	$ 40,846,945	$ 7,517,177	$ 160,914,122

*Numbers of estimates; subject to change based on prevailing market conditions. The calculation above assumes to have a 3.00% interest rate and 3.556 swap rate.

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2005, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Bonds Payable					
General obligation bonds	$ 232,045	$ 122,170	$ 127,205	$ 227,010	$ 7,260
Tax allocation bonds	235,555	44,360	9,830	270,085	10,325
Certificates of participation	54,780	—	4,585	50,195	4,465
Lease revenue bonds	386,200	267,426	164,905	488,721	25,237
Pension obligation bonds	388,824	—	22,419	366,405	25,020
City guaranteed special assessment district bonds	7,940	—	570	7,370	285
Accreted interest on appreciation bonds	52,863	17,948	—	70,811	—
Less deferred amounts:					
Bond issuance premiums	11,830	13,535	1,179	24,186	1,603
Bond refunding loss	(20,333)	(5,132)	(2,672)	(22,793)	(2,924)
TOTAL BONDS PAYABLE	1,349,704	460,307	328,021	1,481,990	71,271
Notes payable	20,007	—	1,567	18,440	1,840
Capital leases	26,146	6,676	6,053	26,769	6,421
TOTAL NOTES & LEASES	46,153	6,676	7,620	45,209	8,261
Other Long Term Liabilities					
Accrued vacation and sick leave	37,436	43,979	49,912	31,503	27,600
Pledge Obligation for Coliseum Authority debt	93,950	—	2,800	91,150	3,050
Estimated environmental cost	—	5,849	350	5,499	4,502
Self-insurance workers' compensation	94,874	21,465	20,173	96,166	20,173
Estimated claims payable	48,716	1,356	6,973	43,099	13,992
TOTAL OTHER LONG TERM LIABILITIES	274,976	72,649	80,208	267,417	69,317
TOTAL GOVERNMENTAL ACTIVITIES – LONG TERM OBLIGATIONS	$1,670,833	$539,632	$415,849	$1,794,616	$148,849

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2005, $23,390,000 of capital leases related to the internal service funds are included in the above amounts.

Business-Type Activities

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Sewer fund – Notes Payable	$ 6,362	$ —	$ 707	$ 5,655	$ 730
Sewer fund – Bonds	—	62,330	—	62,330	1,490
Unamortized Bond Premium	—	2,887	58	2,829	118
Total	$ 6,362	$65,217	$ 765	$ 70,814	$2,338

Component Unit - Port of Oakland

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Parity bonds	$ 1,418,586	$ —	$ 8,155	$ 1,410,431	$ 14,968
Notes and loans	194,983	2	37,850	157,135	510
TOTAL	1,613,569	2	46,005	1,567,566	15,478
Self-insurance workers' compensation	3,000	2,596	996	4,600	4,600
Unamortized bond discount/premium, net	(99)	868	(1,660)	(891)	946
Deferred loss on refunding	(5,584)	—	364	(5,220)	(364)
TOTAL DEBT	$ 1,610,886	$ 3,466	$ 45,705	$ 1,566,055	$ 20,660

Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2005, are as follows (in thousands):

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Government-type Activities:											
General obligation bonds:											
Principal	$ 7,260	$ 7,420	$ 7,760	$ 8,090	$ 8,435	$ 49,120	$ 56,325	$ 39,190	$ 26,595	$ 16,815	$ 227,010
Interest	10,674	10,474	10,200	9,902	9,586	41,504	28,868	15,522	8,324	1,584	146,637
Certificates of participation:											
Principal	4,465	5,067	5,300	5,620	5,965	24,710	4,200	—	—	—	55,327
Interest	3,068	3,008	1,909	1,693	1,434	3,237	84	—	—	—	14,433
Lease revenue bonds:											
Principal	25,237	26,295	27,476	28,830	29,926	175,518	97,762	60,703	16,975	—	488,721
Interest	23,962	22,635	21,298	19,829	18,344	66,658	30,335	9,425	587	—	213,073
Pension obligation bonds:											
Principal	25,020	27,850	30,920	34,250	37,860	117,130	93,534	65,520	—	—	432,084
Interest	9,928	8,118	6,091	3,833	1,321	73,594	136,262	107,000	—	—	346,146
City guaranteed special assessment bonds:											
Principal	285	285	305	320	345	1,720	1,840	2,270	—	—	7,370
Interest	390	376	361	345	328	1,353	883	328	—	—	4,364
Tax allocation bonds:											
Principal	10,325	10,920	11,165	11,775	11,130	66,020	89,530	48,475	5,340	5,405	270,085
Interest	12,876	12,301	11,674	13,255	13,154	50,914	28,130	6,777	2,149	586	151,817
Notes payable:											
Principal	1,840	2,600	1,940	2,080	2,230	7,750	—	—	—	—	18,440
Interest	1,072	1,275	545	469	388	619	—	—	—	—	4,368
Capital Leases:											
Principal	6,421	5,752	3,657	3,654	2,351	3,630	1,304	—	—	—	26.769
Interest	1,068	791	670	464	301	546	157	—	—	—	3,997
TOTAL PRINCIPAL	$ 80,853	$ 86,189	$ 88,523	$ 94,619	$ 98,242	$445,598	$344,495	$216,158	$ 48,910	$ 22,220	$1,525,806
TOTAL INTEREST	$ 63,038	$ 58,978	$ 52,748	$ 49,790	$ 43,856	$238,425	$224,719	$139,052	$ 11,060	$ 2,170	$ 884,835

The specific year for payment of estimated vacation, sick leave, workers' compensation, and estimated claims is not practicable to determine.

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Business-type Activities:											
Sewer Notes											
Principal	$ 2,220	$ 2,290	$ 2,365	$ 2,436	$ 2,543	$ 11,687	$ 12,575	$ 15,970	$ 15,900	$ —	$67,985
Interest	3,175	3,106	3,035	2,961	2,853	12,586	9,836	6,449	2,036	—	46,037

Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2005, are as follows (in thousands):

Fiscal Year Ending	Principal	Interest	Total
2006	$ 15,478	$ 77,080	$ 92,558
2007	20,051	76,777	96,828
2008	28,300	76,502	104,802
2009	33,655	75,712	109,367
2010	36,583	74,757	111,340
2011-2015	395,123	311,591	706,714
2016-2020	300,673	239,698	540,371
2021-2025	270,147	163,393	433,540
2026-2030	317,329	81,014	398,343
2031-2033	150,227	10,156	160,383
SUBTOTAL	1,567,566	1,186,680	2,754,246
Unamortized bond (discount) premium, net	(891)	—	(891)
Self-insurance workers' compensation	4,600	—	4,600
Deferred loss on refunding	(5,220)	—	(5,220)
TOTAL	$1,566,055	$1,186,680	$2,752,735

Net interest costs of $14,782,000 were capitalized in fiscal 2005. These amounts represented capitalized interest expense of $23,698,000, net of interest revenue of $8,916,000 for fiscal 2005.

Component Unit - Oakland Base Reuse Authority

Note Payable

OBRA has a non-interest bearing note payable for $8,200,000, which has been discounted at the rate of 3.37% to a principal amount of $7,495,235. The discounting resulted in the reduction of $704,765 against Property Held for Resale. In addition, OBRA accrued interest expense of $156,553 for the year ended June 30, 2005 related to above liability.

Principal and interest payments are due on the following dates:

Date	Principal	Interest	Total
November 17, 2006	$1,481,909	$518,091	$2,000,000
May 17, 2007	2,898,675	101,325	3,000,000
November 17, 2007	2,147,518	52,482	2,200,000
November 17, 2008	967,133	32,867	1,000,000
	$7,495,235	$704,765	$ 8,200,000

The note payable is collateralized by 19.32 acres of property described in Note 8. Payments are applied first to any expenses in connection with the note before the principal is reduced. There are no prepayment penalties and the note is not assumable.

Notes payable activity for the year ended June 30, 2005 consisted of the following:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Note Payable	$ -	$ 7,495,235	$ -	$ 7,495,235

City of Oakland Sewer Revenue Bonds, 2004 Series A

On December 14, 2004, the City issued $62,330,000 of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"). The 2004 Series A Bonds have interest rates ranging from 3.00% to 5.25% and mature in 2029. In September 2003, the City Council adopted Ordinance No. 12540 increasing the sewer service charges commencing in the fiscal year 2004 and establishing annual increases of 11% through the annual billing period beginning on January 1, 2009, and establishing increases for the annual billing periods beginning on January 1, 2010, and thereafter increases based on the Consumer Price Index.

The proceeds from 2004 Series A Bonds will be used for the rehabilitation and, where necessary, replacement of sections of the existing sewer system, including the sewer pipelines and connections to private sewer lines. Upon completion of the project that is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the sewer system, and eliminate sewer overflows of untreated water into the San Francisco Bay, the system will allow for dry weather flows of approximately 72 million gallons per day and wet weather flows of approximately 435 million gallons per day.

City of Oakland Solar Panel Tax-Exempt Lease Transaction

On November 15, 2004, the City of Oakland (the "Lessee") entered into a 15-year Lease Financing Agreement with First Municipal Credit Corporation (the "Lessor") for $4,138,858 to finance the design and construction of solar photovoltaic generation systems as described in the Design/Build Agreement for the Solar Power and Energy Efficiency Project, between the Lessee and PowerLight Corporation (the "Contractor"). This financing was a capital lease with an interest rate of 4.25%.

The complete design and construction of certain solar photovoltaic generation systems will be located at the following sites in the City of Oakland: Municipal Service Center Buildings 2, 3, 4, 5, and 8 located at 7101 Edgewater Drive, Oakland, California; and the Oakland Ice Center located at 519, 18th Street, Oakland, California.

Enterasys Equipment Lease

On February 15, 2005, the electorate authorized the execution of a seven-year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed $215,000 annually or $1,500,000 over the term of the contract. The purpose of the lease financing was to finance the installation and maintenance of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%.

On March 30, 2005, the City entered into a lease financing with Enterasys, Inc., in the amount of $1,139,884.

ShoreTel Equipment Lease

On February 15, 2005, the electorate authorized the successful completion of the City's Voice over IP pilot project and the execution of a seven-year contract for the lease of Telephone equipment and services with ShoreTel Communications, Inc., for an amount not to exceed $275,000 annually or $1,650,000 over the term of the contract. The purpose of the lease financing was to finance the purchase and installation of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%.

On March 30, 2005, the City entered into a lease financing with ShoreTel Communications, Inc., in the amount of $1,397,326.

Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005

On February 8, 2005, the Agency issued Subordinated Tax Allocation Bonds, Series 2005 ("Series 2005 Bonds") in the aggregate principal amount of $44,360,000 to finance various redevelopment activities within the Central District Project Area. Interest rates on the Series 2005 Bonds are 5% with a final maturity of September 1, 2022. The Series 2005 Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central District Project Area, including the following: property acquisition to facilitate residential and commercial development downtown, environmental remediation, parking garage expansion, renovation and maintenance of public facilities such as the Fox Theater, and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005 Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency sponsored public capital projects for Fiscal Years 2005 through 2007.

Current Year Refunding

$122,476,041, City of Oakland General Obligation Bonds, Series 2005 and $122,170,000, Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)

On June 16, 2005, the City issued City of Oakland General Obligation Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate amount of $122,476,041. Interest rates on the Oakland GO Bonds are 4.86% and the final maturity is December 15, 2025. The proceeds of the Oakland GO Bonds were used to defease six series of GO Bonds, consisting of City of Oakland General Obligation Bonds, Series 1992, Series 1995B, Series 1997, Series 1997C, Series 2000D, and Series 2000E.

Simultaneous with the issuance of the Oakland GO Bonds, the Oakland Joint Powers Financing Authority (JPFA) issued the Revenue Bonds, Series 2005 (the "JPFA Revenue Bonds") in the aggregate amount of $122,170,000. Proceeds of the JPFA Revenue Bonds together with the original issue premium of $10,147,940 were used to purchase the Oakland GO Bonds and to finance public capital improvements of the JPFA.

Interest rates on the JPFA Revenue Bonds range from 3.00% to 5.00%, and the final maturity is in the year 2025. The JPFA Revenue Bonds are insured by Ambac Assurance Corporation and are rated AAA/Aaa/AAA by Standard & Poor's, Moody's and Fitch, respectively.

The refunding resulted in cash flow savings of $5,131,776. In addition, the City obtained a net economic gain on this financing of $4,403,583.

$144,950,000, Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005

On June 21, 2005, the Oakland Joint Powers Financing Authority issued its Refunding Revenue Bonds in an aggregate principal amount of $144,950,000; this issuance was comprised of two tax-exempt portions in aggregate amounts of $63,500,000 (Series A-1) and $63,475,000 (Series A-2) (collectively, the "Series A Bonds"), and a taxable portion in an aggregate amount of $17,975,000 (the "Series B Bonds"). Both the Series A Bonds and Series B Bonds were issued as Auction Rate Securities. The purpose of the Series A Bonds were to 1) refund and defease all of the JPFA's outstanding variable rate Lease Revenue Bonds, 1998 Series A (the "1998 Series A Bonds"), and 2) to pledge tax override revenues to pay for debt service on the Series A Bonds (previously, the City's General Fund paid for debt service payments on the 1998 Series A). The proceeds associated with the Series B Bonds were used to fund a portion of the City's obligation to make payments to its Police and Fire Retirement System.

The cash flow savings and the net economic gain/loss in connection with the refunding of the 1998 Series A Bonds by the Series A Bonds can not be determined due to the variable rate component of both series of bonds.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2005, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to $272.8 million.

Authorized and Unissued Debt

The net amount of authorized and unissued governmental activities – general obligation bonds as of June 30, 2005, was $21 million (Measure G). These bonds were authorized by the voters, in a City election, on March 5, 2002. The bonds are to be issued by the City to acquire, renovate, improve, construct, and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center.

Also, the City has $126.8 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The conduit debt issued and outstanding at June 30, 2005, is (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2005
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	$ 64,425	01/01/29	$ 63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/29	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,070
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1988	23,000	07/01/08	8,040
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	4,490
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	17,800
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc.)	5,800	07/01/33	5,800
TOTAL			$ 116,345

(13) GENERAL FUND UNRESERVED FUND BALANCE

The following designations reflect the City of Oakland's imposition of limitations on the use of the otherwise available expendable financial resources in the General Fund (in thousands).

Designations:

Pension obligations – PFRS	$59,726
Carryforward for Continuing projects	17,509
Motor vehicle-in-lieu backfill earmarked for FY 2006 budget	6,300
Lighting and Landscaping Assessment District gap funding for fiscal years 2006 and 2007	7,300
General Fund fiscal years 2005 to 2007 gap funding	3,200
Total designations	94,035
Unreserved/undesignated fund balance	46,308
Total General Fund unreserved fund balance	$140,343

(14) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2005 and 2004, are as follows (in thousands):

Workers' Compensation

	2005	2004
Unpaid claims, beginning of fiscal year	$94,874	$91,367
Current year claims and changes in estimates	21,465	21,181
Claims payments	(20,173)	(17,293)
Unpaid claims, end of fiscal year (Note 12)	$96,166	$94,874

General Liability

	2005	2004
Unpaid claims, beginning of fiscal year	$48,716	$49,569
Current year claims and changes in estimates	1,356	7,452
Claims payments	(6,973)	(7,145)
Unpaid claims, end of fiscal year (Note 12)	$43,099	$48,716

The above estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employees injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents.

The City is self-insured for its general liability, workers' compensation, malpractice liability, general, and auto liability and has excess reinsurance with the California State Association of Counties – Excess Insurance Authority as described below.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $25,000 deductible to be paid by the City. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2005, the amount of liability determined to be probable of occurrence is approximately $ 43,099,000. Of this amount, claims and litigation approximating $13,992,000 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the Agency are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the Agency's in-house counsel, the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial condition of the City and the Agency or changes in financial position.

The City has not accumulated or segregated assets or reserved fund balance for the payment of estimated claims and judgments.

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $96,166,000 in claims liabilities as of June 30, 2005, approximately $20,173,000 is estimated to be due within one year.

Insurance Coverage

On July 15, 2002, the City entered into a contract with the California State Association of Counties - Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/Purchase Insurance
General Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence
Automobile Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence
Public Officials Errors and Omissions	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual aggregate
Products & Completed Operations	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual aggregate
Employment Practices Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual aggregate
Workers' Compensation	up to $1,000,000	$1,000,000 to $100,000,000 per occurrence/ annual aggregate

Discretely Presented Component Unit

Workers' Compensation

The Port is exposed to risk of loss related to injuries of employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of $1,000,000 per accident. The Port carries commercial insurance for claims in excess of $1,000,000 per accident. The excess policy provides full statutory limits as established by California law.

Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses are based on an actuarial valuation performed as of June 30, 2005 and include an estimate of claims that have been incurred but not reported. There were no workers' compensation claims paid in fiscal year ended 2005, 2004 and 2003 above the $1,000,000 per accident limit. Changes in the reported liability resulted from the following (in thousands):

	2005	2004
Workers' compensation liability at beginning of fiscal year	$ 3,000	$ 3,000
Current year claims and changes in estimates	2,596	1,184
Claim payments	(996)	(1,184)
Workers' compensation liability at end of fiscal year	$ 4,600	$ 3,000

General Liability

The Port maintains general liability insurance in excess of specified deductibles. For the airport, coverage is provided in excess of $250,000 in the aggregate up to a maximum of $200,000,000. For the harbor area and the Port's real estate holdings, coverage is provided in excess of $1,000,000 per occurrence up to an aggregate amount of $150,000,000 per occurrence. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable. Amounts have been accrued as other liabilities.

(15) JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (the Corporation) is reported as a blended component unit of the Authority. The eight-member Board of Commissioners of the Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Corporation consists of the City Administrator and the County Administrator.

In August 1995, the Authority issued $9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and $188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City.

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. Certain revenues collected from Raiders football operations consisting of revenues from the sale of seat rights, as well as annual seat maintenance fees, a portion of net parking and concession revenues and concessionaires' initial fees, may be used toward meeting this liability. In the event that such football revenues are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate $11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $22 million annually in the event of default by the County.

On May 25, 2000, the Authority issued $201,300,000 in series 2000 C and D Refunding Bonds to retire $181,900,000 of the 1995 Variable Rate Lease Revenue Stadium Bonds ($188,500,000 less $6,600,000 principal payment). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid from the escrow established in 1995 at the time the Coliseum Authority issued the Stadium Bonds.

On August 2, 1996, the Authority issued $70,000,000 Series A-1 and $70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc. and the Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to $7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to $9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to $19,000,000 annually in the event of default by the County.

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to Oakland Coliseum Joint Venture.

On September 27, 1997, the City of Oakland, the County of Alameda, and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage.

The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium, (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement, and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. In a series of decisions, the court has ruled that (1) the Raiders Management cannot rescind or terminate its lease; and (2) the East Bay Entities do not have claims for damages; and (3) Coliseum, Inc. was the only East Bay entity against which the fraud claims could be tried. Raider Management increased their claim against the East Bay Entities for damages to $1.1 billion related to claims of fraudulent inducement. Prior to the trial, Raider Management agreed to arbitrate all breach of contract claims. At the conclusion of the trial, the jury found no liability on the fraud claims, but did award the Raiders damages of $34 million for negligent misrepresentation. This judgment has been entered only against Coliseum, Inc. Attorneys for the Oakland-Alameda County Coliseum, Inc. have filed an appeal of that decision. The judgment has been fully stayed pending the outcome of the appeal. A decision on the appeal is not expected until early 2006.

Debt service requirements for the Coliseum Authority debt are as follows (in thousands):

For the period	Stadium Debt		Arena Debt	
ending June 30,	Principal	Interest	Principal	Interest
2006	$ 6,100	$ 6,949	$ 2,700	$ 7,938
2007	5,500	6,606	3,000	7,766
2008	5,800	6,289	3,100	7,575
2009	6,200	5,924	3,300	7,377
2010	6,700	5,563	3,600	7,166
2011-2015	39,500	23,337	22,200	32,037
2016-2020	49,600	15,674	31,000	23,862
2021-2025	62,900	6,031	43,900	12,357
2026	-	-	10,800	697
TOTAL	$182,300	$ 76,373	$123,600	$106,775

Complete financial statements for the Authority can be obtained from the County Auditor-Controller's office at 1221 Oak Street, Oakland, CA 94612.

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2005, the City made contributions of $9,650,000 to fund its share of operating deficits and debt service payments of the Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the $20.5 million appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $11,150,000 for the 2005-06 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $91,150,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(16) PENSION PLANS

The City has three defined benefit retirement plans: Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS) and California Public Employees' Retirement System (PERS). PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the plans.

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

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2004	July 01, 2003	June 30, 2004

Significant actuarial assumptions

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the City's actuarial accrued liability.

	PFRS	OMERS	PERS
Investment rate of return	8.0%	8.0%	8.25%
Payroll growth	4.5%	3.0%	3.75%
Inflation rate	3.5%	3.5%	3.5%

Police and Fire Retirement System (PFRS)

PFRS provides death, disability and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2005, stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the years ended June 30, 2005 and 2004, these contributions ranged from 5.47% to 6.05%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits. The City issued pension obligation bonds in February 1997 to fund PFRS through 2011. Bond proceeds in the amount of $417,173,300 were contributed in fiscal 1997 and, as a result, no employer contributions are required through fiscal year 2011.

For the year ended June 30, 2005, employee contributions to PFRS totaling $24,236 were made in accordance with actuarially determined contribution requirements.

The City's actuaries do not make an allocation of the contribution amount between normal cost and the unfunded actuarial liability because the plan is closed. The actuarial calculations are based on the aggregate cost method and the asset valuation method is on the market value basis. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," for fiscal year ended June 30, 2005, were as follows:

Pension asset, beginning of year	$381,369,695
Plus interest on pension asset	30,509,576
Less adjustment to the annual required contribution	(37,386,460)
Plus pension contribution	17,709,888
Pension asset, end of year	$392,202,699

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2005 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2003	$5,895,820	—	$387,737,180
2004	6,367,485	—	381,369,695
2005	10,833,004	—	392,202,699

Annual contribution requirement, subsequent to receipt of pension obligation bond proceeds, is zero through the year 2011.

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, disability and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2005, stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

Active members contribute a percentage of earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 2005 and 2004, the employees' contribution rate was 5.33%. Employee contributions are refundable with interest at 4.50% per annum if an employee elects to withdraw from the plan upon termination of employment with the City. Because of the Retirement System's current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

California Public Employees Retirement System (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office—400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 7.438% for non-safety employees and 29.178% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2004-05, the City's annual pension cost of $87,441,278 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.75% to 14.20%), and (c) payroll growth of 3.75%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value).

PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	$ 37.0	100%	—
2004	48.4	100	—
2005	87.4	100	—

(17) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment.

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. Approximately $2,639,614 was paid on behalf of 767 retirees under this program for the year ended June 30, 2005.

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

The City has committed to funding in the amount of $64,115,918 to a number of capital improvement projects for fiscal years 2004-05 to 2005-06.

Discretely Presented Component Unit

The Port anticipates spending $652,700,000 through June 2008 for its capital improvement program. The most significant Aviation projects are the terminal expansion and renovation, apron reconstruction, parking, roadway and security improvements. The most significant Maritime projects are the 50-foot channel deepening; acquisition and conversion of Oakland Army Base; and the modernization, expansion, and renovation of wharves and terminals.

Other major renovation and expansion projects are in the preliminary planning phase for the Aviation and Maritime Divisions. These projects will not be included in the Capital Improvement Program until they are determined to be feasible.

As of June 30, 2005, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	$ 32,773
Aviation	134,501
Commercial real estate	1,801
Total	$169,075

The most significant projects for which the Port has contractual commitments are airport terminal expansion of $94,392,000; and modernization of maritime wharves and terminals new cranes of $12,350,000.

Power Purchases

The Port of Oakland purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. The Port determines needs and commits to purchase contracts with power providers in advance. The total purchase commitment at June 30, 2005 is approximately $3,000,000.

Other Commitments

Primary Government

As of June 30, 2005, the Agency has entered into contractual commitments of $3,630,167 for materials and services relating to various projects. These commitments and future costs will be funded by current available funds, tax increment revenue and other sources.

At June 30, 2005, the Agency was committed to fund $19,879,936 in loans and had issued $1,648,600 in letters of credit in connection with several low and moderate-income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City.

The Agency is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal year 2005-07, the Agency included in its Adopted Budget an ERAF shift of $9,560,838.

The City is also liable for environmental remediation cost of about $5,499,000 as of June 30, 2005 for the Agency's Uptown Project and its Edgewater Service Center.

Discretely Presented Component Unit

The Port is required to comply with a number of federal, state and local laws and regulations designed to protect human health, safety and the environment. In conforming to these laws and the implementing regulations, the Port has instituted a number of compliance programs and procedures.

It is the Port's intent that its environmental compliance programs be compliant with regulatory and legal requirements while effectively managing financial resources.

The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination.

As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues for a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods, current estimates of environmental liabilities could materially change, causing expense to the Port.

A summary of the environmental liability accounts, included within the financial statements at June 30, 2005, is as follows (in thousands):

Environmental remediation	$ 6,727
Miscellaneous compliance	218
Total environmental liabilities	$ 6,945

Oakland Base Reuse Authority

Commitments and Contingencies

Environmental Remediaton

Land conveyed to OBRA from the Army may be subject to environmental remediation as required by Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA is responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. OBRA has received a federal grant of $13 million to pay for the above-mentioned environmental remediation costs. Of this grant amount, $5 million has been received.

The next $11.5 million of environmental remediation costs are to be shared equally by OBRA and the Port. The next $9 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. OBRA and the Port have agreed to share equally in any environmental remediation-related costs above $21 million that are not covered by insurance.

OBRA management believes that none of the estimated environmental remediation costs will cause the recorded amounts any properties held for resale to exceed their estimated net realizable values. Accordingly, no provisions have been made in the financial statements for any related environmental remediation liabilities.

Other Commitments and Contingencies

OBRA and the Port have agreed to share equally in certain expenses related to the conveyance of the Economic Development Conveyance property. As of December 20, 2004, OBRA and the Port have paid a total of $5.7 million to the Workforce Collaborative. OBRA could incur liabilities of up to $2.55 million if the Port does not pay its share of the remaining $5.1 million due to the Workforce Cooperative. No provisions have been made to reflect any contingent liabilities should the Port not pay its share of post-conveyance liabilities.

As of June 30, 2005, OBRA share of the remaining liability to the Workforce Collaborative is $3.6 million. OBRA has set aside in escrow $2.25 million on behalf of the Workforce Collaborative.

OBRA is a cross-defendant in a lawsuit arising in the normal course of business. The ultimate outcome of the matter is not presently determinable. The cross-claim is being defended vigorously, and, in the opinion of OBRA, the action when finally adjudicated will not have a material adverse effect on the financial position of OBRA.

(19) DEFICIT FUND BALANCES/NET ASSETS

As of June 30, 2005, the following funds reported deficits in fund balance/net assets (in thousands):

Federal/State Grant Fund	$ (2,460)
Special Revenue - ORA Projects	(4,230)
Debt Service – Special Revenue Bonds	(1,454)

The City's federal/state grant fund deficit is expected to be cured through drawdown and collection of federal/state reimbursements. The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The Special Revenue Bonds deficit will be cleared by transferring in sufficient funds to cover debt service payments.

Internal Service:	
Facilities	$ (13,633)
Central Stores	(5,918)

The City's facilities and central stores funds deficits are expected to be funded through increased user charges for future years.

(20) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 19, 2005, the City issued tax and revenue anticipation notes payable of $70,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 2.62%. Principal and interest are due and payable on July 17, 2006.

Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A

On October 28, 2005 the Redevelopment Agency of the City of Oakland (the "Agency") issued $160,000,000 of Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A ("2005 Bonds"). The Agency acted as a conduit issuer to provide funds to make a loan to Uptown Housing Partners, L.P., a California limited partnership, in order to finance, along with certain other amounts, the construction, and equipping of the multifamily rental housing development located in Oakland, California (the "Project"). A portion of the units in the Project will be reserved for low-income tenants. The 2005 Bonds, set to mature on October 1, 2050, were issued as a private placement with an effective interest rate of 6.20%.

The 2005 Bonds do not constitute an indebtedness of the Agency as they were issued a conduit financing; neither the full faith and credit nor taxing authority of the Agency, State if California, or any political subdivision is obligated for the payment of the principal or interest on the 2005 Bonds. The 2005 Bonds are payable solely from revenue sources and receipts defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to bond indenture.

PERS ACTUARIAL VALUATION
SCHEDULE OF FUNDING PROGRESS

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

PUBLIC SAFETY RETIREMENT PLAN (POLICE AND FIRE)

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2002	$563,199,567	$373,263,858	$189,935,709	66.3%	$104,070,500	182.5%
2003	631,484,014	454,728,659	176,755,355	72.0%	111,041,143	159.2%
2004	730,092,603	529,461,015	200,631,588	72.5%	115,452,259	173.8%

MISCELLANEOUS RETIREMENT PLAN

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2002	$952,399,380	$1,003,318,723	$(50,919,343)	105.3%	$197,383,330	(25.8%)
2003	1,197,321,821	1,010,654,872	186,666,949	84.4%	207,930,860	89.8%
2004	1,259,667,702	1,066,027,320	193,640,382	84.6%	216,320,251	89.5%

(1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2003, the City Council approved the City's fourth two-year budget for fiscal years 2003-04 and 2004-05. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2004-05 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except as to certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year basis. The amounts of the projects and programs budgeted on a multi-year basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

Major Funds

Federal and State Grants
Oakland Redevelopment Agency
Municipal Capital Improvement

Nonmajor Funds

Special Revenue Funds
ORA Projects
Parks and Recreation and Cultural

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multi-year basis.

CITY OF OAKLAND
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2005
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$ 108,872	$ 130,886	$143,436	$ 12,550
State:				
Sales and use	41,410	41,410	41,651	241
Motor vehicle in-lieu	24,330	2,316	9,656	7,340
Local:				
Business license	44,660	44,660	43,902	(758)
Utility consumption	48,607	48,607	49,781	1,174
Real estate transfer	47,010	47,010	77,722	30,712
Transient occupancy	10,130	10,130	10,926	796
Parking	9,521	9,521	7,029	(2,492)
Franchise	11,676	11,676	11,128	(548)
Licenses and permits	14,742	14,173	15,652	1,479
Fines and penalties	24,552	24,599	24,632	33
Interest and investment income	-	-	20,845	20,845
Charges for services	61,134	63,899	66,375	2,476
Federal and state grants and subventions	2,229	2,546	591	(1,955)
Annuity income	16,308	16,308	-	(16,308)
Other	33,606	37,482	21,896	(15,586)
TOTAL REVENUES	498,787	505,223	545,222	39,999
EXPENDITURES				
Current:				
Elected and Appointed Officials-				
Mayor	1,742	1,742	1,552	190
Council	2,463	2,433	2,279	154
City Manager	16,590	10,085	9,276	809
City Attorney	7,605	7,985	8,055	(70)
City Auditor	1,083	1,093	1,106	(13)
City Clerk	2,091	2,179	1,644	535
Agencies/Departments:				
Personnel Resource Management	3,882	3,953	3,726	227
Information Technology	7,857	7,705	7,853	(148)
Financial Services	18,276	19,071	17,942	1,129
Police Services	157,884	159,356	171,639	(12,283)
Fire Services	90,540	91,575	90,442	1,133
Life Enrichment:				
Administration	-	14	7	7
Parks and Recreation	12,639	16,915	13,097	3,818
Library	10,554	10,729	10,478	251
Museum	7,016	7,078	7,089	(11)
Aging & Health and Human Services	6,301	8,143	6,910	1,233
Community and Economic Development	21,813	24,219	18,902	5,317
Public Works	30,061	34,936	28,909	6,027
Other	17,995	21,125	29,260	(8,135)
Capital outlay	3	1,105	1,184	(79)
Debt service:				
Principal repayment	214	1,671	670	1,001
Interest charges	-	241	123	118
TOTAL EXPENDITURES	416,609	433,353	432,143	1,210
EXCESS OF REVENUES OVER EXPENDITURES	82,178	71,870	113,079	41,209
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	-	61	349	288
Transfers in	14,088	14,088	27,506	13,418
Transfers out	(93,211)	(93,211)	(82,405)	10,806
TOTAL OTHER FINANCING USES, NET	(79,123)	(79,062)	(54,550)	24,512
NET CHANGE IN FUND BALANCE	3,055	(7,192)	58,529	65,721
Fund balances - beginning	233,308	233,308	233,308	-
FUND BALANCES - ENDING	$236,363	$ 226,116	$291,837	$ 65,721

The notes to the required supplementary information are an integral part of this schedule.

(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between Budgetary Basis "actual" and GAAP basis is a timing difference:

> In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2005, was $592,208.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	General Fund
Net change in fund balance – budgetary basis	$ 58,529
Amortization of debt service deposit agreement	592
Net change in fund balance – GAAP basis	$ 59,121

The General Fund's fund balance on a Budgetary Basis is reconciled to that on a GAAP basis as of June 30, 2005, which is as follows (in thousands):

	General Fund
Fund Balance, June 30, 2005 - Budgetary Basis	$291,837
Unamortized debt service deposit agreement	(7,569)
Fund Balance, June 30, 2005 – GAAP Basis	$284,268

General Fund Budgetary Basis Fund Balance at June 30, 2005, is composed of the following (in thousands):

	General Fund
Reserved:	
Encumbrances	$ 4,115
Long-term receivables	6,000
Debt service	3,379
Pension obligations	138,000
Unreserved reported in:	
General fund	140,343
TOTAL FUND BALANCES	$291,837

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APPENDIX C

FORM OF CITY INVESTMENT POLICY

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City of Oakland
and Oakland Redevelopment Agency
Investment Policy
For
Fiscal Year 2005-2006

Prepared by
Treasury Division, Finance and Management Agency
Adopted by the City Council and Oakland Redevelopment *Agency*
On June 21, 2005

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I. General

Authority

Pursuant to Council Resolution Nos. 75855 C.M.S. and 00-38 C.M.S. and in accordance with Government Codes Section 53607, the City Council delegates to the Director of Finance and Management Agency/Treasurer the authority to invest the City's and the Agency's operating fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also allows the City to present an annual investment policy for confirmation to the City Council, which the City Council shall consider at a public meeting. This Investment Policy is now amended and adopted as of June 2005 and will serve as the City of Oakland's Investment Policy for fiscal year 2005-06 and until further revised. By approval of this Investment Policy the City Council extends the authority and responsibility of the Director of Finance and Management Agency/Treasurer to invest or to reinvest the City's and the Agency's funds, or to sell or exchange securities so purchased, all as provided by Government Code Section 53607.

Scope

The Investment Policy applies to the operating funds of the City of Oakland and the Port of Oakland (the "City Operating Portfolio") and the Oakland Redevelopment Agency (the "Agency Operating Portfolio"). As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds also are not governed by this Investment Policy, but rather by the policies and federal or State statutes explicitly applicable to such funds.

Delegation

Management responsibility for the investment program is specifically delegated to the Treasury Manager who shall establish procedures for the investment program, which are consistent with this Investment Policy. Authorization for investment decisions is limited to the Treasurer and Treasury Manager. A Principal Financial Analyst may execute investment transactions in the absence of the Treasury Manager per the Treasury Manager instructions or prior authorization.

A Principal Financial Analyst, Financial Analyst, or Treasury Analyst may make decisions only with respect to overnight investments, but may implement investment decisions received directly from the Treasurer or Treasury Manager.

Prudent Investor Standard

All investments and evaluation of such investments shall be made with regard to the "prudent Investor" standard of care, that is, with the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Avoidance of Conflicts of Interest

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions. Any material financial interests in financial institutions, which do business with the City, should be disclosed to the City Administrator. Personal investment transactions are to be subordinate to those of the City, particularly with respect to the timing of purchases and sales. All individuals involved in the investment process are required to report all gifts and income in accordance with California State law.

Internal Control

The Director of Finance and Management Agency/Treasurer and Treasury Manager shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

The independent/external auditors shall perform an annual appraisal audit of the investment portfolio to evaluate the effectiveness of the City's investment program as well as its compliance with the Investment Policy. Additionally, the City Auditor's Office is directed to conduct periodic audits of Treasury operations to review its procedures and policies and to make recommendations for changes and improvements, if warranted.

2. *Applicable Ordinances*

Nuclear Free Zone Ordinance

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S., which restricts the City's investment in U.S. Government Treasuries. The Treasurer will make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries issued by the Government. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S. Treasury securities.

Linked Banking Ordinance

Pursuant to Ordinance No. 11067 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

Tobacco Divestiture Resolution

On February 17, 1998 Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Division maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

Preferences

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

3. *The Portfolio*

Definition of the Portfolio

For the purposes of this Investment Policy, the "Portfolio" or "Fund" consists of the unexpended fund balances of the City of Oakland (including certain operating funds held from time to time for the City's Retirement Systems) and the Port of Oakland, and the "Agency Portfolio" or "Agency Fund" consists of the unexpended fund balances of the Oakland Redevelopment Agency. This Investment Policy applies equally to both the City and the Agency, and all references to "Portfolio" or "Fund" are deemed to include that of each respective entity.

As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not included in the Portfolio, but rather shall be invested separately pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds are not included in the Portfolio, but rather shall be invested separately pursuant to the respective policies and federal or State statutes explicitly applicable to such funds.

Objectives

Preservation of Capital (Safety)

The first and primary goal of the Fund is the preservation of capital. Investments shall be made with the aim of avoiding losses due to market value risk, issuer default and broker default. Diversification of the Fund further ensures that potential losses on individual securities do not exceed the income generated on the remainder of the Fund.

Liquidity

Adequate cash on hand to meet cash disbursements and payroll are to be covered through maturing investments. Cash flow modeling is an integral part of the overall cash management responsibilities of the Treasury Division.

Diversity

Reducing overall portfolio risks while maintaining market average rates of return is essential. The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Fund and proceeds of or pledged revenues for any tax revenue anticipation notes.

Yield

While not the primary consideration of the Fund, it is important to recognize that the objectives of the City go beyond the preservation of capital. The Fund is managed to maximize its overall return with consideration of the safety, liquidity, and diversity parameters discussed above.

Custody

All investments of the City/Agency are to be secured through third-party custody and safekeeping procedures. All securities purchased from dealers and brokers shall be held in safekeeping by the City's custodial bank, which establishes ownership, by the City of Oakland or the Agency, as applicable.

All collateralized securities, such as repurchase agreements, are to be purchased using delivery versus payment procedures.

Reporting Requirements

Interim Requirements to Council

After the adoption of California Government Code Section 53646, the City is not mandated to submit an annual investment policy or a quarterly investment report to its legislative body. As best practice and sound financial management practice, the Director of Finance and Management Agency/Treasurer will submit a quarterly investment report and an annual investment policy for the City and the Agency within 30 days following the period being reported to the City Council.

The quarterly report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646, so long as it has been submitted to the City Administrator within 30 days following the period being reported to be scheduled for Finance and Management Committee. The quarterly cash management report for the period ending June 30 will be filed in a timely manner, but it will not be approved until September due to the City Council summer recess.

The report will include the information required under Government Code Section 53646 including: the type of investment, issuer, date of maturity, par and dollar amount invested (this data may be in the form of a subsidiary ledger of investments); a description of any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure requirements for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

Annual Requirements

The Government Accounting Standards Board (GASB) Statement #31 requires the portfolio be marked to market each June 30 in accordance with requirements of generally accepted accounting principals and the Government Accounting Standards Board. However, unrealized gains or losses will not be distributed.

The Government Accounting Standards Board (GASB) Statement #40 is effective for the June 30, 2005, annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Financial Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how to mitigate the risk.

Custodial Credit Risk: In the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party. To protect against fraud and potential losses form the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust departments, acting as a agent for the City under the terms of the Custody Agreement.

Credit Risk (Financial Risk): The possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance.

Concentration of Credit Risk: The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Interest Rate Risk: The possibility that an interest rate change could adversely affect an investment's fair value. The City manages interest rate risk by measuring the duration of the portfolio as a method of gauging the degree of interest rate risk to which the portfolio is exposed. Duration measure the exposure to fair value arising from changing interest rates by using the present value of cash flows weighted as a percentage of the investment's full price.

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

Reports to California Debt and Investment Advisory Commission (CDIAC)

In addition, the City Treasurer shall submit a copy of the second and fourth quarter cash management reports (based on a calendar year) to the California Debt and Investment Advisory Commission within 60 days of the close of the quarter. A copy of this investment policy will also be remitted with the second quarter report.

Derivatives

Callable step-up securities and floaters (which are tied to a short-term index such as 3- or 6-month LIBOR, 3-month Treasury Bills or Fed Funds rate) are considered suitable investments.

Structured notes, capped and range floaters, floating rate notes tied to a long-term index such as the Cost of Funds Index, inverse floaters and leveraged floaters are not permitted investments of the Fund at this time.

Collateralized Mortgage Obligations or their derivatives such as interest only strips are not permitted investments at this time.

General Credit Quality

Short- term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investor Service, Inc. or "F-1" by Fitch. Long-term debt shall be rated at least "A" by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund, the Treasurer, in consultation with the Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

Maturity

The average maturity of the investment portfolio shall not exceed 540 days. The maximum maturity for any one investment shall not exceed 5 years unless authority for such investment is expressly granted in advance by the City Council in accordance with Government Code Section 53601. If portfolio percentage constraints are violated due to a temporary imbalance in the portfolio, then the City shall hold the affected securities to maturity in order to avoid capital losses. Portfolio percentage limits are in place in order to ensure diversification of the City investment portfolio; a small, temporary imbalance will not significantly impair that strategy.

Trading Policies

Sales Prior to Maturity

"Buy and hold" is not necessarily the strategy to be used in managing the Funds. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

Purchasing Entities, Broker/Dealers and Financial Institutions

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as a broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasury Manager will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the City of Oakland's approved list. Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of National Association of Securities Dealers certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and annually thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer or Treasury Manager may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer or Treasury Manager is materially adverse to the best interests of the City/Agency.

4. Permitted Investments

The following securities are permissible investments pursuant to Section 53601 of the Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council and/or the Agency.

U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

Maximum Maturity	5 years
Maximum Portfolio Exposure	20%*
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

* 20% limit is a result of the Nuclear Free Zone Ordinance, subject also to prior adoption by Council of a waiver for a period not to exceed 60 days allowing investment in U.S. Treasury securities due to specified findings. There is no limitation under the Government Code.

Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

Banker's Acceptances (BA)

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

Maximum Maturity	180 days
Maximum Portfolio Exposure	40%
Maximum Issuer Exposure	30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer
Credit Requirement	Al, P1, or F1 (S&P/Moody's/Fitch)

Commercial Paper

A short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

Maximum Maturity	270 days
Maximum Portfolio Exposure	25%
Maximum Issuer Exposure	10% of the outstanding paper of the issuer; maximum 5% per issuer
Credit Requirement	Prime quality of the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO). For example, A1 or P1 (S&P/Moody's); or F1 (Fitch).
Eligibility	Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

Asset-Backed Commercial Paper

Asset-Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over-collateralization, letters of credit, surety bonds, etc.)

Maximum Maturity	270 days
Maximum Portfolio Exposure	25% (Not to exceed 25% of total secured and unsecured CP)
Credit Requirement	Rated "A1" by Standard and Poor's, "P1" by Moody', or "F1" by Fitch
Eligibility	Issued by special purpose corporations ("SPC") organized and operating in the the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States. Program must have credit facility that provides at least 100% liquidity Serialized ABCP programs are not eligible

Ratings are to be routinely monitored. The Treasurer or Treasury Manager is to perform his/her own due diligence as to creditworthiness.

Local Government Investment Pools

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Must retain an Investment Advisor	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million

Fund Composition	Comprised of instruments in accordance with the California State Government Code

Medium Term Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

Maximum Maturity	5 years (additional limitations based on credit, below)
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest. Maturity no greater than 24 months ("A" category) or 36 months ("AA" category)
Eligibility	Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States

Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

Maximum Maturity	5 years
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise, for Domestic Banks and Savings & Loans a minimum of C (Thomson Bank Watch) and

	for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings

Repurchase Agreements

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Maximum Dealer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency

Reverse Repurchase Agreements

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

Maximum Maturity	92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)
Maximum Portfolio Exposure	20% of the base value of the portfolio
Mark-to-Market	Daily

Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City

Secured Obligations and Agreements

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

Maximum Maturity	2 years
Maximum Portfolio Exposure	20%
Maximum Issued/Provider Exposure	Prudent person standard applies overall; maximum 5% per issue
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Credit Requirement	Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company
Eligibility	Banks, insurance companies, insurance holding companies and other financial institutions

Certificates of Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $100,000. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and federal law or rulings) pursuant to the following conditions:

Maximum Maturity	360 days
Maximum Portfolio Exposure	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	For deposits over $100,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/ Fitch) being the lowest, if rated by S&P, Moody's or Fitch; otherwise, for Domestic Banks and Savings & Loans, a minimum

	standard of C (Thompson Bank Watch) and for Foreign Banks a minimum of B (Thompson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings
Deposit Limit	For federally insured deposits of $100,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution
Depository Selection	Highest available rate of interest
Institution Requirements	Most recent Annual Report

Note: Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee

Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Investment Advisor Alternative to Ratings	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition	Comprised of instruments in accordance with the California State Government Code

State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $40 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget by July 1st of each new fiscal year.

Maximum Maturity	N/A
Maximum Portfolio Exposure	None

Local City/Agency Bonds

Bonds issued by the City of Oakland, the Redevelopment Agency or any department, board, agency or authority of the City or the Redevelopment Agency.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Prudent person standard applies

State of California Bonds

State of California registered state warrants, treasury notes, or bonds issued by the State or by a department, board, agency or authority of the State.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Credit Requirement	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer

Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency within the state.

Maximum Maturity	5 years
Maximum Portfolio Exposure	Prudent person standard applied overall; maximum 5% per issuer
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	Prudent person standard applies

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the **CITY OF OAKLAND, CALIFORNIA** (the "City") in connection with the issuance of $21,000,000 City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006, between the City and the Fiscal Agent (collectively the "Fiscal Agent Agreement"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule.

Section 2. Definitions. The definitions set forth in the Fiscal Agent Agreement apply to all capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Central Post Office" means the DisclosureUSA website maintained by the Municipal Advisory Council of Texas or any successor thereto, or any other organization or method approved by the staff or members of the Securities and Exchange Commission as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Certificate. As of the date of this Disclosure Certificate, communications with DisclosureUSA may be directed to P.O. Box 684667, Austin, Texas 78768-4667; Fax: (512) 476-6403.

"Dissemination Agent" shall mean the City, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"National Repository" shall mean the repositories designated by the Securities and Exchange Commission from time to time for purposes of the Rule. Information on the National Repositories as of a particular date is available on the Internet at www.sec.gov/info/municipal/nrmsir.htm.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. Information regarding state information repositories can be found at www.sec.gov/info/municipal/nrmsir.htm#state. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) 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 is currently June 30) commencing with the 2005-2006 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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. 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.

(b) Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide to the Dissemination Agent and the Repositories an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing the Repositories to which it was provided.

(d) Notwithstanding any other provision of the Disclosure Certificate, the City reserves the right to make any of the aforementioned filings through a Central Post Office.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. The assessed valuation of taxable property in the City;

3. Property taxes (including the Tax Override Revenues) due, property taxes collected and property taxes delinquent;

4. Property tax levy rate per $1,000 of assessed valuation; and

5. Outstanding general obligation debt of the City.

Such annual information and operating data described above shall be provided on or before nine months after the end of the City's fiscal year. The City's current fiscal year ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository, if any. In lieu of providing such annual financial information and operating data, the City may cross-reference to other documents provided to the National Repository, the State Repository or to the Commission and, if such document is a final official statement within the meaning of the Rule, available from the MSRB.

Section 5. Material Events. The City agrees to provide or cause to be provided, in a timely manner, to the State Repository, if any, and to each National Repository or to the MSRB notice of the occurrence of any of the following events (the "Listed Events") with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

3. Modifications to rights of the Holders of the Bonds.

4. Optional, contingent or unscheduled bond calls.

5. Defeasances.

6. Rating changes.

7. Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.

8. Unscheduled draws on debt service reserves reflecting financial difficulties.

9. Unscheduled draws on credit enhancements reflecting financial difficulties.

10. Substitution of the credit or liquidity providers or their failure to perform.

11. Release, substitution or sale of property securing repayment of the Bonds.

; provided, that any event under subsections (1) or (6) of the definition of the term "Listed Event" will always be deemed by the City to be material.

Notwithstanding the foregoing, notice of Listed Events described in (4) and (5) need not be given under this Section 5 any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Fiscal Agent Agreement.

If the City determines that knowledge of the occurrence of a Listed Event would be material, the City shall promptly file a notice of such occurrence with each Repository, or with the Central Post Office.

Section 6. Termination of Reporting Obligation. The obligations of the City under this Disclosure Certificate shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 7. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), 3(b), 4 or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Fiscal Agent Agreement for amendments to the Fiscal Agent Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, 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 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the 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, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Neither the Fiscal Agent nor the Dissemination Agent shall be responsible for the accuracy or validity of any information contained in any Annual Report or report of a Listed Event prepared by the City under this Disclosure Certificate.

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. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 12. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Disclosure Certificate; provided that any such action may only be instituted in a Federal or State Court located in the City. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Fiscal Agent Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Prior Undertakings. The City each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 14. Effective Date. This Disclosure Certificate shall be effective on and as of the date set forth on the execution page.

Section 15. Notices. Any notices or communications to the City relating to this Disclosure Certificate may be given as follows:

If to the City:

City of Oakland
Finance and Management Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Attention: Treasury Manager
Telephone: (510) 238-3201
Fax: (510) 238-2137

The City may, by written notice to the other parties acting hereunder, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 16. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Certificate is given this ______ day of ____________, 2006.

CITY OF OAKLAND, CALIFORNIA

By:________________________________

Its:________________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	**THE CITY OF OAKLAND, CALIFORNIA**
Name of Bond Issue:	City of Oakland, California General Obligation Bonds (Series 2006, Measure G) (the" Bonds")
Date of Delivery:	____________, 2006.

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated the Date of Delivery, relating to the Bonds. The City anticipates that the Annual Report will be filed by _________.

Dated: ___________________

CITY OF OAKLAND, CALIFORNIA

By: ________________________________
Authorized Representative

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APPENDIX E

BOOK--ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the Bonds; (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. 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.

Neither the City nor the Fiscal Agent will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Fiscal Agent Agreement; or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

1. DTC will act as securities depository for the Bonds (herein, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (OTC'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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA.

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 representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other 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 transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the 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 such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 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 Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts or customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the City and the Fiscal Agent. Under such circumstances, in the event that a successor securities 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.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Fiscal Agent Agreement relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the City for further information regarding such provisions of the Fiscal Agent Agreement

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

__________ __, 2006

To: City of Oakland

We have acted as Bond Counsel to the City of Oakland, California (the "City"), in connection with the issuance by the City of $21,000,000 aggregate principal amount of its City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), dated as the date hereof. The Bonds are issued under and pursuant to an Resolution of the City Council adopted on May 2, 2006 (the "Resolution"), a Fiscal Agent Agreement, dated as of November 1, 2002 as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), (the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), the Charter of the City and the provisions of the Governmental Code of the State of California. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Fiscal Agent Agreement

In our capacity as Bond Counsel, we have reviewed: the Resolution; the Fiscal Agent Agreement; the Tax Compliance Certificates of the City, of certain other organizations using the facilities to be financed with the Bonds (the "Facility Users") and of the original purchaser of the Bonds, dated the date hereof (collectively the "Tax Certificate"); other certifications of the City, the Fiscal Agent and others as to certain factual matters; and such other certificates, documents, opinions of the City Attorney and other matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City in the Resolution, the Fiscal Agent Agreement, the Tax Compliance Certificate and other relevant documents to which it is a party, and of the Facility Users in the Tax Certificate. The accuracy of certain of those representations and certifications, and compliance by the City and the Facilities Users with certain of those covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations of the City under the Resolution, the Bonds and the Fiscal Agent Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion relating thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Resolution has been duly and validly adopted, the Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and each constitutes the valid, legal and binding obligation of the City.

2. The Bonds constitute the valid and binding general obligations of the City.

3. The City Council of the City has the power and is obligated, and in the Fiscal Agent Agreement has covenanted, to levy ad valorem taxes on all property within the City's boundaries subject to such taxes by the City, which taxes are unlimited as to rate or amount (except certain personal property which is taxable at limited rates), for payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

APPENDIX G

SPECIMEN POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne G. Gill

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Noraida Lauro

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

Secretary

Authorized Representative

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18

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE REGARDING OFFICIAL STATEMENT AND OTHER MATTERS

I, Deborah A. Edgerly, hereby certify that I am the City Administrator of the City of Oakland (the "City") and as such I am authorized to executed this Certificate on behalf of the City.

I hereby further certify in my official capacity, for and on behalf of the City, that, to the best of my knowledge and belief, the Official Statement, dated June 14, 2006 (the "Official Statement"), relating to the captioned Bonds is true and correct in all material respects and did not as of its date, and does not as of the date hereof, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

I further certify that, to the best of my knowledge, the City is not, in any material way, in breach of or in default under any applicable Constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment or decree to which the City is a party or is otherwise subject.

Dated: June 28, 2006

CITY OF OAKLAND

By: Deborah A. Edgerly
City Administrator

Nir: Client file

Moody's Investors Service

One Front Street, Suite 1900
San Francisco, CA 94111

June 15, 2006

Ms. Deborah Edgerly
City Administrator
County of Oakland
150 Frank Ogawa Plaza
5th Floor
Oakland, CA 94612

Dear Ms. Edgerly:

We wish to inform you that on June 05, 2006, Moody's Investors Service reviewed and assigned a rating of A1 to Oakland (City of) CA's General Obligation Bonds, Series 2006, Measure G.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, Pascal Hans St. Gerard, at 415-274-1719.

Sincerely,

Kenneth B. Kurtz

Kenneth B. Kurtz
Managing Director

KBK:PHS/cm

cc: Ms. Jan Mazyck
Public Financial Management
633 West 5th Street, Suite 6700
Los Angeles, CA 90071

The McGraw-Hill Companies

STANDARD
&POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 777302

June 2, 2006

City of Oakland
Financial Services Agency
150 Frank Ogawa Plaza
5th Floor
Oakland, CA 94612
Attention: Ms. Katano Kasaine, Treasury Manager

Re: ***US$21,000,000 Oakland, California, General Obligation Bonds, (Measure G), Series 2006, dated: Date of Delivery, due: January 15, 2026***

Dear Ms. Kasaine:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933 The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poor's (LRW)

jf
enclosures
cc: Ms. Janice S. Mazyck, Managing Director
Public Financial Management, Inc.

STANDARD
&POOR'S

Standard & Poor's Ratings Services
Terms and Conditions
Applicable To
U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

Fitch Ratings

June 7, 2006

Ms. Katano Kasaine
Treasury Manager
Oakland
Treasury
150 Frank Ogawa Plaza
5th Floor
Oakland, CA 94612

Dear Ms. Kasaine:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Amy S. Doppelt
Managing Director
U.S. Public Finance

AD/mc

Enc: Notice of Rating Action
(Doc ID: 39966)

Notice of Rating Action

Bond Description	Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
Oakland (CA) (Measure G) GO bonds ser 2006	Long Term	New Rating	A+	RO:Sta	01-Jun-2006	
Oakland (CA) (Measure DD) GO bonds ser 2003A (insured: MBIA Insurance Corp.)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1
Oakland (CA) (Measure G) GO bonds ser 2002A (insured: Financial Guaranty Insurance Company)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1
Oakland (CA) (Measure K) GO bonds ser 1997C (insured: MBIA Insurance Corp.)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1
Oakland (CA) GO bonds	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	
Oakland (CA) GO bonds ser 1997 (insured: Financial Guaranty Insurance Company)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1
Oakland (CA) GO bonds ser 2000D (insured: Ambac Assurance Corp.)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1
Oakland (CA) GO rfdg bonds ser 2000E (insured: Ambac Assurance Corp.)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1
Oakland Joint Powers Financing Authority (CA) (City of Oakland General Obligation Bond Program) rfdg rev bonds ser 2005 (insured: Ambac Assurance Corp.)	Long Term	Affirmed	A+	RO:Sta	01-Jun-2006	1

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Notes

1 The rating is an underlying rating, given without consideration of credit enhancement.

PFM

Wire instructions for the net purchase price are as follows:

Bank of New York Trust Company
ABA = ???
BNF Account = ???
FFC = ???
REF = ???
ATTN = Millie Canessa (415) 263-2420

Citigroup will confirm receipt of the transferred funds by Wells Fargo Bank, NA by providing a wire transfer number to Ms. Millie Canessa at (415) 263-2420 and to Ms. Jan Mazyck or Mr. Nii Addy at (213) 489-4075.

2. Also Bear Stearns will send a wire to JP Morgan Chase Bank in the amount of $97,400.00 representing payment to AMBAC for the municipal bond insurance policy #25482BE.

Wire instructions for the insurance wire are as follows:

Citibank N.A.
ABA NO. 021000089
For: Ambac Assurance Corporation
A/C No. 40609486
Attention: Linda Crocitto, 212-208- 3241

20

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

City of Oakland
[Name of Issuer]

March 16, 1995
[Date]

Attention: Underwriting Department — Eligibility
The Depository Trust Company
55 Water Street; 50th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

Dolores E Blanchard
(Issuer)

By: Dolores E. Blanchard
(Authorized Officer's Signature)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: James McSweeney

Rev. 12/12/94

For Office Use Only

CDIAC #: ____________

REPORT OF PROPOSED DEBT ISSUANCE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-00001
Tel.: (916) 653-3269 FAX: (916) 654-7440

Completion and timely submittal of this form to the California Debt and Investment Advisory Commission (CDIAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.[1]

ISSUER NAME: City of Oakland

(If pool bond, list participants)

ISSUE NAME: General Obligation Bonds, Series 2006, Measure G

Please specify type/name of project: ____________

PROPOSED SALE DATE: June 28, 2006 **PRINCIPAL TO BE SOLD:** $21,000,000

IS ANY PORTION OF THE DEBT FOR REFUNDING?[2]

☒ No ☐ Yes, proposed amount for refunding $ ____________

Issuer Contact:

Name: Katano Kasaine

Title: Treasury Manager

Address: Financial Services Agency, 150 Frank Ogawa Plaza, 5th Floor, Oakland, CA 94612

Phone: 510.238.2989 E-mail: kkasaine@oaklandnet.com Issuer Located In Alameda County

Filing Contact: Name of Individual (representing ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Robert H. Olson

Firm/Agency: Squire Sanders & Dempsey L.L.P.

Address: One Maritime Plaza, Suite 300, San Francisco, CA 94111

Phone: 415.393.9819 E-mail: rolson@ssd.com

Send acknowledgment/copies to: Sadie Lum, Asst. to Robert Olson E-mail: slum@ssd.com

FINANCING PARTICIPANTS:

BOND COUNSEL: Squire, Sanders & Dempsey L.L.P.

FINANCIAL ADVISOR: Public Financial Management

UNDERWRITER\PURCHASER: Competitive

IS THE INTEREST ON THE DEBT TAXABLE?

Under State law: ☒ NO (tax-exempt) ☐ YES (taxable)

Under Federal law: ☒ NO (tax-exempt) ☐ YES (taxable)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

☐ Yes, preference item ☒ No, not a preference item

TYPE OF SALE: ☒ **Competitive** ☐ **Negotiated**

[1] *Section 8855(k) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(l), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."*

[2] *Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.*

TYPE OF DEBT INSTRUMENT

NOTE
- ☐ Bond anticipation (BAN)
- ☐ Grant anticipation (GAN)
- ☐ Other note (Please specify below.) (OTHN)
- ☐ Revenue anticipation (RAN)
- ☐ Tax allocation (TALN)
- ☐ Tax and revenue anticipation (TRAN)
- ☐ Tax anticipation (TAN)

- ☐ Commercial paper (CP)
- ☐ Certificates of participation/leases (COPL)
- ☐ Other (Please specify below.) (OTH)

BOND
- ☐ Conduit revenue (Private obligor) (CRB)
- ☒ General obligation (GOB)
- ☐ Limited tax obligation (LTOB)
- ☐ Other bond (Please specify below.) (OTHB)
- ☐ Public lease revenue (PLRB)
- ☐ Revenue (Pool) (RB)
- ☐ Revenue (Public enterprise) (PERB)
- ☐ Sales tax revenue (STRB)
- ☐ Special assessment (SAB)
- ☐ Tax allocation (TAB)

Please specify if "Other note/Other bond/Other" was checked: ____________________

SOURCE(S) OF REPAYMENT
- ☐ Bond proceeds (BDPR)
- ☐ General fund of issuing jurisdiction (GNFD)
- ☐ Grants (GRNT)
- ☐ Intergovernmental transfers other than grants (ITGV)
- ☐ Local obligations (LOB)
- ☐ Private obligor payments (POP)
- ☐ Other (Please specify.) (OTHS): ____________________

- ☒ Property tax revenues (PRTX)
- ☐ Public enterprise revenues (PER)
- ☐ Sales tax revenues (SATR)
- ☐ Special assessments (SA)
- ☐ Special tax revenues (SPTR)
- ☐ Tax-increment (TI)

PURPOSE(S) OF FINANCING
- ☐ Cash flow, interim financing (CFIF)
- ☐ Project, interim financing (PIF)

- ☐ College/university housing (CUH)
- ☐ Multifamily housing (MFH)
- ☐ Single-family housing (SFH)

- ☐ Health care facilities (HCF)
- ☐ Hospital (HOSP)
- ☐ Other/multiple health care purposes (equipment; etc.)(OMHC)

- ☐ College/university facility (CUF)
- ☐ K-12 school facility (KSCH)
- ☐ Other/multiple education uses (equipment, etc.)(OMED)
- ☐ Student loans (SLC)

- ☐ Redevelopment, multiple uses (RD)

- ☐ Commercial development (CMDV)
- ☐ Industrial development (INDV)
- ☐ Pollution control (PC)

- ☐ Airport (APRT)
- ☐ Bridges and highways (BRHI)
- ☐ Convention center (CCTR)
- ☐ Equipment (EQUP)
- ☐ Flood control/storm drainage (FLDS)
- ☐ Multiple capital improvements and public works (MCAP)
- ☐ Other capital improvements and public works (OCAP)
- ☐ Parking (PRKG)
- ☐ Parks/open space (PRKO)
- ☐ Ports and marinas (PRTS)
- ☐ Power generation/transmission (PWR)
- ☐ Prisons/jails/correctional facilities (PRSN)
- ☐ Public building (PB)
- ☐ Public transit (PTR)
- ☐ Recreation and sports facilities (RCSP)
- ☐ Seismic safety improvements/repair (SSI)
- ☐ Solid waste recovery facilities (SWST)
- ☐ Street construction and improvements (SCI)
- ☐ Wastewater collection and treatment (WSTW)
- ☐ Water supply/storage/distribution (WTR)

- ☐ Insurance/pension funds (IPF)
- ☒ Other than listed above (OTH)

Please specify type/name of project if different from above: Improvements to Oakland Museum of California and Oakland Zoo

52124.8

Phil Angelides
State Treasurer and Chair

STATE OF CALIFORNIA

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
915 CAPITOL MALL, ROOM 400
P.O. BOX 942809
SACRAMENTO, CA 94209-0001
TELEPHONE: (916) 653-3269
FAX: (916) 654-7440

June 14, 2006

TO: Sadie Lum
Squire Sanders & Dempsey
One Maritime Plaza #300
San Francisco, CA 94111

FROM: Executive Director

RE: **ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE**

Section 8855(k) of the California Government Code requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any public agency debt issue.

The Commission acknowledges your written notice of the following proposed debt issuance:

CDIAC Nbr:	2006-0796
Issuer:	Oakland
Project:	Measure G
Proposed Amount:	$21,000,000.00
Proposed Sale Date:	June 28, 2006
Date Notice Received:	June 13, 2006

Please submit the **Report of Final Sale** and the Official Statement (or offering circular) on this issue within 45 days of sale date. Any questions regarding reporting requirements may be directed to the CDIAC staff at (916) 653-3269.

Cc: Katano Kasaine
Treasury Manager

REPORT OF FINAL SALE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440

For Office Use Only

RCVD JUN 29 '06

Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

CDIAC #: ____________

ISSUER NAME: City of Oakland, California

(If pool bond, list participants)

ISSUE NAME: General Obligation Bonds (Series 2006, Measure G)

IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?

☐ 1) Marks-Roos Local Bond Pooling Act ☐ 2) JPA Law ☐ 3) Installment Sales Agreement, Lease... ☐ 4) Housing Revenue Bond Law & Industrial Development Bond Law ☐ 5) Other ____________

WILL A VALIDATION ACTION BE PURSUED: ☒ No ☐ Yes ☐ Unknown

ACTUAL SALE DATE: June 14, 2006 PRINCIPAL SOLD: $ 21,000,000

IS ANY PORTION OF THE DEBT FOR REFUNDING?[1]

☒ No ☐ Yes, refunding amount (including costs) $ ____________

Issuer Contact:

Name: Katano Kasaine

Title: Treasury Manager, Finance and Management Agency

Address: 150 Frank Ogawa Plaza, 5th Floor, Oakland, California 94612

Phone: 510-238-2989 ISSUER LOCATED IN Alameda COUNTY

Filing Contact: Name of Individual (representing: ☒ Bond Counsel, ☐ Issuer, ☐ Financial Advisor, or ☐ Lead Underwriter) who completed this form and may be contacted for information:

Name: Robert H. Olson, Esq.

Firm/Agency: Squire, Sanders & Dempsey L.L.P.

Address: One Maritime Plaza, Suite 300, San Francisco, CA 94111

Phone: 415-393-9819 E-Mail: rolson@ssd.com

Send acknowledgement/copies to: Attention: Sadie Lum, Assistant to Robert Olson

Name of individual to whom an invoice for the CDIAC issue fee should be sent:[2]

Name: David Officer

Firm: Bear, Stearns & Co., Inc.

Address: 383 Madison Avenue, 11th Floor, New York, NY 10179

Phone: 212-272-4910

[1] *Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at public sale.*

[2] *This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDIAC.*

RCVD JUN 29 '06

FINANCING PARTICIPANTS (Firm name) — **OFFICE LOCATION** (City/State)

FINANCIAL ADVISOR: Public Financial Management — Los Angeles, California

LEAD UNDERWRITER/PURCHASER: Bear Stearns — New York, NY

BOND COUNSEL: Squire Sanders & Dempsey — San Francisco, CA

TRUSTEE/PAYING AGENT: The Bank of New York, N.A. — San Francisco, CA

MATURITY SCHEDULE

☐ Attached ☒ Included in Official Statement

MATURITY STRUCTURE

☐ Serial (S) ☐ Term (T)

☒ Serial and term bonds or two or more term (B)

FINAL MATURITY DATE: 1/15/2036

FIRST OPTIONAL CALL DATE: 1/15/2017

SENIOR/SUBORDINATE STRUCTURE ☐ Yes ☒ No

OFFICIAL STATEMENT/OFFERING MEMORANDUM:

☒ Enclosed ☐ None prepared

WAS THE ISSUE INSURED OR GUARANTEED?

☐ No

☒ Bond Insurance (I)

☐ Letter of Credit (L)

☐ State Intercept Program (T)

☐ Other (0)

GUARANTOR: Financial Security Assurance Inc.

ENHANCEMENT EXPIRATION DATE: To Maturity

INDICATE CREDIT RATING:

(For example, "AAA" or "Aaa")

☐ Not Rated

☒ Rated

Standard & Poor's: AAA

Fitch: AAA

Moody's: Aaa

Other:

REASON FOR NEGOTIATED REFUNDINGS

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.

☐ (1) Timing of the sale provided more flexibility than a public sale

☐ (2) More cost savings were expected to be realized than a public sale

☐ (3) More flexibility in debt structure was available than a public sale

☐ (4) Issuer able to work with participants familiar with issue/r than a public sale

☐ (5) All of the above

☐ (6) Other (please specify)

IS THE INTEREST ON THE DEBT TAXABLE?

Under State Law: ☒ No (tax-exempt) ☐ Yes (taxable)

Under Federal Law: ☒ No (tax-exempt) ☐ Yes (taxable)

If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? ☐ Yes ☒ No

INTEREST TYPE: ☐ NIC ☐ TIC ☐ Variable

INTEREST COST: 4.612829 %

CAPITAL APPRECIATION BOND: ☐ Yes ☒ No

ISSUANCE COSTS AND FEES: Available from Oakland, California

A) Management Fee	$ -0-
B) Total Takedown	$ 4.9405/$1,000
C) Underwriter Expenses	$ 2,000
Underwriter Spread or Discount	$ 103,750
D) Bond Counsel	$ 27,000
E) Disclosure Counsel	$
F) Financial Advisor	$ 51,500
G) Rating Agency	$ 29,000
H) Credit Enhancement	$ 97,400
I) Trustee Fee	$ 3,000
J) Other Expenses	$ 68,850
Total Issuance Costs	$
K) ORIGINAL ISSUE PREMIUM	$ 209,609.60
L) ORIGINAL ISSUE DISCOUNT	$ 6,057.10
M) NET ORIGINAL ISSUE DISCOUNT/PREMIUM	$ 203,552.50

FOR OFFICE USE ONLY

FEE: $

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: CITY OF OAKLAND (CALIFORNIA)

Policy Number: 25482BE

Obligations: $21,000,000 General Obligation Bonds (Series 2006, Measure G), dated their date of original issuance, and consisting of:
(AS FURTHER DESCRIBED ON THE REVERSE SIDE HEREOF)

Premium: $97,400.00

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader
President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne Gill Kelly
Secretary

Authorized Representative

Effective Date: June 28, 2006

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Noraida Lauro
Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

A-09846

Obligations: $7,010,000 in aggregate principal amount of Bonds maturing on January 15 in the years 2007 through 2021, both inclusive;

$3,600,000 in aggregate principal amount of Term Bonds maturing on January 15 in the year 2026;

$4,585,000 in aggregate principal amount of Term Bonds maturing on January 15 in the year 2031; **and**

$5,805,000 in aggregate principal amount of Term Bonds maturing on January 15 in the year 2036.

The Paying Agent is the Bank of New York Trust Company, San Francisco, California.

The undersigned hereby certifies that this document is a true and correct copy of the Financial Guaranty Insurance Policy. Policy No. **25482BE** issued by AMBAC ASSURANCE CORPORATION.

Linda Waite

Assistant Secretary

Date: June 26, 2006

Ambac

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

CITY OF OAKLAND (CALIFORNIA)

Attached to and forming part of Policy No.:

25482BE

Effective Date of Endorsement:

June 28, 2006

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

Secretary

Authorized Representative

Form No.: 2B-0015 (7/97)

Moody's Investors Service

99 Church Street
New York, NY

June 27, 2006

Ambac
One State Street Plaza
New York, NY 10004

To Whom It May Concern:

Moody's Investors Service has assigned the rating of **Aaa** (Ambac Insured - Policy No. **25482BE**) to the **$21,000,000.00, City of Oakland (California) - General Obligation Bonds (Series 2006, Measure G),** , dated June 28, 2006 which sold on June 14, 2006. The rating is based upon an insurance policy provided by Ambac.

Should you have any questions regarding the above, please do not hesitate to contact Karen Malkowski at (201) 395-6370.

Sincerely yours,

Sean Cullen

Sean Cullen
Senior Vice President

SC / PS

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 777302

June 27, 2006

Ambac Assurance Corporation
One State Street Plaza 15th FL
New York, NY 10004
Attention: Ms. Yolanda Ortiz, Insurance Coordinator

Re: ***$21,000,000 City of Oakland (California), General Obligation Bonds (Series 2006, Measure G), dated: Date of Original Issuance, consisting of: $7,010,000 Bonds due: January 15, 2007-2021; $3,600,000 Term Bonds due: January 15, 2026; $4,585,000 Term Bonds due: January 15, 2031; $5,805,000 Term Bonds due: January 15, 2036, (POLICY #25482BE)***

Dear Ms. Ortiz:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A+". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Ms. Yolanda Ortiz
Page 2
June 27, 2006

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard and Poor's /10/AD

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FitchRatings

1201 East 7th Street
Powell, WY 82435

T 307 754 2012 / 800 85 FITCH
www.fitchratings.com

June 27, 2006

Ms. Yolanda Ortiz
Ambac Assurance Corp.
One State Street Plaza
New York, NY 10004

Re: Oakland (CA) / Policy # 25482BE

Dear Ms. Ortiz:

Fitch Ratings has assigned one or more ratings and/or otherwise taken rating action(s), as detailed on the attached Notice of Rating Action.

Ratings assigned by Fitch are based on documents and information provided to us by issuers, obligors, and/or their experts and agents, and are subject to receipt of the final closing documents. Fitch does not audit or verify the truth or accuracy of such information.

It is important that Fitch be provided with all information that may be material to its ratings so that they continue to accurately reflect the status of the rated issues. Ratings may be changed, withdrawn, suspended or placed on Rating Watch due to changes in, additions to or the inadequacy of information.

Ratings are not recommendations to buy, sell or hold securities. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect of any security.

The assignment of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement or other filing under U.S., U.K., or any other relevant securities laws.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please feel free to contact us at any time.

Sincerely,

Dey Lynn Stebner
Insured Ratings Manager

DLS/bs

Enc: Notice of Rating Action
(Doc ID: 42268)

Notice of Rating Action

Bond Description	Rating Type	Action	Rating	Outlook/ Watch	Eff Date	Notes
Oakland (CA) (Measure G) GO bonds ser 2006 (insured: Ambac Assurance Corp.)	Long Term	Upgrade	AAA	RO:Sta	27-Jun-2006	1

Key: RO: Rating Outlook, RW: Rating Watch; Pos: Positive, Neg: Negative, Sta: Stable, Evo: Evolving

Notes

1 The rating is based solely on credit enhancement provided by a bond insurance policy issued by Ambac Assurance Corporation, which has an Insurer Financial Strength rating of 'AAA'.

$21,000,000
CITY OF OAKLAND, CALIFORNIA
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE OF THE CITY AS TO INCUMBENCY
NO CONFLICT, SIGNATURES AND OTHER MATTERS

We, the undersigned officers of the City of Oakland, a municipal corporation and chartered city, duly organized and validly existing under its Charter and the Constitution and laws of the State of California (the "City"), holding the respective offices herein below set opposite our signatures, are familiar with the facts herein certified and are authorized and qualified to certify the same.

1. Representations. The City has complied with all of the terms of Resolution No. 79869 C.M.S. (the "Bond Resolution") adopted by the City Council on May 2, 2006 to be complied with by the City prior to or concurrently with the issuance of the captioned Bonds on the date hereof.

   To the best of our knowledge: (i) the City is not, in any material way, in breach of or in default under any applicable Constitutional provision, law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, (ii) no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a material default or an event of default under any such instrument; and (iii) the adoption of the Bond Resolution, the issuance, execution and delivery of the captioned Bonds and the execution and delivery of the First Supplemental Agreement Fiscal Agent Agreement, dated as of June 1, 2006, between the City and Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as Fiscal Agent, and of the Continuing Disclosure Certificate, dated the date hereof from the City to the Fiscal Agent, and compliance with the City's obligations therein, will not conflict with, violate or result in a material breach of or constitute a material default under any Constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject.

2. Incumbency. The following persons were the duly chosen, qualified and acting members of the City Council of the City on the date on which the Bond Resolution was adopted:

Office	Name
Mayor	Edmund G. Brown, Jr.
President of City Council	Ignacio De La Fuenta
Vice Mayor and Council Member	Jean Quan
Council Member	Delsey Brooks
Council Member	Henry Chang, Jr.

Council Member	Larry Reid
Council Member	Nancy Nadel
Council Member	Jane Brunner
Council Member	Patricia Kernighan
City Attorney	John Russo

The following persons are duly appointed, qualified and acting officers of the City:

Office	Name
City Administrator	Deborah A. Edgerly
Director, Finance and Management Agency	William E. Noland
City Clerk	LaTonda Simmons
Assistant City Clerk	Marjo Keller
Treasury Manager	Katano Kasaine

3. Bond Resolution. Neither the Bond Resolution nor any other proceeding with respect to the election, authorization, sale or delivery of the Bonds has been amended or repealed. The Bond Resolution and each such proceeding is in full force and effect on the date hereof, and all members of the City Council had due notice and a quorum was present at the meetings at which the Bond Resolution and such proceedings were adopted.

4. Bonded Indebtedness. As of the date hereof, the City has no outstanding bonded indebtedness other than as identified in the Official Statement dated June 14, 2006 related to the Bonds.

5. Signatures. The Bonds, approved by the City Council and described on Exhibit A hereto, were executed in the name of the City with the manual or facsimile signature of the City Administrator and with the manual or facsimile signature of the City Clerk attesting thereto and the seal of the City was reproduced on the Bonds.

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Each of the undersigned hereby certifies that the following signatures of the other persons set forth below are true and correct specimens of the signatures of such other persons.

Dated: June 28, 2006

CITY OF OAKLAND

By: Deborah A. Edgerly
Deborah A. Edgerly
City Administrator

By: Katano Kasaine
Katano Kasaine
Treasury Manager

By: LaTonda Simmons
LaTonda Simmons
City Clerk

EXHIBIT A

SERIES 2006, MEASURE G BONDS

Maturity Date (January 15)	Principal Amount	Interest Rate
2007	$ 200,000	4.500%
2008	375,000	4.000
2009	390,000	3.750
2010	400,000	3.750
2011	415,000	4.000
2012	435,000	4.000
2013	450,000	4.000
2014	470,000	4.000
2015	490,000	4.000
2016	510,000	4.000
2017	530,000	4.125
2018	550,000	4.250
2019	575,000	4.250
2020	595,000	4.250
2021	625,000	4.500
2026	3,600,000	5.000
2031	4,585,000	5.000
2036	5,805,000	4.500

Dated: June 28, 2006

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CITY OF OAKLAND NO-LITIGATION CERTIFICATE

The undersigned City Administrator of the City of Oakland, California (the "City"), certifies that I am authorized to execute this Certificate on behalf of the City.

I hereby further certify that there is no action, suit, proceeding, hearing or investigation pending, with service of process having been accomplished, or, to the best of my knowledge, threatened: (i) in any way affecting the corporate existence of the City or in any way challenging the respective powers of the several officers of the City; or (ii) seeking to restrain or to enjoin the sale, issuance or delivery of any of the captioned Bonds, the application of the proceeds of the sale of the Bonds, or the collection of revenues or assets of the City pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds or Resolution No. 79869 C.M.S. of the City Council of the City (the "Bond Resolution"), the Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement to Fiscal Agent Agreement, dated as of June 1, 2006 (together, the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BYN Western Trust Company), as Fiscal Agent or the Continuing Disclosure Certificate dated as of June 1, 2006 (the "Continuing Disclosure Certificate"), from the City to the Fiscal Agent, or contesting the powers of the City or its authority with respect to the Bonds or the Bond Resolution or those other instruments; or (iii) contesting in any way the completeness or accuracy of the Preliminary Official Statement, dated June 5, 2006 or the final Official Statement, dated June 14, 2006 relating to the Bonds; or (iv) in which a final adverse decision could (a) materially adversely affect the consummation of the transactions contemplated by the Bonds, the Bond Resolution, the Fiscal Agent Agreement or the Continuing Disclosure Certificate, or (b) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from State of California personal income taxes.

Dated: June 28, 2006

CITY OF OAKLAND

By: Dena A. Edgerly

Title: City Administrator

TAX COMPLIANCE CERTIFICATE
OF ISSUER

Pertaining to

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

The City of Oakland (the "Issuer"), by its officer signing this Certificate, certifies, represents, and covenants as follows with respect to the captioned obligations (the "Issue"), dated the date of this Certificate. All statements in this Certificate are of facts or, as to events to occur in the future, reasonable expectations.

In making the representations in this Certificate, the Issuer relies in part on the representations of the Underwriter set forth in Attachment B, the representations of the Oakland Museum of California Foundation set forth in Attachment C, the representations of the East Bay Zoological Society, Inc. set forth in the Attachment D, and the representations of the Bond Insurer as set forth in the Bond Insurer's Certificate attached hereto as Attachment E. To the best of the knowledge, information, and belief of the undersigned, all expectations stated in this Certificate and in Attachments B, C, D and E are the expectations of the Issuer and are reasonable, and all facts stated herein are true, and there are no other existing facts, estimates, or circumstances that would or could materially change the statements made in this Certificate or in the Attachments B, C, D or E. The certifications and representations made in this Certificate are intended to be relied upon as certifications described in Regulations § 1.148-2(b).

The Issuer acknowledges that any change in the facts or expectations from those set forth in this Certificate or in Attachment B, C, D and E may result in different requirements or a change in status of the Issue or interest thereon under the Code, and that bond counsel should be contacted if such changes are to occur or have occurred.

I. DEFINITIONS

1.10. Attachment A. The capitalized definitions and cross-references set forth in Attachment A apply to this Certificate and its Attachments. All terms relating to a particular issue, such as Sale Proceeds, relate to the Issue, unless indicated otherwise. (For example, "Sale Proceeds" refers to Sale Proceeds of the Issue, unless indicated otherwise.)

1.20. Special Definitions. In addition, the following definitions apply to this Certificate and its Attachments:

"Bond Fund" means the portion of the Issuer's Debt Service Account (as defined in the Fiscal Agent Agreement) that is properly allocable to the Issue.

"Bond Insurance" means the policy of municipal bond new issue insurance pertaining to the Issue issued by the Bond Insurer.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"Bond Resolution" means Resolution No. 79869 of the Oakland City Council adopted on May 2, 2006 approving the Issue.

"Fiscal Agent Agreement" means the Fiscal Agent Agreement dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006.

"Instructions" means the rebate instructions attached hereto as Attachment A-1.

"Project" means the acquisition, renovation, improvement and construction of additional educational facilities at the Oakland Museum of California and the Oakland Zoo, and the financing of expenditures relating to existing and/or future improvements at these facilities, and all other costs necessary or convenient for the foregoing, as further described in Measure G approved by the voters of the Issuer at the March 5, 2002 City election, which includes but is not limited to the facilities set forth on Exhibit C to the Fiscal Agent Agreement, and includes interest on the Issue for up to three years from the Issuance Date or, if later, one year after the date the Project is placed in service, all of which are governmental purposes for purposes of the Code.

"Underwriter" means Bear, Sterns Securities Corporation.

Reference to a Section means a section of the Code. Reference by number only (for example, "2.10") means that numbered paragraph of this Certificate. Reference to an Attachment means an attachment to this Certificate.

II. ISSUE DATA

2.10. Issuer. The Issuer is a Governmental Unit.

2.20. Purpose of Issue. The Issue is being issued to provide funds to (A) pay costs of the Project and (B) pay Issuance Costs.

2.30. Dates. The Sale Date is June 14, 2006, and the Issuance Date is June 28, 2006. The final maturity date of the Issue is January 15, 2036.

2.40. Issue Price. Issue Price is set forth in Attachment B, and is computed as follows:

Par amount of Issue	$21,000,000.00
Net original issue premium	203,552.50
Pre-Issuance Accrued Interest	$21,203,552.50
Issue Price	$21,203,552.50

SANFRANCISCO/173986.7

2.50. Sale Proceeds, Net Proceeds, and Net Sale Proceeds. The Sale Proceeds, Net Proceeds, and Net Sale Proceeds are as follows:

Issue Price	$21,203,552.50
Less: Pre-Issuance Accrued Interest	00.00
Sales Proceeds	$21,203,552.50
Less: Deposit to reserve fund	00.00
Net Proceeds	$21,203,552.50
Less: Minor Portion	(100,000.00)
Net Sales Proceeds	$21,103,552.50

2.60. Disposition of Sale Proceeds and Pre-Issuance Accrued Interest. There is no Pre-Issuance Accrued Interest. The Sale Proceeds will be applied as follows:

To pay the Bond Insurance premium	$ 97,400.00
Withheld as Underwriter's compensation	103,750.00
To Cost of Issuance Account	183,923.42
To Project Account	20,816,076.58
To Bond Fund	2,402.50
Sale Proceeds	$21,203,552.50

2.70. Higher Yielding Investments. Gross Proceeds will not be invested in Higher Yielding Investments except for (A) those Gross Proceeds identified in 3.10, 3.20, and 3.30, but only during the applicable Temporary Periods there described for those Gross Proceeds, and (B) the Minor Portion to the extent provided in 3.70.

2.80. Single Issue. All of the obligations of the Issue were sold on the Sale Date pursuant to the same plan of finance and are expected to be paid from substantially the same source of funds. Whether obligations are expected to be paid from substantially the same source of funds is determined without regard to guarantees from a person who is not a Related Party to the Issuer. Accordingly, all of the obligations of the Issue constitute a single "issue" for federal income tax purposes. No obligations, other than those comprising the Issue, have been or will be sold less than 15 days before or after the Sale Date that are expected to be paid from substantially the same source of funds as the Issue. Accordingly, no obligations other than those comprising the Issue are a part of a single "issue" with the Issue.

III. ARBITRAGE (NONREBATE) MATTERS

3.10. Use of Sale Proceeds and Pre-Issuance Accrued Interest; Temporary Periods.

(A) Underwriter's Compensation; Pre-Issuance Accrued Interest; Issuance Costs; and Premium For Bond Insurance. Sale Proceeds in the amount of $103,750.00 will be withheld by the Underwriter from the Sale Proceeds otherwise paid to the Issuer to purchase the Issue, as its compensation for its services in selling the Issue. The balance of the Sale Proceeds deposited into the Cost of Issuance Account and Investment Proceeds thereon will be used to pay other Issuance Costs (i.e., other than the Underwriter's compensation and Bond Insurance) within 13 months from the Issuance Date, such period being the Temporary Period for these amounts. No amount will be received as Pre-Issuance Accrued Interest. Sale Proceeds in the amount of $97,400.00 will not be invested but will be used on the Issuance Date to pay the premium for the Bond Insurance, which constitutes a Qualified Guarantee. See 5.70 and Attachments B and E.

(B) Costs of the Project.

(1) Sale Proceeds deposited into the Project Account will be used to pay a portion of the costs of the Project. Such Sale Proceeds may be used to acquire or hold Higher Yielding Investments for a period ending on the third anniversary of the Issuance Date (such period being the Temporary Period for such amount) because the following three tests are reasonably expected to be satisfied:

(a) At least 85% of the Net Sale Proceeds will be allocated to expenditures on the Project by the end of the Temporary Period for such Net Sales Proceeds;

(b) Within 6 months of the Issuance Date, the Issuer will incur substantial binding obligations to one or more third parties to expend at least 5% of the Net Sale Proceeds on the Project; and

(c) Completion of the Project and allocation of the Net Sale Proceeds to expenditures with respect to the Project will proceed with due diligence.

Any Sale Proceeds that remain unspent on the third anniversary of the Issuance Date, which is the expiration date of the Temporary Period for such Proceeds, shall not be invested in Higher Yielding Investments with respect to the Issue after that date except as part of the Minor Portion. In complying with the foregoing sentence, the Issuer may take into account "yield reduction payments" (within the meaning of Regulations §1.148-5(c)) timely paid to the United States.

(2) No Reimbursement Allocation will be made with Proceeds.

3.20. Use of Investment Proceeds; Temporary Periods. Any Investment Proceeds on Sale Proceeds deposited in the Project Account will be used to pay costs of the Project. Such Investment Proceeds may be invested in Higher Yielding Investments during the Temporary Period identified in 3.10 (B)(1) or, if longer, during the one-year period from the date of receipt, such period being the Temporary Period for such Proceeds.

3.30. Bond Fund. The Bond Fund is a Bona Fide Debt Service Fund. Amounts deposited from time to time in the Bond Fund will be used to pay Debt Service within 13 months after the amounts are so deposited, such period being the Temporary Period for such amounts.

3.40. No Other Replacement Fund or Assured Available Funds. The Issuer has not established and does not expect to establish or use any sinking fund, debt service fund, redemption fund, reserve or replacement fund, or similar fund, or any other fund to pay Debt Service other than the Bond Fund. Except for money referred to in 3.30 and Proceeds of a Refunding Issue, if any, no other money or Investment Property is or will be pledged as collateral or used for the payment of Debt Service (or for the reimbursement of any others who may provide money to pay that Debt Service), or is or will be restricted, dedicated, encumbered, or set aside in any way as to afford the holders of the Issue reasonable assurance of the availability of such money or Investment Property to pay Debt Service.

3.50. No Overissuance. The Proceeds are not reasonably expected to exceed the amount needed for the governmental purposes of the Issue as set forth in 2.20.

3.60. Other Uses of Proceeds Negated. Except as stated otherwise in this Certificate, none of the Proceeds will be used:

(A) to pay principal of or interest on, refund, renew, roll over, retire, or replace any other obligations issued by or on behalf of the Issuer or any other Governmental Unit,

(B) to replace any Proceeds of another issue that were not expended on the project for which such other issue was issued,

(C) to replace any money that was or will be used directly or indirectly to acquire Higher Yielding Investments,

(D) to make a loan to any person or other Governmental Unit,

(E) to pay any Working Capital Expenditures other than expenditures identified in Regulations §1.148-6(d)(3)(ii)(A) and (B) (i.e., Issuance Costs, Qualified Administrative Costs, reasonable charges for a Qualified Guarantee or for a Qualified Hedge, interest on the Issue for a period commencing on the Issuance Date and ending on the date that is the later of three years from such Issuance Date or one year after the date on which the project financed or refinanced by the Issue is Placed in Service, payments of the Rebate Amount, costs, other than those already described that are part of the Project, that do not exceed 5% of the Sale Proceeds and that are directly related to Capital Expenditures financed, principal or interest on an issue paid from unexpected excess Sale Proceeds or Investment Proceeds, principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a Bona Fide Debt Service Fund, and expenditures for extraordinary, nonrecurring items that are not customarily payable from current revenues, such as casualty losses or extraordinary legal judgments in amounts in excess of reasonable insurance coverage), or

(F) to reimburse any expenditures made prior to the Issuance Date that do not satisfy the requirements for a Reimbursement Allocation.

No portion of the Issue is being issued solely for the purpose of investing Proceeds in Higher Yielding Investments.

3.70 Minor Portion. The Minor Portion of $100,000.00 may be invested in Higher Yielding Investments.

3.80 No Other Replacement Proceeds. That portion of the Issue that is to be used to finance Capital Expenditures has a weighted average maturity that does not exceed 120% of the weighted average reasonably expected economic life of the property resulting from such Capital Expenditures.

IV. REBATE MATTERS

4.10. Issuer Obligation Regarding Rebate. Consistently with its covenants contained in the Bond Resolution and the Fiscal Agent Agreement, the Issuer will calculate and make, or cause to be calculated and made, payments of the Rebate Amount in the amounts and at the times and in the manner provided in Section 148(f) and the Instructions with respect to Gross Proceeds to the extent not exempted under Section 148(f)(4) and the Instructions.

4.20. No Avoidance of Rebate Amount. No amounts that are required to be paid to the United States will be used to make any payment to a party other than the United States through a transaction or a series of transactions that reduces the amount earned on any Investment Property or that results in a smaller profit or a larger loss on any Investment Property than would have resulted in an arm's length transaction in which the Yield on the Issue was not relevant to either party to the transaction.

4.30. Exceptions.

(A) Notwithstanding the foregoing, the computations and payments of amounts to the United States referred to in IV. need not be made to the extent that such failure will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Issue based on an opinion of Bond Counsel (as defined in the Fiscal Agent Agreement).

(B) The Issue is a Construction Issue. The Issuer hereby elects to apply the 2-year spending exception to the rebate requirement on the basis of actual facts instead of the Issuer's reasonable expectations.

V. OTHER TAX MATTERS

5.10. Not Private Activity Bonds or Pool Bonds. No obligation of the Issue will be a Private Activity Bond or a "pooled financing bond" (within the meaning of Section 149(f)) based on the following:

(A) Not more than 5% of the Proceeds, if any, directly or indirectly, will be used for Private Business Use and not more than 5%, if any, of the Debt Service, directly or indirectly, will be derived from or secured by Private Security or Payments. (See Attachments C and D.)

(B) Less than 5% or $5,000,000, whichever is less, of the Proceeds, if any, will be used to make or finance loans to any Private Person or Governmental Unit other than the Issuer.

(C) The lesser of the Proceeds that are being or will be used for any Private Business Use or the Proceeds with respect to which there are or will be Private Security or Payments does not exceed $15,000,000 and none of the Proceeds will be used with respect to an "output facility" other than a facility for the furnishing of water) within the meaning of Section 141(b)(4).

5.20. Disposition of Project. The Issuer does not intend to sell or otherwise dispose of the Project or any portion thereof during the term of the Issue except for dispositions of property in the normal course at the end of such property's useful life to the Issuer. With respect to tangible personal property financed or deemed financed by the Issue that is part of the Project, the Issuer reasonably expects that:

(A) Dispositions of such tangible personal property, if any, will be in the ordinary course of an established governmental program;

(B) The weighted average maturity of the bonds of the Issue financing or refinancing such property (treating the bonds of the Issue properly allocable to such personal property, as a separate issue for this purpose) will not be greater than 120% of the reasonably expected actual use of such property for governmental purposes;

(C) The fair market value of such property on the date of disposition will not be greater than 25% of its cost;

(D) The property will no longer be suitable for its governmental purposes on the date of disposition; and

(E) The amounts received from any disposition of such property are required to, and will be, deposited in the Issuer's General Fund and commingled with substantial tax or other governmental revenues and will be spent on governmental programs within 6 months from the date of such deposit and commingling.

5.30. Issue Not Federally Guaranteed. The Issue is not Federally Guaranteed.

5.40. Not Hedge Bonds. At least 85% of the Spendable Proceeds will be used to carry out the governmental purposes of the Issue within three years from the Issuance Date. Not more than 50%, if any, of the Proceeds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more including but not limited to any investment contract or fixed Yield investment having a maturity of four years or more. The reasonable expectations stated above are not based on and do not take into account (A) any expectations or assumptions as to the occurrence of changes in market interest rates or changes of federal tax law or regulations or rulings thereunder or (B) any prepayments of items other than items that are customarily prepaid.

5.50. Hedge Contracts. The Issuer has not entered into, and does not reasonably expect to enter into, any Hedge with respect to the Issue, or any portion thereof. The Issuer acknowledges that entering into a Hedge with respect to the Issue, or any portion thereof, may change the Yield and that bond counsel should be contacted prior to entering into any Hedge with respect to the issue in order to determine whether payments/receipts pursuant to the Hedge are to be taken into account in computing the Yield on the

5.60. Internal Revenue Service Information Return. Within the time and on the form prescribed by the Internal Revenue Service under Section 149(e), the Issuer will file with the Internal Revenue Service an Information Return setting forth the required information relating to the Issue. The information reported on that Information Return will be true, correct, and complete to the best of the knowledge and belief of the undersigned.

5.70. Bond Insurance and Qualified Guarantee. Based on the representations of the Underwriter and the Bond Insurer attached hereto as Attachments B and E, respectively, the Bond Insurance is a Qualified Guarantee and the premium therefor paid from Proceeds ($97,400) may be taken into account as additional interest paid on the Issue for purposes of computing the Yield. The Issuer reasonably expects that the present value of the premium for the Bond Insurance will be less than the present value of the expected interest savings on the Issue as a result of the Bond Insurance, for which purpose present value is computed using an assumed yield-to-maturity on the Issue (taking into account such payments for the Bond Insurance).

Responsibility of Officer. The officer signing this Certificate is one of the officers of the Issuer responsible for issuing the Issue.

The date of this Certificate is June 28, 2006.

THE CITY OF OAKLAND

By: ______________________
Title: Treasury Manager

List of Attachments

Attachment A —	Definitions for Tax Compliance Certificate
Attachment A-1 —	Rebate Instructions
Attachment B —	Underwriter's Certificate
Attachment C —	Certificate of the Oakland Museum of California Foundation
Attachment D —	Certificate of East Bay Zoological Society
Attachment E —	Bond Insurer's Certificate

ATTACHMENT A

Definitions for Tax Compliance Certificate

The following terms, as used in Attachment A and in the Tax Compliance Certificate to which it is attached and in the other Attachments to the Tax Compliance Certificate, have the following meanings unless therein otherwise defined or unless a different meaning is indicated by the context in which the term is used. Capitalized terms used within these definitions that are not defined in Attachment A have the meanings ascribed to them in the Tax Compliance Certificate to which this Attachment A is attached. The word "Issue," in lower case, refers either to the Issue or to another issue of obligations or portion thereof treated as a separate issue for the applicable purposes of Section 148, as the context requires. The word "obligation" or "obligations," in lower case, includes any obligation, whether in the form of bonds, notes, certificates, or any other obligation that is a "bond" within the meaning of Section 150(a)(1). All capitalized terms used in this Certificate include either the singular or the plural. All terms used in this Attachment A or in the Tax Compliance Certificate to which this Attachment A is attached, including terms specifically defined, shall be interpreted in a manner consistent with Sections 103 and 141-150 and the applicable Regulations thereunder except as otherwise specified. All references to Section, unless otherwise noted, refer to the Code.

"Advance Refunding Issue" means any Refunding Issue that is not a Current Refunding Issue.

"Advance Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as an Advance Refunding Issue if it had been issued as a separate issue.

"Available Construction Proceeds" means an amount equal to (a) the sum of (i) the Issue Price of an issue, (ii) Investment Proceeds on that Issue Price, (iii) earnings on any reasonably required reserve or replacement fund allocable to the issue not funded from the Issue Price, and (iv) Investment Proceeds and earnings on (ii) and (iii), (b) reduced by the portions, if any, of the Issue Price of the issue (i) attributable to Pre-Issuance Accrued Interest and earnings thereon, (ii) allocable to the underwriter's discount, (iii) used to pay other Issuance Costs of the issue, and (iv) deposited in a reasonably required reserve or replacement fund allocable to the issue. "Available Construction Proceeds" does not include Investment Proceeds or earnings on a reasonably required reserve or replacement fund allocable to the issue for any period after the earlier of (a) the close of the 2-year period that begins on the Issuance Date or (b) the date the construction of the project financed by the issue is substantially completed, provided, however, that such Investment Proceeds or earnings shall be excluded from "Available Construction Proceeds" if the Issuer has timely elected such exclusion. If an issue is a Multipurpose Issue that includes a New Money Portion that is a Construction Issue, this definition shall be applied by substituting "New Money Portion" for "issue" each place the latter term appears. If an issue or the New Money Portion of a Multipurpose Issue, as applicable, is not a Construction Issue, and the Issuer makes the bifurcation election under Regulations §1.148-7(j)(1) and Section 148(f)(4)(C)(v) to treat the issue or the New Money Portion as two separate issues consisting of the Construction Portion and the Nonconstruction Portion, this definition shall be applied by substituting "Construction Portion" for "issue" each place the latter term appears.

"Bifurcated Issue" means a New Money Issue or the New Money Portion of a Multipurpose Issue that the Issuer, pursuant to Section 148(f)(4)(C)(v) and Regulations §1.148-7(j), has elected in its Tax Compliance Certificate to bifurcate into a Construction Portion, which finances 100% of the Construction Expenditures, and a Nonconstruction Portion.

"Bona Fide Debt Service Fund" means a fund, including a portion of or an account in that fund (or in the case of a fund established for two or more issues, the portion of that fund properly allocable to an issue), or a combination of such funds, accounts or portions that is used primarily to achieve a proper matching of revenues with Debt Service on an issue within each Bond Year and that is depleted at least once each year except for a reasonable carryover amount not to exceed the greater of the earnings thereon for the immediately preceding Bond Year or one-twelfth of the annual Debt Service on the issue for the immediately preceding Bond Year.

"**Bond Counsel's Opinion**" or **"Opinion of Bond Counsel"** means an opinion or opinions of a nationally recognized bond counsel firm whose opinion is given with respect to the Issue when issued, or its successors or other nationally recognized bond counsel appointed by the Issuer.

"Bond Year" means the annual period relevant to the application of Section 148(f) to an issue, except that the first and last Bond Years may be less than 12 months long. The last day of a Bond Year shall be the close of business on the day preceding the anniversary of the Issuance Date of an issue unless the Issuer selects another date on which to end a Bond Year in the manner permitted by the Code.

"Capital Expenditures" means costs of a type that are properly chargeable to a capital account (or would be so chargeable with a proper election) under general federal income tax principles, including capitalized interest computed taking into account the Placed in Service date.

"Code" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

"Commingled Fund" means any fund or account of the Issuer that contains both Gross Proceeds of an issue and amounts in excess of $25,000 that are not Gross Proceeds of the issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of funds deposited in the fund or account.

"Commingled Investment Proceeds" means Investment Proceeds of an issue (other than Investment Proceeds held in a Refunding Escrow) that are deposited in a

Commingled Fund with substantial tax or other revenues from governmental operations of the Issuer and that are reasonably expected to be spent for governmental purposes within 6 months from the date of deposit in the Commingled Fund, using any reasonable accounting assumptions.

"Computational Base" means the amount of Gross Proceeds the Issuer or Conduit Borrower reasonably expects, as of the date a Guaranteed Investment Contract is required, to be deposited in that Guaranteed Investment Contract over its term.

"Computation Date" means each date on which the Rebate Amount for an issue is required to be computed under Regulations §1.148-3(e). In the case of a Fixed Yield Issue, the first Computation Date shall not be later than five years after the Issuance Date of the issue. Subsequent Computation Dates shall be not later than five years after the immediately preceding Computation Date for which an installment payment of the Rebate Amount was paid. In the case of a Variable Yield Issue, the first Computation Date shall be the last day of any Bond Year irrevocably selected by the Issuer ending on or before the fifth anniversary of the Issuance Date of such issue and subsequent Computation Dates shall be the last day of each Bond Year thereafter or each fifth Bond Year thereafter, whichever is irrevocably selected by the Issuer after the first date on which any portion of the Rebate Amount is required to be paid to the United States. The final Computation Date is the date an issue is retired.

"Conduit Borrower" means the obligor on a purpose investment.

"Conduit Financing Issue" means an issue the Proceeds of which are reasonably expected to be used to finance one or more Conduit Loans.

"Conduit Loan" means a purpose investment acquired by the Issuer with Proceeds of a Conduit Financing Issue, thereby effecting a loan to the Conduit Borrower.

"Construction Expenditures" means Capital Expenditures allocable to the cost of real property (including the construction or making of improvements to real property, but excluding acquisitions of interests in land or other existing real property) or constructed personal property within the meaning of Regulations §1.148-7(g).

"Construction Issue" means an issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization. If an issue is a Multipurpose Issue that includes a New Money Portion, this definition shall be applied by substituting "New Money Portion" for "Construction Issue" each place the latter term appears. If an election under Section 148(f)(4)(C)(v) and Regulations §1.148-7(j) is made to bifurcate an issue or the New Money Portion of a Multipurpose Issue, this definition shall be applied by substituting "Construction Portion" for "Construction Issue" each place the latter term appears.

"Construction Portion" means that portion of an issue or the New Money Portion of a Multipurpose Issue at least 75% of the Available Construction Proceeds of which are to be used for Construction Expenditures with respect to property that is, or upon completion will be, owned by a Governmental Unit or a 501(c)(3) Organization and that finances 100% of the Construction Expenditures.

"Controlled Group" means a group of entities controlled directly or indirectly by the same entity or group of entities within the meaning of Regulations §1.150-1(e).

"Current Refunding Issue" means a Refunding Issue that is issued not more than 90 days before the last expenditure of any Proceeds of the Refunding Issue for the payment of Debt Service on the Refunded Bonds.

"Current Refunding Portion" means that portion of a Multipurpose Issue that constitutes a separate governmental purpose and that would be treated as a Current Refunding Issue if it had been issued as a separate issue.

"Debt Service" means principal of and interest and any redemption premium on an issue.

"Excess Gross Proceeds" means all Gross Proceeds of an Advance Refunding Issue that exceed an amount equal to 1% of the Sale Proceeds of such Advance Refunding Issue, other than Gross Proceeds allocable to: (a) payment of Debt Service on the Refunded Bonds; (b) payment of Pre-Issuance Accrued Interest on the Advance Refunding Issue and interest on the Advance Refunding Issue that accrues for a period up to the completion date of any capital project financed by the Prior Issue, plus one year; (c) a reasonably required reserve or replacement fund for the Advance Refunding Issue or Investment Proceeds of such fund; (d) payment of Issuance Costs of the Advance Refunding Issue; (e) payment of administrative costs allocable to repaying the Refunded Bonds, carrying and repaying the Advance Refunding Issue, or investments of the Advance Refunding Issue; (f) Transferred Proceeds allocable to expenditures for the governmental purpose of the Prior Issue (treating for this purpose all unspent Proceeds of the Prior Issue properly allocable to the Refunded Bonds as of the Issuance Date of the Advance Refunding Issue as Transferred Proceeds); (g) interest on purpose investments; (h) Replacement Proceeds in a sinking fund for the Advance Refunding Issue; and (i) fees for a Qualified Guarantee for the Advance Refunding Issue or the Prior Issue. If an Issue is a Multipurpose Issue that includes an Advance Refunding Portion, this definition shall be applied by substituting "Advance Refunding Portion" for "Advance Refunding Issue" each place the latter term appears.

"Federally Guaranteed" means that (a) the payment of Debt Service on an issue, or the payment of principal or interest with respect to any loans made from the Proceeds of the issue, is directly or indirectly guaranteed in whole or in part by the United States or by an agency or instrumentality of the United States, within the meaning of Section 149(b), or (b) more than 5% of the Proceeds of an issue will be invested directly or indirectly in federally insured deposits or accounts. The preceding sentence does not apply to (a) Proceeds invested during an initial Temporary Period until such Proceeds are needed to pay costs of the project, (b) investments of a Bona Fide Debt Service Fund, (c) direct purchases from the United States of obligations issued by the United States Treasury, or (d) other investments permitted by Section 149(b) or Regulations §1.149(b)-1(b).

"501(c)(3) Organization" means an organization described in Section 501(c)(3) and exempt from tax under Section 501(a).

"Fixed Yield Issue" means an issue of obligations the Yield on which is fixed and determinable on the Issuance Date.

"Future Value" means the value of a Payment or Receipt at the end of a period determined using the economic accrual method as the value of that Payment or Receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Yield on the applicable issue, using the same compounding interval and financial conventions that were used to compute that Yield.

"Guaranteed Investment Contract" means any Nonpurpose Investment that has specifically negotiated withdrawal or retirement provisions and a specifically negotiated interest rate and any agreement to supply investments on two or more future dates (*e.g.*, a forward supply contract).

"Governmental Unit" means a state, territory or possession of the United States, the District of Columbia, or any political subdivision thereof referred to as a "State or local governmental unit" in Regulations §1.103-1(a). "Governmental Unit" does not include the United States or any agency or instrumentality of the United States.

"Gross Proceeds" means Proceeds and Replacement Proceeds of an issue.

"Hedge" means a contract entered into by the Issuer or the Conduit Borrower primarily to modify the Issuer's or the Conduit Borrower's risk of interest rate changes with respect to an obligation (e.g., an interest rate swap, an interest rate cap, a futures contract, a forward contract or an option).

"Higher Yielding Investments" means any Investment Property that produces a Yield that (a) in the case of Investment Property allocable to Replacement Proceeds of an issue and Investment Property in a Refunding Escrow, is more than one thousandth of one percentage point (.00001) higher than the Yield on the applicable issue, and (b) for all other purposes is more than one-eighth of one percentage point (.00125) higher than the Yield on the issue.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds of an issue in Investment Property.

"Investment Property" means investment property within the meaning of Sections 148(b)(2) and 148(b)(3), including any security (within the meaning of Section 165(g)(2)(A) or (B)), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) in the case of any bond other than a Private Activity Bond). Investment Property includes a Tax-Exempt Obligation that is a "specified private activity bond" as defined in Section 57(a)(5)(C), but does not include other Tax-Exempt Obligations.

"Issuance Costs" means costs to the extent incurred in connection with, and allocable to, the issuance of an issue, and includes underwriter's compensation withheld from the Issue Price, counsel fees, financial advisory fees, rating agency fees, trustee fees, paying agent fees, bond registrar, certification and authentication fees, accounting fees, printing costs for bonds and offering documents, public approval process costs, engineering and feasibility study costs, guarantee fees other than for a Qualified Guarantee and similar costs, but does not include fees charged by the Issuer.

"Issuance Date" means the date of physical delivery of an issue by the Issuer in exchange for the purchase price of the issue.

"Issue Price" means in the circumstances applicable to an issue:

(1) Public Offering. In the case of obligations actually offered to the general public in a bona fide public offering at the initial offering price for each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, the aggregate of the initial offering price for each maturity (including any Pre-Issuance Accrued Interest and taking into account any original issue premium and original issue discount), which price is not more than the fair market value thereof as of the Sale Date, and at which initial offering price not less than 10% of the principal amount of each maturity, as of the Sale Date, was sold or reasonably expected to be sold (other than to bond houses, brokers or other intermediaries). In the case of publicly offered obligations that are not described in the preceding sentence, Issue Price means the aggregate of the initial offering price to the public of each maturity set forth in the certificate of the underwriter or placement agent attached to the Tax Compliance Certificate of the Issuer, at which initial offering price not less than 10% of the principal amount of each maturity was sold to the public. Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

(2) Private Placement. In the case of obligations sold by private placement, the aggregate of the prices (including any Pre-Issuance Accrued Interest and original issue premium, but excluding any original issue discount) paid to the Issuer by the first purchaser(s) (other than bond houses, brokers or other intermediaries). Notwithstanding the foregoing, in no event shall the Issue Price of an issue exceed the fair market value of the issue as of the Sale Date thereof.

"Minor Portion" means an amount equal to the lesser of $100,000 or 5% of the Sale Proceeds of an issue.

"Multipurpose Issue" means an issue the bonds of which are allocable to two or more separate governmental purposes within the meaning of Regulations §1.148-9(h).

"Net Proceeds" means the Sale Proceeds of an issue less the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue.

"Net Sale Proceeds" means the Sale Proceeds of an issue less (a) the portion thereof, if any, deposited in a reasonably required reserve or replacement fund for the issue and (b) the portion invested as a part of a Minor Portion for the issue.

"New Money Issue" means an issue that is not a Refunding Issue.

"New Money Portion" means that portion of a Multipurpose Issue other than the Refunding Portion.

"Nonconstruction Portion" means that portion of a New Money Issue or of the New Money Portion other than the Construction Portion.

"Nonpurpose Investments" means any Investment Property that is acquired with Gross Proceeds as an investment and not in carrying out any governmental purpose of an issue. "Nonpurpose Investments" does not include any investment that is not regarded as "investment property" or a "nonpurpose investment" for the particular purposes of Section 148 (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a "nonpurpose investment" within the applicable meaning of Section 148.

"Payment" means payments actually or constructively made to acquire Nonpurpose Investments, as specified in Regulations §1.148-3(d)(1)(i) through (v).

"Placed in Service" means the date on which, based on all the facts and circumstances, a facility has reached a degree of completion that would permit its operation at substantially its design level and the facility is, in fact, in operation at such level.

"Pre-Issuance Accrued Interest" means interest on an obligation that accrued for a period not greater than one year before its Issuance Date and that will be paid within one year after such Issuance Date.

"Preliminary Expenditures" means any Capital Expenditures that are "preliminary expenditures" within the meaning of Regulations §1.150-2(f)(2), i.e., architectural, engineering, surveying, soil testing, reimbursement bond issuance, and similar costs that are incurred prior to commencement of acquisition, construction, or rehabilitation of a project other than land acquisition, site preparation, and similar costs incident to commencement of construction. The aggregate amount of Preliminary Expenditures may not exceed 20% of the aggregate Issue Price of the issue or issues that financed or are reasonably expected to finance the project for which such Preliminary Expenditures are or were incurred.

"Prior Issue" means an issue of obligations all or a portion of the Debt Service on which is paid or provided for with Proceeds of a Refunding Issue. The Prior Issue may be a Refunding Issue.

"Private Activity Bond" means (a) obligations of an issue more than 10% of the Proceeds of which, directly or indirectly, are or are to be used for a Private Business Use and more than 10% of the Debt Service on which, directly or indirectly, is or is to be paid from or secured by payments with respect to property, or secured by property, used for a Private Business Use, or (b) obligations of an issue, the Proceeds of which are or are to be used to make or finance loans to any Private Person that, in the aggregate, exceed the lesser of 5% of such Proceeds or $5,000,000. In the event of Unrelated or Disproportionate Use, the tests in (a) shall be applied by substituting 5% for 10% each place the latter term is used.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any Private Person other than use as a member of, and on the same basis as, the general public. Any activity carried on by a Private Person (other than a natural person) shall be treated as a trade or business. In the case of a Qualified 501(c)(3) Bond, Private Business Use excludes use by a 501(c)(3) Organization that is not an unrelated trade or business activity by such 501(c)(3) Organization within the meaning of Section 513(a).

"Private Person" means any natural person or any artificial person, including a corporation, partnership, trust or other entity, other than a Governmental Unit. "Private Person" includes the United States and any agency or instrumentality of the United States.

"Private Security or Payments" means (i) any interest in property used or to be used for a Private Business Use, or in payments in respect of such property, that directly or indirectly secures any payment of principal of, or interest on, an issue, or (ii) payments (whether or not to the Issuer) in respect of property, or borrowed money, used or to be used for a Private Business Use from which payments of principal of, or interest on, an issue are directly or indirectly derived, all as determined and measured in accordance with Treasury Regulations Section 1.141-4..

"Proceeds" means any Sale Proceeds, Investment Proceeds, and Transferred Proceeds of an issue. "Proceeds" does not include Replacement Proceeds.

"Qualified Administrative Costs" means the reasonable, direct administrative costs, other than carrying costs, of purchasing or selling Nonpurpose Investments such as separately stated brokerage or selling commissions. Qualified Administrative Costs do not include legal and accounting fees, recordkeeping, custody, and similar costs, general overhead costs and similar indirect costs of the Issuer such as employee salaries and office expenses and costs associated with computing the Rebate Amount. In general, Qualified Administrative Costs are not reasonable unless they are comparable to administrative costs that would be charged for the same investment or a reasonably comparable investment if acquired with a source of funds other than Gross Proceeds of Tax-Exempt Obligations.

"Qualified 501(c)(3) Bonds" means an issue of obligations that satisfies the requirements of Section 145(a).

"Qualified Guarantee" means any guarantee of an obligation that constitutes a "qualified guarantee" within the meaning of Regulations §1.148-4(f).

"Qualified Hedge" means a Hedge that is a "qualified hedge" within the meaning of Regulations §1.148-4(h)(2).

"Reasonable Retainage" means an amount, with respect to an issue, not to exceed 5% of the Net Sale Proceeds of the issue, that is retained for reasonable business purposes relating to the property financed with Proceeds of the issue. For example, Reasonable Retainage may include a retention to ensure or promote compliance with a construction contract in circumstances in which the retained amount is not yet payable, or in which the Issuer reasonably determines that a dispute exists regarding completion or payment.

"Rebate Amount" means the excess of the future value, as of any date, of all receipts on Nonpurpose Investments acquired with Gross Proceeds of an issue over the future value, as of that date, of all payments on those Nonpurpose Investments, computed in accordance with Section 148(f) and Regulations §1.148-3.

"Rebate Analyst" means an independent individual, firm or entity experienced in the computation of the Rebate Amount pursuant to Section 148(f).

"Receipt" means amounts actually or constructively received from Nonpurpose Investments as specified in Regulations §1.148-3(d)(2)(i) through (iii).

"Refunded Bonds" means obligations of a Prior Issue the Debt Service on which is or is to be paid from Proceeds of a Refunding Issue.

"Refunding Bonds" means obligations of a Refunding Issue.

"Refunding Issue" means an issue the Proceeds of which are or are to be used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs of the Refunding Issue.

"Refunding Escrow" means one or more funds established as part of a single transaction, or a series of related transactions, containing Proceeds of a Refunding Issue and any other amounts to be used to pay Debt Service on Refunded Bonds of one or more issues.

"Refunding Portion" means that portion of a Multipurpose Issue the Proceeds of which are, or are to be, used to pay Debt Service on Refunded Bonds and includes Issuance Costs, Pre-Issuance Accrued Interest or permitted capitalized interest, a reasonably required reserve or replacement fund and similar costs properly allocable to the Refunding Portion.

"Regulations" or **"Reg."** means Treasury Regulations.

"Reimbursement Allocation" means an allocation of the Proceeds of an issue for the reimbursement of Capital Expenditures paid prior to the Issuance Date of such issue that: (a) is evidenced on the books or records of the Issuer maintained with respect to the issue, (b) identifies either actual prior Capital Expenditures, or the fund or account from which the prior Capital Expenditures were paid, (c) evidences the Issuer's use of Proceeds of the issue to reimburse a Capital Expenditure for a governmental purpose that was originally paid from a source other than the Proceeds of the issue, and (d) satisfies the following requirements: except for Preliminary Expenditures, (i) the Issuer adopted an official intent for the Capital Expenditure that satisfies Regulations §1.150-2(e) prior to, or within 60 days after, payment of the Capital Expenditure, and (ii) the allocation in reimbursement of that Capital Expenditure occurs or will occur within 18 months after the later of the date the Capital Expenditure was paid or the date the project resulting from such Capital Expenditure was Placed in Service or abandoned, but in no event more than 3 years after the Capital Expenditure was paid.

"Related Party" means, in reference to a Governmental Unit or 501(c)(3) Organization, any member of the same Controlled Group and, in reference to any person that is not a Governmental Unit or 501(c)(3) Organization, a "related person" as defined in Section 144(a)(3).

"Replacement Proceeds" means, with respect to an issue, amounts (including any investment income, but excluding any Proceeds of any issue) replaced by Proceeds of that issue within the meaning of Section 148(a)(2). "Replacement Proceeds" includes amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for an issue.

"Sale Date" means, with respect to an issue, the first date on which there is a binding contract in writing with the Issuer for the sale and purchase of an issue (or of respective obligations of the issue if sold by the Issuer on different dates) on specific terms that are not later modified or adjusted in any material respect.

"Sale Proceeds" means that portion of the Issue Price actually or constructively received by the Issuer upon the sale or other disposition of an issue, including any underwriter's compensation withheld from the Issue Price, but excluding Pre-Issuance Accrued Interest.

"Spendable Proceeds" means the Net Sale Proceeds of an issue.

"Tax-Exempt Obligation" means any obligation or issue of obligations (including bonds, notes and lease obligations treated for federal income tax purposes as evidences of indebtedness) the interest on which is excluded from gross income for federal income tax purposes within the meaning of Section 150, and includes any obligation or any investment treated as a "tax-exempt bond" for the applicable purpose of Section 148.

"Tax-Exempt Organization" means a Governmental Unit or a 501(c)(3) Organization.

"Temporary Period" means the period of time, as set forth in the Tax Compliance Certificate, applicable to particular categories of Proceeds of an issue during which such category of Proceeds may be invested in Higher Yielding Investments without the issue being treated as arbitrage bonds under Section 148.

"Transferred Proceeds" means that portion of the Proceeds of an issue (including any Transferred Proceeds of that issue) that remains unexpended at the time that any portion of the principal of the Refunded Bonds of that issue is discharged with the Proceeds of a Refunding Issue and that thereupon becomes Proceeds of the Refunding Issue as provided in Regulations §1.148-9(b). "Transferred Proceeds" does not include any Replacement Proceeds.

"Unrelated or Disproportionate Use" means Private Business Use that is not related to or is disproportionate to use by a Governmental Unit within the meaning of Section 141(b)(3) and Regulations §1.141-9.

"Variable Yield Issue" means any Issue that is not a Fixed Yield Issue.

"Working Capital Expenditures" means any costs of a type that do not constitute Capital Expenditures, including current operating expenses.

"Yield" has the meaning assigned to it for purposes of Section 148, and means that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of Debt Service, all payments for a Qualified Guarantee, if any, and payments and receipts with respect to a Qualified Hedge, if any, as required by the Regulations, paid and to be paid with respect to an obligation (paid and to be paid during and attributable to the Yield Period in the case of a Variable Yield Issue), produces an amount equal to (a) the Issue Price in the case of a Fixed Yield Issue or the present value of the Issue Price at the commencement of the applicable Yield Period in the case of a Variable Yield Issue, or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of an issue are invested is computed on a basis consistent with the computation of Yield on that issue, including the same compounding interval of not more than one year selected by the Issuer.

"Yield Period" means, in the case of the first Yield Period, the period that commences on the Issuance Date and ends at the close of business on the first Computation Date and, in the case of each succeeding Yield Period, the period that begins immediately after the end of the immediately preceding Yield Period and ends at the close of business on the next succeeding Computation Date.

The terms "bond", "obligation", "reasonably required reserve or replacement fund", "reserve or replacement fund", "loan", "sinking fund", "purpose investment", "same plan of financing", "other replacement proceeds", and other terms relating to Code provisions used but not defined in this Certificate shall have the meanings given to them for purposes of Sections 103 and 141 to 150 unless the context indicates another meaning.

(End of Attachment A)

ATTACHMENT A-1
to
Tax Compliance Certificate of Issuer

Pertaining to

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

INSTRUCTIONS FOR COMPLIANCE WITH REBATE REQUIREMENTS OF SECTION 148(f) OF THE CODE.

The Issuer covenanted in the operative documents (i.e., Ordinance/Resolution/Trust Indenture and Tax Compliance Certificate) to comply with the arbitrage rebate requirement of Section 148(f) of the Code. These Instructions provide guidance for that compliance, including the spending exceptions that free the Issue from all or part of the rebate requirements. Capitalized terms that are not defined in these Rebate Instructions are defined in Attachment A to the Tax Compliance Certificate.

PART I: GENERAL

SECTION 1.01. REBATE GENERALLY.

The Rebate Amount with respect to the Issue must be paid (rebated) to the United States to prevent the bonds of the Issue from being arbitrage bonds, the interest on which is subject to federal income tax. In general, the Rebate Amount is the amount by which the actual earnings on Nonpurpose Investments purchased (or deemed to have been purchased) with Gross Proceeds of the Issue exceed the amount of earnings that would have been received if those Nonpurpose Investments had a Yield equal to the Yield on the Issue.[1] Stated differently, the Rebate Amount for the Issue as of any date is the excess of the Future Value, as of that date, of all Receipts on Nonpurpose Investments over the Future Value, as of that date, of all Payments on Nonpurpose Investments, computed using the Yield on the Issue as the Future Value rate.[2]

1. Amounts earned on the Bona Fide Debt Service Fund for the Issue are not taken into account in determining the Rebate Amount because none of the obligations of the Issue are Private Activity Bonds, the rates of interest on the Issue do not vary and the average maturity of the Issue is at least 5 years.

2. The scope of these Instructions does not permit a detailed description of the computation of the Rebate Amount with respect to the Issue. If you need assistance in computing the Rebate Amount on the Issue or want Squire, Sanders & Dempsey L.L.P. to do the

If the Issue is a Fixed Yield Issue, the Yield on the Issue generally is the Yield to maturity, taking into account mandatory redemptions prior to maturity. If the Issue is a Variable Yield Issue, the Yield on the Issue is computed separately for each Yield Period selected by the Issuer.

PART II: EXCEPTIONS TO REBATE

SECTION 2.01. SPENDING EXCEPTIONS.

The rebate requirements with respect to the Issue are deemed to have been satisfied if any one of three spending exceptions (the 6-Month, the 18-Month, or the 2-Year Spending Exception, collectively, the "Spending Exceptions") is satisfied. The Spending Exceptions are each independent exceptions. The Issue need not meet the requirements of any other exception in order to use any one of the three exceptions. For example, a Construction Issue may qualify for the 6-Month Spending Exception or the 18-Month Spending Exception even though the Issuer makes one or more elections under the 2-Year Exception with respect to the Issue.

The following rules apply for purposes of all of the Spending Exceptions except as otherwise noted.

Refunding Issues. The only spending exception available for a Refunding Issue[3] is the 6-Month Spending Exception.

Special Transferred Proceeds Rules. In applying the Spending Exceptions to a Refunding Issue, unspent Proceeds of the Prior Issue that become Transferred Proceeds of the Refunding Issue are ignored. If the Prior Issue satisfies one of the rebate Spending Exceptions, the Proceeds of the Prior Issue that are excepted from rebate under that exception are not subject to rebate either as Proceeds of the Prior Issue or as Transferred Proceeds of the Refunding Issue.

However, if the Prior Issue does not satisfy any of the Spending Exceptions and is not otherwise exempt from rebate, the Transferred Proceeds from the Prior Issue will be subject to rebate, even if the Refunding Issue satisfies the 6-Month Spending Exception. The Rebate Amount will be calculated on the Transferred Proceeds on the basis of the Yield of the Prior Issue up to each transfer date and on the basis of the Yield of the Refunding Issue after each transfer date.

Application of Spending Exceptions to a Multipurpose Issue. If the Issue is a Multipurpose Issue, the Refunding Portion and the New Money Portion are treated for purposes of the rebate Spending Exceptions as separate issues. Thus, the Refunding Portion is eligible to

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computations, please feel free to contact the Squire, Sanders & Dempsey L.L.P. attorney with whom you normally consult to discuss engaging the Firm to provide such assistance.

3. For purposes of these Instructions, references to "Refunding Issue" include the Refunding Portion of a Multipurpose Issue.

use only the 6-Month Spending Exception. The New Money Portion is eligible to use any of the three Spending Exceptions.

Expenditures for Governmental Purposes of the Issue. Each of the spending exceptions requires that expenditures of Gross Proceeds be for the governmental purposes of the Issue. These purposes include payment of interest (but not principal) on the Issue.

SECTION 2.02. 6-MONTH SPENDING EXCEPTION.

The Issue will be treated as satisfying the rebate requirements if all of the Gross Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue within the 6-month period beginning on the Issuance Date and the Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or a Bona Fide Debt Service Fund if and to the extent that such Fund is subject to rebate (see footnote 3) is timely paid to the United States. If no bond of the Issue is a Private Activity Bond (other than a Qualified 501(c)(3) Bond) or a tax or revenue anticipation bond, the 6-month period is extended for an additional 6 months if the unexpended Gross Proceeds of the Issue at the end of the 6-month period do not exceed 5% of the Proceeds of the Issue.

For purposes of the 6-Month Spending Exception, Gross Proceeds required to be spent within 6 months do not include amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue.

SECTION 2.03. 18-MONTH SPENDING EXCEPTION.

The Issue (or the New Money Portion if the Issue is a Multipurpose Issue) is treated as satisfying the rebate requirement if the conditions set forth in (A), (B) and (C) are satisfied.

(A) All of the Gross Proceeds of the Issue (excluding amounts in a reasonably required reserve or replacement fund for the Issue or in a Bona Fide Debt Service Fund for the Issue) are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 15% within 6 months;

(2) at least 60% within 12 months; and

(3) 100% within 18 months, subject to the Reasonable Retainage exception described below.

(B) The Rebate Amount, if any, with respect to earnings on amounts deposited in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund for the Issue, to the extent such Fund is subject to rebate (see footnote 3), is timely paid to the United States. And,

(C) The Gross Proceeds of the Issue qualify for the initial 3-year Temporary Period.

If the only unspent Gross Proceeds at the end of the 18th month are Reasonable Retainage, the requirement that 100% of the Gross Proceeds be spent by the end of the 18th month is treated as met if the Reasonable Retainage, and all earnings thereon, are spent for the governmental purposes of the Issue within 30 months of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first two spending periods, the amount of Investment Proceeds that the Issuer reasonably expects as of the Issuance Date to earn on the Sale Proceeds and Investment Proceeds of the Issue during the 18-month period are included in Gross Proceeds of the Issue. The final spend-down requirement includes actual Investment Proceeds for the entire 18 months.

The 18-Month Spending Exception does not apply to the Issue (or the New Money Portion, as applicable) if any portion of the Issue (or New Money Portion) is treated as meeting the rebate requirement under the 2-Year Spending Exception discussed below. This rule prohibits use of the 18-Month Spending Exception for the Nonconstruction Portion of a Bifurcated Issue. The only Spending Exception available for the Nonconstruction Portion of a Bifurcated Issue is the 6-Month Spending Exception.

SECTION 2.04. <u>2-YEAR SPENDING EXCEPTION FOR CERTAIN CONSTRUCTION ISSUES</u>.

(A) In general. A Construction Issue no bond of which is a Private Activity Bond (other than a Qualified 501(c)(3) Bond or a Bond that finances property to be owned by a Governmental Unit or a 501(c)(3) Organization) is treated as satisfying the rebate requirement if the Available Construction Proceeds of the Issue are allocated to expenditures for the governmental purposes of the Issue in accordance with the following schedule, measured from the Issuance Date:

(1) at least 10% within 6 months;

(2) at least 45% within 1 year;

(3) at least 75% within 18 months; and

(4) 100% within 2 years, subject to the Reasonable Retainage exception described below.

Amounts in a Bona Fide Debt Service Fund or a reasonably required reserve or replacement fund for the Issue are not treated as Gross Proceeds for purposes of the expenditure requirements. However, unless the Issuer has elected otherwise in the Tax Compliance Certificate, earnings on amounts in a reasonably required reserve or replacement fund for the Issue are treated as Available Construction Funds during the 2-year period and therefore must be allocated to expenditures for the governmental purposes of the Issue.

If the Issuer elected in the Tax Compliance Certificate to exclude from Available Construction Proceeds the Investment Proceeds or earnings on a reasonably required reserve or replacement fund for the Issue during the 2-year spend-down period, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings from the Issuance Date must be timely paid to the United States. If the election is not made, the Rebate Amount, if any, with respect to such Investment Proceeds or earnings after the earlier of the date construction is substantially completed or 2 years after the Issuance Date must be timely paid to the United States. The Rebate Amount, if any, with respect to earnings on amounts in a Bona Fide Debt Service Fund must be timely paid to the extent such Fund is subject to the rebate requirements (see footnote 3).

The Issue does not fail to satisfy the spending requirement for the fourth spend-down period (i.e., 100% within 2 years of the Issuance Date) if the only unspent Available Construction Proceeds are amounts for Reasonable Retainage if such amounts (together with all earnings on such amounts) are allocated to expenditures within 3 years of the Issuance Date.

For purposes of determining whether the spend-down requirements have been met as of the end of each of the first 3 spend-down periods, Available Construction Proceeds include the amount of Investment Proceeds or earnings that the Issuer reasonably expected as of the Issuance Date to earn during the 2-year period unless the Issuer elects, on or before the Issuance Date, to apply these spend-down requirements on the basis of actual facts rather than reasonable expectations. For purposes of satisfying the final spend-down requirement, Available Construction Proceeds include actual Investment Proceeds or earnings from the Issuance Date through the end of the 2-year period.

Available Construction Proceeds do not include Gross Proceeds used to pay Issuance Costs financed by the Issue, but do include earnings on such Proceeds. Thus, an expenditure of Gross Proceeds to pay Issuance Costs does not count toward meeting the spend-down requirements, but expenditures of earnings on such Gross Proceeds to pay Issuance Costs do count.

(B) 1½% penalty in lieu of rebate for Construction Issues. If the Issuer elected in the Tax Compliance Certificate for a Construction Issue, or for the Construction Portion of a Bifurcated Issue, to pay a 1½% penalty in lieu of the Rebate Amount on Available Construction Proceeds in the event that the Construction Issue fails to satisfy any of the spend-down requirements, the 1½% penalty is calculated separately for each spend-down period, including each semi-annual period after the end of the fourth spend-down period until all Available Construction Proceeds have been spent. The penalty is equal to 0.015 times the underexpended Proceeds as of the end of the applicable spend-down period. The fact that no arbitrage is in fact earned during such spend-down period is not relevant. The Rebate Amount with respect to Gross Proceeds other than Available Construction Proceeds (e.g., amounts in a reasonably required reserve or replacement fund or in a Bona Fide Debt Service Fund, to the extent subject to rebate (see footnote 3)) must be timely paid.

PART III: COMPUTATION AND PAYMENT

SECTION 3.01. COMPUTATION AND PAYMENT OF REBATE AMOUNT.

If none of the Spending Exceptions described above is satisfied (and if the 1-1/2% penalty election for a Construction Issue or the Construction Portion of a Bifurcated Issue has not been made), then within 45 days after each Computation Date, the Issuer shall compute, or cause to be computed, the Rebate Amount as of such Computation Date. The first Computation Date is a date selected by the Issuer, but shall be not later than 5 years after the Issuance Date. Each subsequent Computation Date shall end 5 years after the previous Computation Date except that, in a Variable Yield Issue, the Issuer may select annual Yield Periods. The final Computation Date shall be the date the last obligation of the Issue matures or is finally discharged.

Within 60 days after each Computation Date (except the final Computation Date), the Issuer shall pay to the United States not less than 90% of the Rebate Amount, if any, computed as of such Computation Date. Within 60 days after the final Computation Date, the Issuer shall pay to the United States 100% of the Rebate Amount, if any, computed as of the final Computation Date. In computing the Rebate Amount, a computation credit of $1,000 may be taken into account on the last day of each Bond Year to the Computation Date during which there are unspent Gross Proceeds that are subject to the rebate requirement, and on the final maturity date.

If the operative documents pertaining to the Issue establish a Rebate Fund and require the computation of the Rebate Amount at the end of each Bond Year, the Issuer shall calculate, or cause to be calculated, within 45 days after the end of each Bond Year the Rebate Amount, taking into account the computation credit of $1,000 for each Bond Year. Within 50 days after the end of each Bond Year, if the Rebate Amount is positive, the Issuer shall deposit in the Rebate Fund such amount as will cause the amount on deposit therein to equal the Rebate Amount, and may withdraw any amount on deposit in the Rebate Fund in excess of the Rebate Amount. Payments of the Rebate Amount to the Internal Revenue Service on a Computation Date shall be made first from amounts on deposit in the Rebate Fund and second from other amounts specified in the operative documents.

Each payment of the Rebate Amount or portion thereof shall be payable to the Internal Revenue Service and shall be made to the Internal Revenue Service Center, Ogden, UT 84201 by certified mail. Each payment shall be accompanied by Internal Revenue Service Form 8038-T and any other form or forms required to be submitted with such remittance.

SECTION 3.02. <u>BOOKS AND RECORDS</u>.

(A) The Issuer or Trustee, as applicable, shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the Gross Proceeds of the Issue. Such records shall specify the account or fund to which each Nonpurpose Investment (or portion thereof) held by the Issuer or Trustee is to be allocated and shall set forth as to each Nonpurpose Investment (1) its purchase price, (2) identifying information, including par amount, interest rate, and payments dates, (3) the amount received at maturity or its sales price, as the case may be, including accrued interest, (4) the amounts and dates of any payments made with respect thereto, and (5) the dates of acquisition and disposition or maturity.

The Issuer, Trustee, or Rebate Analyst, as applicable, shall retain the records of all calculations and payments of the Rebate Amount until six years after the retirement of the last obligation that is a part of the Issue.

SECTION 3.03. FAIR MARKET VALUE.

No Nonpurpose Investment shall be acquired for an amount in excess of its fair market value. No Nonpurpose Investment shall be sold or otherwise disposed of for an amount less than its fair market value.

The fair market value of any Nonpurpose Investment shall be the price at which a willing buyer would purchase the Nonpurpose Investment from a willing seller in an arms-length transaction. Fair market value generally is determined on the date on which a contract to purchase or sell the Nonpurpose Investment becomes binding (i.e., the trade date rather than the settlement date). Except as otherwise provided in this Section, a Nonpurpose Investment that is not of a type traded on an established securities market (within the meaning of Section 1273 of the Code) is rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(A) Obligations purchased directly from the Treasury. The fair market value of a United States Treasury obligation that is purchased directly from the United States Treasury is its purchase price.

(B) Safe harbor for Guaranteed Investment Contracts. The purchase price of a Guaranteed Investment Contract shall be treated as its fair market value on the purchase date if all the following conditions are met:

(1) The Issuer or broker makes a bona fide solicitation for a specified Guaranteed Investment Contract and receives at least three bona fide bids from reasonably competitive providers (of Guaranteed Investment Contracts) that have no material financial interest in the Issue.

(2) The Issuer purchases the highest-yielding Guaranteed Investment Contract for which a qualifying bid is made (determined net of broker's fees);

(3) The Yield on the Guaranteed Investment Contract (determined net of broker's fees) is not less than the Yield then available from the provider on reasonably comparable Guaranteed Investment Contracts, if any, offered to other persons from a source of funds other than Gross Proceeds of Tax-Exempt Obligations;

(4) The determination of the terms of the Guaranteed Investment Contract takes into account as a significant factor the Issuer's reasonably expected drawdown schedule for the amounts to be invested, exclusive of amounts deposited in a Bona Fide Debt Service Fund and a reasonably required reserve or replacement fund;

(5) The terms of the Guaranteed Investment Contract, including collateral security requirements, are reasonable; and

(6) The obligor on the Guaranteed Investment Contract certifies the administrative costs that it is paying (or expects to pay) to third parties in connection with the Guaranteed Investment Contract.

(C) Safe harbor for certificates of deposit. The purchase price of a certificate of deposit shall be treated as its fair market value on the purchase date if all of the following requirements are met:

(1) The certificate of deposit has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal; and

(2) The Yield on the certificate of deposit is not less than (a) the Yield on reasonably comparable direct obligations of the United States, or (b) the highest Yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

Certificates evidencing the foregoing requirements should be obtained before purchasing any Guaranteed Investment Contract or certificate of deposit.

SECTION 3.04. CONSTRUCTIVE SALE/PURCHASE.

(A) Nonpurpose Investments that are held by the Issuer or Trustee as of any Computation Date (or Bond Year if the computations are required to be done annually) shall be treated for purposes of computing the Rebate Amount as of such date as having been sold for their fair market value as of such date. Investment Property which becomes allocated to Gross Proceeds of the Issue on a date after such Investment Property has actually been purchased shall be treated for purposes of the rebate requirements as having been purchased by the Issuer on such date of allocation at its fair market value on such date.

(B) For purposes of constructive or deemed sales or purchases of Investment Property (other than Investment Property in the Escrow Fund or that is otherwise not invested for a Temporary Period or is not part of a reasonably required reserve or replacement fund for the Issue) must be valued at its fair market value on the date of constructive or deemed sale or purchase.

(C) Except as set forth in (B), fixed rate Investment Property that is (1) issued with not more than 2% of original issue discount or original issue premium, (2) issued with original issue premium that is attributable exclusively to reasonable underwriters' compensation or (3) acquired with not more than 2% of market discount or market premium, may be treated as having a fair market value equal to its outstanding stated principal amount, plus accrued interest. Fixed rate Investment Property also may be treated as having a fair market value equal to its present value.

SECTION 3.05. ADMINISTRATIVE COSTS.

(A) Administrative costs shall not be taken into account in determining the payments for or receipts from a Nonpurpose Investment unless such administrative costs are Qualified Administrative Costs. Thus, administrative costs or expenses paid, directly or indirectly, to purchase, carry, sell, or retire Nonpurpose Investments generally do not increase the Payments for, or reduce the Receipts from, Nonpurpose Investments.

(B) Qualified Administrative Costs are taken into account in determining the Payments and Receipts on Nonpurpose Investments and thus increase the Payments for, or decrease the Receipts from, Nonpurpose Investments. In the case of a Guaranteed Investment Contract, a broker's commission or similar fee paid on behalf of either the Issuer or the provider is a Qualified Administrative Cost to the extent that (1) the amount of the fee treated as a Qualified Administrative Cost does not exceed the lesser of (a) $31,000, or such higher amount as determined and published by the Internal Revenue Service as the "cost-of-living adjustment" for the calendar year in which the Guaranteed Investment Contract is acquired and (b) 0.2% of the Computational Base or, if more, $3,000, and (2) the aggregate amount of broker's commissions or similar fees with respect to all Guaranteed Investment Contracts and Nonpurpose Investments acquired for a yield restricted defeasance escrow purchased with Gross Proceeds of the Issue treated as Qualified Administrative Costs does not exceed $85,000, less the portion of such $85,000 cap, if any, used in prior years with respect to the Issue.

PART IV: COMPLIANCE AND AMENDMENT

SECTION 4.01. COMPLIANCE.

The Issuer, Trustee or Rebate Analyst, as applicable, shall take all necessary steps to comply with the requirements of these Instructions in order to ensure that interest on the Issue is excluded from gross income for federal income tax purposes under Section 103(a) of the Code. However, compliance shall not be required in the event and to the extent stated therein the Issuer and the Trustee receive a Bond Counsel's Opinion that either (A) compliance with such requirement is not required to maintain the exclusion from gross income for federal income tax purposes of interest on the Issue, or (B) compliance with some other requirement in lieu of such requirement will comply with Section 148(f) of the Code, in which case compliance with the other requirement specified in the Bond Counsel's Opinion shall constitute compliance with such requirement.

SECTION 4.02. LIABILITY.

If for any reason any requirement of these Instructions is not complied with, the Issuer and the Trustee, if applicable, shall take all necessary and desirable steps to correct such noncompliance within a reasonable period of time after such noncompliance is discovered or should have been discovered with the exercise of reasonable diligence. The Trustee shall have no duty or responsibility to independently verify any of the Issuer's, or the Rebate Analyst's, calculations with respect to the payments of the Rebate Amount due and owing to the United States. Under no circumstances whatsoever shall the Trustee be liable to the Issuer, any bondholder or any other person for any inclusion of the interest on the Issue in gross income for federal income tax purposes, or any claims, demands, damages, liabilities, losses, costs or expenses resulting therefrom or in any way connected therewith, so long as the Trustee acts only in accordance with these Instructions and the operative documents pertaining to the Issue.

SQUIRE, SANDERS & DEMPSEY L.L.P.

[Date]

ATTACHMENT B

TO TAX COMPLIANCE CERTIFICATE OF ISSUER

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

UNDERWRITER'S CERTIFICATE

Bear, Sterns & Co., Inc. (the "Underwriter"), as underwriter for the Bonds identified above (the "Issue"), issued by the City of Oakland (the "Issuer"), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

(1) Issue Price -- Section 148. All of the bonds of the Issue were actually offered to the general public in a bona fide public offering at the initial offering prices set forth on the cover page of the Official Statement dated June 14, 2006 relating to the Issue (the "Initial Offering Price" as applicable to respective maturities), without any Pre-Issuance Accrued Interest, which is not more than the fair market value of each maturity as of June 14, 2006, the Sale Date of the Issue, and as of the Sale Date at least 10% in principal amount of each maturity was sold or was reasonably expected to be sold (other than to bond houses, brokers and other intermediaries) at the Initial Offering Price (the "Issue Price"). The aggregate Issue Price of the Issue, there being no Pre-Issuance Accrued Interest, is $21,203,552.50.

(2) Information Return. For purposes of the Information Return required by Section 149(e) of the Code to be filed in connection with the Issue:

- The Initial Offering Price of the entire Issue is $21,302,552.50.
- The weighted average maturity of the Issue is 18.3791 years.
- The Yield on the Issue, calculated in accordance with Section 148(h) of the Code and Treasury Regulations Section 1.148-4, is 4.5237%. That is the Yield that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360 day year and semi-annual compounding, produces an amount equal to the aggregate Issue Price of the Issue as stated in paragraph (1) less the premium paid for the Bond Insurance and with the adjustments set forth in paragraph (4) and (5).
- The CUSIP Number assigned to the final maturity of the Issue is 672240PX0.
- The Underwriter's compensation is $103,750.

(3) Bond Insurance. The amount and time of payment of the premium for the Bond Insurance insuring all of the obligations of the Issue are stated in the Issuer's Tax Compliance Certificate. Based on that information and the Underwriter's knowledge and experience and, as

to (B) below, based on an estimate by the Underwriter of the Yields at which such obligations would have sold in the absence of the Bond Insurance:

(A) The premium paid for the Bond Insurance does not exceed a reasonable charge for the transfer of credit risk, taking into account charges by bond insurers in similar transactions with which the Underwriter is familiar.

(B) The present value of the premium paid for the Bond Insurance is less than the present value of the interest reasonably expected to be saved on the Issue as a result of the Bond Insurance, for which purpose present value is computed by using the yield-to-maturity of the Issue (taking into account the premium paid for the Bond Insurance) as the discount rate.

(4) Discount Bonds Subject to Mandatory Early Redemption. No bond of the Issue that is subject to mandatory early redemption has a stated redemption price that exceeds the Initial Offering Price of such bond by more than one fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of years to its weighted average maturity date.

(5) Premium Bonds. The bonds of the Issue maturing in the years 2026 and 2031 are the only bonds of the Issue that are subject to optional redemption before maturity and have an Initial Offering Price that exceeds their stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), such bonds were treated, pursuant to Treasury Regulations §1.148-4(b)(3), as retired on their optional redemption date or at maturity to result in the lowest Yield on the Issue. No bond of the Issue is subject to optional redemption within five years of the Issuance Date of the Issue.

(6) No Stepped Coupon Bonds. No bond of the Issue bears interest at an increasing interest rate.

All capitalized terms not defined in this Certificate have the meaning set forth in the Tax Compliance Certificate of Issuer to which this Certificate is attached or in Attachment A to it.

[left intentionally blank]

The signer is an officer of the Underwriter and duly authorized to execute and deliver this Certificate of the Underwriter. The Underwriter understands that the certifications contained in this Certificate will be relied on by the Issuer in making certain of its representations in its Tax Compliance Certificate and in completing and filing the Information Return for the Issue, and by Squire, Sanders & Dempsey L.L.P., as bond counsel, in rendering certain of its legal opinions in connection with the issuance of the Issue.

Dated: June 28, 2006

BEAR, STEARNS & CO., INC.

By: ______________________

Name: Roy V. Carlberg

Title: Sr. Managing Director

ATTACHMENT C

CERTIFICATE OF THE
OAKLAND MUSEUM OF CALIFORNIA FOUNDATION

The undersigned, Vice-Chairperson of the Oakland Museum of California Foundation (the "Foundation"), a nonprofit corporation of California, in connection with issuance by the City of Oakland (the "City") of its $21,000,000 aggregate principal amount of General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), hereby certifies on behalf of the Foundation as follows:

1. Approximately 36.86% of the proceeds derived from the sale of the Bonds will be used by the City or the Foundation to construct architectural and structural improvements to the Oakland Museum of California (collectively, the "Museum Project"). All of the facilities and improvements comprising the Museum Project are and will be owned by the City and operated by the City with the assistance of the Foundation.

2. The Foundation recognizes that as a result of the issuance of the Bonds by the City on a tax-exempt basis, certain requirements and conditions govern the use and investment of the proceeds of the Bonds and the use of the Museum Project financed with the proceeds thereof, the violation of which may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. The Foundation has reviewed the Tax Compliance Certificate (including Attachments A and A-1 thereto) (collectively, the "Tax Certificate") to which this Attachment is attached and covenants and represents that it will comply with and will assist the City in compliance with, the provisions of the Tax Certificate insofar as such provisions pertain to the proceeds of the Bonds and the facilities and improvements comprising the Museum Project financed with the proceeds thereof.

4. As of the date hereof, there is no written or other agreement between the City and the Foundation pertaining to the Oakland Museum other than the Master Agreement for the Oakland Museum of California Measure G Construction Project dated December 1, 2003 and amended June 28, 2004. The Foundation reasonably expects that any uses of the Museum Project during the entire term of the Bonds that constitute a "Private Business Use," as such term is defined in Attachment A of the Tax Certificate, will not exceed 5% of the proceeds of the Bonds. Further, as of the date hereof, the Foundation reasonably expects that none of the proceeds of the Bonds will be used, directly or indirectly, to make or finance a loan to any person.

5. As of the date hereof, the Foundation reasonably expects that, during the entire term of the Bonds, payments by the Foundation to or for the benefit of the City with respect to the Museum Project, after reduction for ordinary and necessary expenses directly attributable to the operation and maintenance of the Museum Project (including exhibit fees, advertising and promotional expenses), will not exceed 5% of the principal amount of the Bonds. For purposes of this paragraph 5, contributions of cash or property by the Foundation to the City or to the Oakland Museum of California do not constitute payments for the use of property.

6. Of the proceeds of the Bonds expended on the Museum Project, no more than 15% of such amount will be spent on project design and administrative costs.

7. Any construction contract paid in whole or in part with proceeds of the Bonds will pay prevailing wages.

The Foundation has made due inquiry with respect to the use and investment of the proceeds of the Bonds and the Museum Project and is fully informed as to the matters set forth in this Certificate.

The undersigned is duly authorized to execute and deliver this Certificate on behalf of the Foundation. The Foundation understands that the certifications contained in this Certificate will be relied upon by the City in making certain representations in its Tax Certificate and by Squire, Sanders & Dempsey L.L.P., as Bond Counsel, in rendering certain of its legal opinions in connection with the issuance of the Bonds.

Dated: June 28, 2006

OAKLAND MUSEUM OF CALIFORNIA
FOUNDATION

By: Sheryl L. Wong
Title: Vice Chair

ACKNOWLEDGED
CITY OF OAKLAND

Katano Kasaini

Treasury Manager

ATTACHMENT D

CERTIFICATE OF THE
EAST BAY ZOOLOGICAL SOCIETY, INC.

The undersigned, Executive Director of the East Bay Zoological Society, Inc. (the "Society"), a California nonprofit public interest corporation, in connection with issuance by the City of Oakland (the "City") of its $21,000,000.00 aggregate principal amount of General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), hereby certifies on behalf of the Society as follows:

1. Approximately 62.25% of the proceeds derived from the sale of the Bonds will be used by the City or the Society to acquire, renovate, improve, construct and finance existing and additional educational facilities for the Oakland Zoo, including a new Children's Zoo and a Wild California Exhibit (collectively, the "Zoo Project"). All of the facilities and improvements comprising the Zoo Project are and will be owned by the City and will be operated by the City or the Society.

2. The Society recognizes that as a result of the issuance of the Bonds by the City on a tax-exempt basis, certain requirements and conditions govern the use and investment of the proceeds of the Bonds and the Zoo Project financed with the proceeds thereof, the violation of which may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. The Society has reviewed the Tax Compliance Certificate (including Attachments A and A-1 thereto) (collectively, the "Tax Certificate") to which this Attachment is attached and, in consideration for the receipt of proceeds derived from the sale of the Bonds, covenants and represents that it will comply with and will assist the City in compliance with, the provisions of the Tax Certificate insofar as such provisions pertain to the proceeds of the Bonds and the facilities and improvements comprising the Zoo Project financed with the proceeds thereof.

4. As of the date hereof, there is no written or other agreement between the City and the Society pertaining to the Oakland Zoo other than the Agreement between East Bay Zoological Society and City of Oakland dated May 23, 2005 and amended November 3, 2005. The Society reasonably expects that any uses of the Zoo Project during the entire term of the Bonds that constitute a "Private Business Use," as such term is defined in Attachment A of the Tax Certificate, will not exceed 5% of the proceeds of the Bonds. Further, as of the date hereof, the Society reasonably expects that none of the proceeds of the Bonds will be used, directly or indirectly, to make or finance a loan to any person.

5. As of the date hereof, the Society reasonably expects that, during the entire term of the Bonds, payments by the Society to or for the benefit of the City with respect to the Zoo Project, after reduction for operating and maintenance expenses, will not exceed 5% of the principal amount of the Bonds.

6. Of the proceeds of the Bonds expended on the Zoo Project, no more than 15% of such amount will be spent on project design and administrative costs.

7. Any construction contract paid in whole or in part with proceeds of the Bonds will pay prevailing wages.

The Society has made due inquiry with respect to the use and investment of the proceeds of the Bonds and the Zoo Project and is fully informed as to the matters set forth in this Certificate.

The undersigned is duly authorized to execute and deliver this Certificate on behalf of the Society. The Society understands that the certifications contained in this Certificate will be relied upon by the City in making certain representations in its Tax Certificate and by Squire, Sanders & Dempsey L.L.P., as Bond Counsel, in rendering certain of its legal opinions in connection with the issuance of the Bonds.

Dated: June 28, 2006

EAST BAY ZOOLOGICAL SOCIETY, INC.

By: ______________________

Title: Executive Director

ACKNOWLEDGED
CITY OF OAKLAND

____

Treasury Manager

Ambac

CERTIFICATE OF BOND INSURER

In connection with the issuance of $21,000,000 in aggregate principal amount of City of Oakland, California (the "Obligor"), General Obligation Bonds (Series 2006, Measure G), dated their date of delivery (the "Obligations"), Ambac Assurance Corporation ("Ambac") is issuing a Financial Guaranty Insurance Policy (the "Insurance Policy") guaranteeing the payment of principal and interest when due on the Obligations, all as more fully set out in the Insurance Policy.

On behalf of Ambac, the undersigned hereby certifies that:

(i) the Insurance Policy is an unconditional and recourse obligation of Ambac (enforceable by or on behalf of the holders of the Obligations) to pay the scheduled payments of interest and principal on the Obligations in the event of a Nonpayment as defined in the Insurance Policy;

(ii) the insurance premium of $97,400.00 was determined in arm's length negotiations in accordance with our standard procedures, is required to be paid as a condition to the issuance of the Insurance Policy and represents a reasonable charge for the transfer of credit risk;

(iii) no portion of such premium represents a payment for any direct or indirect services other than the transfer of credit risk, including costs of underwriting or remarketing the Obligations or the cost of insurance for casualty of Obligation financed property;

(iv) we are not co-obligors on the Obligations and do not reasonably expect that we will be called upon to make any payment under the Insurance Policy; and

(v) the Obligor is not entitled to a refund of any portion of the premium for the Insurance Policy in the event that the Obligations are retired prior to their stated maturity.

IN WITNESS WHEREOF, Ambac Assurance Corporation has caused this certificate to be executed in its name on this 28th day of June, 2006, by one of its officers duly authorized as of such date.

AMBAC ASSURANCE CORPORATION

By: ______________________

David N. Abramowitz
Managing Director and
General Counsel, Public Finance

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Form **8038-G** (Rev. November 2000) Department of the Treasury Internal Revenue Service

Information Return for Tax-Exempt Governmental Obligations

▶ Under Internal Revenue Code section 149(e)

▶ See separate Instructions.

Caution: *If the issue price is under $100,000, use Form 8038-GC.*

OMB No. 1545-0720

If **Amended Return,** check here ▶ ☐

Part I Reporting Authority

1 Issuer's name: City of Oakland, California	2 Issuer's employer identification number: 94 : 6000384
3 Number and street (or P.O. box if mail is not delivered to street address): City of Oakland, Finance and Management Agency — Room/suite	4 Report number: 3 2006-01
5 City, town, or post office, state, and ZIP code: 50 Frank Ogawa Plaza, 5th Fl., Oakland, California 94612	6 Date of issue: 6/28/06
7 Name of issue: City of Oakland General Obligation Bonds Series 2006 Measure G	8 CUSIP number: 672240PX0
9 Name and title of officer or legal representative whom the IRS may call for more information: Katano Kasaine, Treasury Manager	10 Telephone number of officer or legal representative: (510) 238-6735

Part II Type of Issue (check applicable box(es) and enter the issue price) See instructions and attach schedule

11	☐ Education	11	
12	☐ Health and hospital	12	
13	☐ Transportation	13	
14	☐ Public safety	14	
15	☐ Environment (including sewage bonds)	15	
16	☐ Housing	16	
17	☐ Utilities	17	
18	☑ Other. Describe ▶ MUSEUM / ZOO	18	$21,203,552.50
19	If obligations are TANs or RANs, check box ▶ ☐ If obligations are BANs, check box ▶ ☐		
20	If obligations are in the form of a lease or installment sale, check box ▶ ☐		

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Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	January 15, 2036	$ 21,203,552.50	$ 21,000,000.00	18.3791 years	4.5237 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22	Proceeds used for accrued interest			22	0
23	Issue price of entire issue (enter amount from line 21, column (b))			23	$21,203,552.50
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	$287,673.42		
25	Proceeds used for credit enhancement	25	$97,400.00		
26	Proceeds allocated to reasonably required reserve or replacement fund	26	0		
27	Proceeds used to currently refund prior issues	27	0		
28	Proceeds used to advance refund prior issues	28	0		
29	Total (add lines 24 through 28)			29	$385,073.42
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)			30	$20,818,479.08

Part V Description of Refunded Bonds (Complete this part only for refunding bonds.)

31 Enter the remaining weighted average maturity of the bonds to be currently refunded ▶ ______ years

32 Enter the remaining weighted average maturity of the bonds to be advance refunded ▶ ______ years

33 Enter the last date on which the refunded bonds will be called ▶ ______

34 Enter the date(s) the refunded bonds were issued ▶ ______

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	0
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (see instructions)	36a	0
b	Enter the final maturity date of the guaranteed investment contract ▶		
37	Pooled financings: a Proceeds of this issue that are to be used to make loans to other governmental units	37a	0

b If this issue is a loan made from the proceeds of another tax-exempt issue, check box ▶ ☐ and enter the name of the issuer ▶ ______ and the date of the issue ▶ ______

38 If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ ☐

39 If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ ☐

40 If the issuer has identified a hedge, check box ▶ ☐

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete.

Katano Kasaine — Signature of issuer's authorized representative | 6-28-06 — Date | Katano Kasaine, Treasury Manager — Type or print name and title

Olson 7004 1160 0003 4570 7704

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Certified Fee	$2.40
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Restricted Delivery Fee (Endorsement Required)	$0.00
Total Postage & Fees	$ $4.88

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or PO Box No.

City, State, ZIP+4
Ogden, Utah 84201 S. LUM

PS Form 3800, June 2002 See Reverse for Instructions

33

$21,000,000
CITY OF OAKLAND
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CITY'S WRITTEN REQUEST
TO AUTHENTICATE AND DELIVER BONDS

TO: The Bank of New York Trust Company, N.A.
as Fiscal Agent

The undersigned is a Representative of the City of Oakland (the "City") and is providing this Written Request pursuant to the Fiscal Agent Agreement, dated as of November 1, 2002 and Section 3.01 of the First Supplemental Agreement to Fiscal Agent Agreement, dated as of June 1, (together, the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent").

All capitalized terms used in this Written Request and not otherwise defined herein shall have the meaning given to such terms in the Fiscal Agent Agreement.

The undersigned hereby requests and authorizes the Fiscal Agent to complete and authenticate the captioned Bonds, with the principal maturities and interest rates as set forth on Exhibit A hereto, and to deliver the Bonds to The Depository Trust Company (the "DTC") on order of Bear Stearns & Co., Inc., the Original Purchaser of the Bonds.

The Bonds shall be delivered to or on order of the Original Purchaser to be held by you on behalf of DTC pursuant to your F.A.S.T. delivery arrangements with DTC, upon payment by the Original Purchaser to you in immediately available funds of the following Purchase Price:

Principal Amount of Bonds	$21,000,000.00
Plus Premium	2,402.50
Less Good Faith Deposit	(210,000.00)
Total Purchase Price	$20,792,402.50

Upon payment by the Original Purchaser of the Purchase Price to the Fiscal Agent, the City will transfer the Good Faith Deposit of $210,000 held by the City to the Fiscal Agent.

Dated: June 28, 2006

CITY OF OAKLAND

By: Katano Kasaine

Katano Kasaine
Treasury Manager

EXHIBIT A

SERIES 2002A, MEASURE G BONDS

Maturity Date (January 15)	Principal Amount	Interest Rate
2007	$ 200,000	4.500%
2008	375,000	4.000
2009	390,000	3.750
2010	400,000	3.750
2011	415,000	4.000
2012	435,000	4.000
2013	450,000	4.000
2014	470,000	4.000
2015	490,000	4.000
2016	510,000	4.000
2017	530,000	4.125
2018	550,000	4.250
2019	575,000	4.250
2020	595,000	4.250
2021	625,000	4.500
2026	3,600,000	5.000
2031	4,585,000	5.000
2036	5,805,000	4.500

Dated: June 28, 2006.

$21,000,000

CITY OF OAKLAND, CALIFORNIA
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

CERTIFICATE OF FISCAL AGENT AND RECEIPT FOR PURCHASE PRICE

The undersigned certifies that he/she is an authorized representative of The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company) (the "Bank") duly authorized to execute this certificate on behalf of the Bank. All capitalized terms used in this certificate which are not defined herein have the meaning set forth in the Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement to Fiscal Agent Agreement, dated as of June 1, 2006 (together, the "Fiscal Agent Agreement"), by and between the City of Oakland (the "City") and the Bank, as fiscal agent (the "Fiscal Agent").

The undersigned, on behalf of the Bank, hereby certifies as follows:

1. The Bank has full corporate power and authority to enter into and perform its duties and obligations as Fiscal Agent under the Fiscal Agent Agreement and to authenticate and deliver the captioned Bonds to the Original Purchaser thereof, and has duly accepted such duties and obligations.

2. The Bank has duly executed and delivered the Fiscal Agent Agreement.

3. Each Bond has been authenticated by the manual signature thereof by a person signing as an authorized signatory of the Fiscal Agent and such person was at the time of said authentication duly authorized to authenticate the Bonds. Said authorized signatory was at such time and is now a duly elected or appointed, qualified and acting incumbent of his/her respective office.

4. Attached hereto as Exhibit A is a true, complete, and correct copy of a certificate of authority and incumbency of Bank which demonstrates the incumbency of the undersigned and the person who authenticated the Bonds and who executed the Fiscal Agent Agreement and their authority to act on behalf of the Bank. Such authority was in effect on the date or dates said officers acted and remains in full force and effect as of the date hereof.

5. All blanks on the Bonds to be delivered to The Depository Trust Company ("DTC") on the order of Original Purchaser, and held by the Bank on behalf of DTC pursuant to the Bank's F.A.S.T. delivery arrangement with DTC, requiring completion by the Bank have been properly, completely and accurately completed by the Bank.

6. To the best knowledge of the Bank, the execution and delivery by the Bank of the Fiscal Agent Agreement and the authentication and delivery of the Bonds and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond note, resolution or any other agreement or instrument to which the Bank is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Bank or any of its activities or properties (except that no representation, warranty or agreement is made by the Fiscal Agent with respect to any federal or state securities or blue sky laws or regulations).

7. To the best knowledge of the Bank, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body that has been served on the Bank or threatened against or affecting the existence of the Bank or seeking to prohibit, restrain or enjoin the authentication and delivery of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or the Fiscal Agent Agreement or

contesting the trust powers of the Bank or its authority to enter into and perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would adversely affect the obligations of the Bank under the Fiscal Agent Agreement or which, in any way, would adversely affect the validity of the Bonds or the Fiscal Agent Agreement.

8. The Bank hereby acknowledges receipt from Original Purchaser, in full payment for the Bonds, of $20,792,402.50 being the Purchase Price set forth in the City's Written Request.

The Bank certifies that the Purchase Price plus the Good Faith Deposit of $210,000 was deposited or applied on the date hereof in the following accounts held under the Fiscal Agent Agreement:

(a) To the Zoo Subaccount of the 2006 Proceeds Account, the amount of $13,074,076.18;

(b) To the Museum Subaccount of the 2006 Proceeds Account, the amount of $7,742,000.40;

(c) To the Bond Fund, the amount of $2,402,50; and

(d) To the 2006 Costs of Issuance Account, the amount of $183,923.42.

Dated: June 28, 2006

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Fiscal Agent

By: Milly Canessa
Milly P. Canessa
Vice President

THE BANK OF NEW YORK TRUST COMPANY, NATIONAL ASSOCIATION
SECRETARY'S CERTIFICATE

I do hereby certify that:

(i) I am the duly elected Assistant Secretary of The Bank of New York Trust Company, National Association, a national banking association (the "N.A.");

(ii) attached hereto as Exhibit "A" is a true, correct copy of Signing Authorities extracts from by-laws of the N.A. adopted by action of the Board of Directors of the N.A. and presently in effect;

(iii) attached hereto as Exhibit "B" is a list of the persons who, as of the date hereof, are certain duly elected officers of the N.A., which lists sets forth the title of each such officer next to his or her typed name, with which officers I am personally familiar; and

IN WITNESS WHEREOF, I have hereunto executed this Certificate as Assistant Secretary of the N.A. and affixed the seal of the N.A, this 28nd of June, 2006.

Ronquillo

Rosalinda Ronquillo, Assistant Vice President &
Assistant Secretary
The Bank of New York Trust Company

(Corporate Seal)

I hereby certify that as of the date hereof that Rosalinda Ronquillo is the duly elected Assistant Secretary of The Bank of New York Trust Company, and that the signature which appears on the foregoing pages is the signature of Rosalinda Ronquillo is and that it is a signature with which I am personally familiar and do certify as to its authenticity:

Dated: June 28, 2006

By: Milly P. Canessa
Title: Vice President

The Bank of New York Trust Company, National Association

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-laws

RES0LVED, that, pursuant to Article V, Section 5.3 of the By-laws Association, authority be, and hereby is, granted to the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification: contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Corporation; note, and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options, and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Corporation's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single Authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Corporation for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Corporation as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Corporation in trust or in connection with any transaction with respect to which the Corporation is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Corporation or to affix the seal of the Corporation to any of the following classes of documents: Trust Indentures, Escrow Agreements. Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Corporation in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings. Contracts for providing customers with Corporation products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only (i.e.: general ledger tickets): does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the Chairman, the President, any Vice Chairman of the Board, any Senior Executive Vice President, or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Corporation.

THE BANK OF NEW YORK TRUST COMPANY, N.A.

I, the undersigned, Heather A. Sisler, Assistant Secretary of The Bank of New York Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers or qualified Employees of the Association:

Officer	Title	Signing Authority
Michael K. Klugman	President	X (Senior)
Maria E. Allison	Vice President	A, C1, J
Eladia Burgos	Vice President	A, C2, J
M. Rose Bystrom	Vice President & Assistant Secretary	A, C1, J
Milly P. Canessa	Vice President	A, C4, J
Teresa R. Fructuoso	Vice President	A, C2, J
Evelyn T. Furukawa	Vice President & Assistant Secretary	A, C1, J
Mark A. Golder	Vice President	A, C2, J
Vicki Herrick	Vice President	A, C4, J
Inga Keldsen	Vice President & Assistant Secretary	A, C1, J
Johanna Kennelly	Vice President	A, C4, J
Josephine Libunao	Vice President	A, C2, J
Leigh M. Lutz	Vice President & Assistant Secretary	A, C1, J
Gary B. Nelson	Vice President & Assistant Secretary	A, C1, J
Jacqueline M. Nowak	Vice President	A, C4, J
Linda G. Ojeda	Vice President & Assistant Secretary	A, C1, J
Tomas S. Orlina, Jr.	Vice President	A, C4, J
Sandee' Parks	Vice President	A, C1, J
Teresa Petta	Vice President	A, C2, J
Frank P. Sulzberger	Vice President & Assistant Secretary	X
Deborah Young	Vice President	A, C3, J
Melonee Young	Vice President	A, C2, J
Gregory B. Chenail	Assistant Vice President	A, C4, J
Patricia Cronin	Assistant Vice President	A, C4, J
Priscilla R. Dedoro	Assistant Vice President	A, C4, J
Kathleen Gylland	Assistant Vice President	A, C4, J
Mary D. Lee	Assistant Vice President	A, C4, J
Patrick Matanane	Assistant Vice President	A, C4, J
Marina Meza	Assistant Vice President	A, C4, J
Melinda Murrell	Assistant Vice President	A, C4, J
Agnes Obando	Assistant Vice President	A, C4, J
Gloria Ramirez	Assistant Vice President	A, C4, J
Rosalinda Ronquillo	Assistant Vice President Assistant Secretary	A, C4, J
Lisa Stroud	Assistant Vice President	A, C2, J
Perry Tobe	Assistant Vice President	A, C4, J
Johanna K. Tokunaga	Assistant Vice President	A, C4, J
Gonzalo Urey	Assistant Vice President	A, C4, J
Christopher Davy	Assistant Treasurer	A, C4, J
Elizabeth Doomey	Assistant Treasurer	A, C4, J
Christina Garchitorena	Assistant Treasurer	A, C4, J
Alan Maravilla	Assistant Treasurer	A, C4, J
Helen B. McNulty	Assistant Treasurer	A, C4, J
Aurora Y. Quiazon	Assistant Treasurer	A, C4, J

Zenaida Rodriguez	Assistant Treasurer	A, C4, J
Fe R. Tuzon	Assistant Treasurer	A, C4, J
Gene Romaine	Agency Administrator	A, C4, J

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-Laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-Laws of the Association and the signing authority resolution, which have not been amended or revised since January 20, 2005 and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The Bank of New York Trust Company, N.A. this 8th day of March, 2006.

Heather A. Sisler, Assistant Secretary

Extracts from By-Laws

Of

The Bank of New York Trust Company, N.A.

As Amended Through January 20, 2005

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-Laws

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $100,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

> *Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

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$21,000,000
CITY OF OAKLAND, CALIFORNIA
GENERAL OBLIGATION BONDS
(SERIES 2006, MEASURE G)

RECEIPT OF PURCHASER FOR BONDS

The undersigned, an authorized representative of Bear, Stearns & Co, Inc., as original purchaser of the captioned Bonds, hereby certifies that he or she has received on the date hereof:

(1) confirmation of receipt by Bank of New York Trust Company, N.A. (the "Bank"), on behalf of The Depository Trust Company ("DTC") pursuant to the Bank's F.A.S.T. delivery arrangement with DTC, of all of the captioned Bonds which mature and bear interest as set forth in Exhibit A attached hereto.

(2) receipt of such documents, certificates, and opinions required in connection with the issuance of the Bonds and satisfaction by the City of the terms and conditions of the Official Notice Inviting Bids, dated June 5, 2006, relating to the Bonds.

Dated: June 28, 2006

BEAR, STEARNS SECURITIES CORPORATION

By: [signature]
Name: Roy V. Carlberg
Title: Sr. Managing Director

EXHIBIT A

SERIES 2002A, MEASURE G BONDS

Maturity Date (January 15)	Principal Amount	Interest Rate
2007	$ 200,000	4.500%
2008	375,000	4.000
2009	390,000	3.750
2010	400,000	3.750
2011	415,000	4.000
2012	435,000	4.000
2013	450,000	4.000
2014	470,000	4.000
2015	490,000	4.000
2016	510,000	4.000
2017	530,000	4.125
2018	550,000	4.250
2019	575,000	4.250
2020	595,000	4.250
2021	625,000	4.500
2026	3,600,000	5.000
2031	4,585,000	5.000
2036	5,805,000	4.500

Dated: June 28, 2006.

CITY OF OAKLAND

ONE FRANK H. OGAWA PLAZA • 6TH FLOOR • OAKLAND, CALIFORNIA 94612

Office of the City Attorney
John A. Russo
City Attorney

(510) 238-3601
FAX (510) 238-6500
TDD (510) 839-6451

June 28, 2006

City of Oakland
Oakland, California

Re: City of Oakland General Obligation Bonds (Series 2006, Measure G)

Ladies and Gentlemen:

I am the City Attorney of the City of Oakland (the "City") and have acted as such in connection with the issuance by the City's bonds designated "City of Oakland, California General Obligation Bonds (Series 2006, Measure G)", issued in the principal amount of $21,000,000 (the "Bonds"). In that capacity, I have examined the proceedings taken by the City in connection with the authorization and issuance of the Bonds, and such other documents as I have deemed necessary to render this opinion. Capitalized terms used herein, and not otherwise defined, shall have the meanings given to such terms as set forth in the Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent. Based on the foregoing, I am of the opinion that:

1. The City is a municipal corporation and chartered City duly organized and validly existing under its Charter and the Constitution and laws of the State of California.

2. The City has full legal right, power and authority to approve and enter into and perform its obligations under Resolution No. 79869 C.M.S. adopted by the City Council of the City on May 16, 2006 (the "Resolution"), and all applicable agreements referred to in the Resolution.

3. To the best of my knowledge, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or threatened in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the sale or delivery of the Bonds or the application of the proceeds thereof in accordance with the Fiscal Agent Agreement, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, the Fiscal Agent Agreement or any other applicable agreements referred to in the Resolution.

Very truly yours,

John A. Russo
City Attorney

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373715

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SQUIRE, SANDERS & DEMPSEY L.L.P.

One Maritime Plaza, Suite 300
San Francisco, California 94111-3492

Office: +1.415.954.0200
Fax: +1.415.393.9887

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

June 28, 2006

To: City of Oakland

We have acted as Bond Counsel to the City of Oakland, California (the "City"), in connection with the issuance by the City of $21,000,000 aggregate principal amount of its City of Oakland, General Obligation Bonds (Series 2006, Measure G) (the "Bonds"), dated as the date hereof. The Bonds are issued under and pursuant to an Resolution of the City Council adopted on May 2, 2006 (the "Resolution"), a Fiscal Agent Agreement, dated as of November 1, 2002 as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), (the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (the "Fiscal Agent"), the Charter of the City and the provisions of the Governmental Code of the State of California. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Fiscal Agent Agreement.

In our capacity as Bond Counsel, we have reviewed: the Resolution; the Fiscal Agent Agreement; the Tax Compliance Certificates of the City, of certain other organizations using the facilities to be financed with the Bonds (the "Facility Users") and of the original purchaser of the Bonds, dated the date hereof (collectively the "Tax Certificate"); other certifications of the City, the Fiscal Agent and others as to certain factual matters; and such other certificates, documents, opinions of the City Attorney and other matters to the extent we have deemed necessary to render the opinions expressed herein. We have assumed, without undertaking to verify, the genuineness of such documents, certificates and opinions presented to us (whether as originals or as copies) and of the signatures thereon, the accuracy of the factual matters represented, warranted or certified in such documents and certificates, the correctness of the legal conclusions contained in such opinions, and the due and legal execution of such documents and certificates by, and validity thereof against, any parties other than the City.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, cover certain matters not directly addressed by such authorities and speak only as of the date hereof. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds is concluded with their issuance on this date and we disclaim any obligation to update this opinion. Furthermore, we have relied upon the accuracy, which we have not independently verified, of the representations and certifications, and have assumed compliance with the covenants, of the City in the Resolution, the Fiscal Agent Agreement, the Tax Compliance Certificate and other relevant documents to which it is a party, and of the Facility Users in the Tax Certificate. The accuracy of certain of those representations and certifications, and compliance by the City and the Facilities Users with certain of those covenants, may be necessary for interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance. The rights and obligations of the City under the Resolution, the Bonds and the Fiscal Agent Agreement, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or any other offering materials relating to the Bonds and express no opinion relating thereto.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions:

1. The Resolution has been duly and validly adopted, the Fiscal Agent Agreement has been duly authorized, executed and delivered by the City, and each constitutes the valid, legal and binding obligation of the City.

2. The Bonds constitute the valid and binding general obligations of the City.

3. The City Council of the City has the power and is obligated, and in the Fiscal Agent Agreement has covenanted, to levy ad valorem taxes on all property within the City's boundaries subject to such taxes by the City, which taxes are unlimited as to rate or amount (except certain personal property which is taxable at limited rates), for payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

Under the Code, a portion of the interest on the Bonds earned by certain corporations may be subject to a corporate alternative minimum tax, and interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Respectfully submitted,

Squire, Sanders & Dempsey L.L.P.

SQUIRE, SANDERS & DEMPSEY L.L.P.

One Maritime Plaza, Suite 300
San Francisco, California 94111-3492

Office: +1.415.954.0200
Fax: +1.415.393.9887

SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

June 28, 2006

To: Bear, Stearns & Co. Inc., as Underwriter,
San Francisco, California

Ambac Assurance Corporation
New York, New York

Bank of New York Trust Company, as Fiscal Agent,
San Francisco, California

We have acted as Bond Counsel to the City of Oakland (the "City") in connection with the initial issuance and sale by the City of its $21,000,000 General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). This letter is delivered at your request.

We have this date delivered to you our legal opinion, dated of even date herewith, addressed to the City (the "Legal Opinion"), as to the validity of the Bonds and the exclusion of interest thereon from gross income of the holders for federal income tax purposes. Subject to the matters stated in the final paragraph hereof, we hereby inform you that you may rely upon the Legal Opinion.

This letter is furnished by us in our capacity as Bond Counsel to the City. No attorney-client relationship has existed or exists between our firm and any of the addresses of this letter in connection with the Bonds, the Official Statement, dated June 14, 2006 for the Bonds or by virtue of this letter. This letter is furnished by us solely for the benefit of the addresses and may not, without our prior express written consent, be provided, quoted or otherwise referred to or be relied upon for any other purpose or by anyone other than the addressees.

Respectfully submitted,

Squire, Sanders & Dempsey L.L.P.

SQUIRE, SANDERS & DEMPSEY L.L.P.

One Maritime Plaza, Suite 300
San Francisco, California 94111-3492

Office: +1.415.954.0200
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SQUIRE SANDERS | LEGAL COUNSEL WORLDWIDE

June 28, 2006

To: City of Oakland
Oakland, California

This supplemental opinion is rendered at the request of the City of Oakland (the "City") in our capacity as Bond Counsel to the City in connection with the initial issuance and sale by the City of its $21,000,000 General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). We have also delivered to you our legal opinion dated as of this date (the "Legal Opinion"), as to the validity of the Bonds and the exclusion of interest thereon from the gross income of the holders for federal income tax purposes. All terms used in this supplemental opinion and not defined herein shall have the same meaning as assigned in our Legal Opinion.

In arriving at the opinions and conclusions hereinafter expressed, we have examined and, with your permission, assumed and relied upon the matters contained, referred to and identified, and to the same extent stated, in our Legal Opinion and this letter is subject to the same limitations stated in our Legal Opinion. We have also examined (a) the Securities Act of 1933 as amended (the "1933 Act") and the applicable rules, regulations and interpretations under that Act, and (b) the Official Statement, dated June 14, 2006, relating to the Bonds (the "Official Statement"). We have not reviewed any electronic version of the Official Statement and assume that any such version is identical in all respects to the printed version.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof and under existing law, we are of the following opinions or conclusions:

(1) It is not necessary in connection with the primary offering and sale of the Bonds to the public to register the Bonds or any other security under the 1933 Act.

(2) The delivery of the Official Statement in connection with the primary offering and sale of the Bonds has been duly authorized and approved by the City.

(3) The information contained in the Official Statement under the headings "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS - General" and "CONTINUING DISCLOSURE," insofar as such statements constitute summaries of certain provisions of the Bonds, the Fiscal Agent Agreement and the Continuing Disclosure Certificate purported to be summarized, and the information under the heading "TAX MATTERS," taken as a whole are accurate and fairly present the information purported to be shown.

In addition and in accordance with our understanding with the City, we have rendered certain legal advice and assistance to the City in the course of the preparation of the Official Statement. Except as set forth in paragraph 3 above, we have not been engaged by the City for the purpose of, and we are not, passing upon, and we do not assume any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement, and we have not been engaged to, and we have not, independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as Bond Counsel to the City, we have participated in certain telephonic conferences with representatives of the City, the City Attorney's Office, Public Financial Management, Inc., the City's Financial Advisor, and others, during which conferences the contents of the Official Statement and related matters were discussed. Based on our participation in the above-mentioned conferences, and in reliance thereon and on the records, documents, certificates and opinions described in our Legal Opinion, we advise you as a matter of fact and not legal opinion that, during the course of our engagement as Bond Counsel on this matter, no facts came to the attention of the attorneys in our firm rendering legal services in connection with such representation which caused us to believe the Official Statement (except for any information listed below, as to which we express no view) as of its date and as of this date contained or contains any untrue statement of a material fact, or omitted to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect. We express no view as to: (a) Appendices A, B, C, E and G to the Official Statement; (b) any other financial, economic or statistical data or forecasts, debt service schedules, numbers, charts, estimates, projections, appraisals, assumptions or expressions of opinion included or incorporated by reference in the Official Statement or the Appendices thereto or omitted therefrom; and (c) any information about the book entry system and The Depository Trust Company and about Ambac Assurance Corporation and its financial guarantee insurance policy.

This letter and matters expressed herein are solely for your use in connection with the initial sale and delivery of the Bonds to the Underwriter (identified in the Official Statement) and may not be delivered to or relied upon by any other person without our express prior written consent. This letter is not intended to, and may not, be relied upon by holders or owners of the Bonds. We do not undertake to advise you of any subsequent events or developments which might affect the statements contained herein. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter.

Respectfully submitted,

Squire, Sanders & Dempsey L.L.P.

Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
212.668.0340 Fax: 212.509.9190

A member of the Ambac Financial Group, Inc.

Ambac

June 28, 2006

City of Oakland
150 Frank Ogawa Plaza
Oakland, CA 94612

Public Financial Management, Inc.
50 California Street
San Francisco, CA 94111

Bear, Stearns & Co. Inc.
383 Madison Avenue
New York, NY 10179

Squire, Sanders & Dempsey L.L.P.
One Maritime Plaza
San Francisco, CA 94111

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Managing Director and General Counsel, Public Finance of Ambac Assurance Corporation, a Wisconsin stock insurance corporation ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy and Endorsement thereto, effective as of the date hereof (the "Policy"), insuring $21,000,000 in aggregate principal amount of City of Oakland, California (the "Obligor"), General Obligation Bonds (Series 2006, Measure G), dated their date of delivery (the "Obligations").

In connection with my opinion herein, I have examined the Policy and such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Official Statement of the Obligor dated June 14, 2006 relating to the Obligations (the "Official Statement") under the headings "BOND INSURANCE" and "APPENDIX G – SPECIMEN POLICY".

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance corporation duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of California.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy, and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms, except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract,

agreement or instrument to which Ambac Assurance is a party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

Ambac

5. The statements contained in the Official Statement under the heading "BOND INSURANCE", insofar as such statements constitute summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Financial Group, Inc. (the "Company") and Ambac Assurance, fairly and accurately describe the Company and Ambac Assurance.

6. The form of the Policy contained in the Official Statement under the heading "APPENDIX G – SPECIMEN POLICY" is a true and complete copy of the form of the Policy.

The opinions expressed herein are solely for your benefit, and may not be relied upon by any other person.

Very truly yours,

David N. Abramowitz
Managing Director and
General Counsel, Public Finance

/kd
25482be

US Bank Tower
633 West 5th Street, Suite 6700
Los Angeles, CA 90071

213-489-4075
213-489-4085 fax
www.pfm.com

PFM
The PFM Group
Public Financial Management, Inc
PFM Asset Management LLC
PFM Advisors

VIA E-MAIL

June 27, 2006

TO: **City of Oakland**
Attn: William Noland
Katano Kasaine
Janet An

Bear Stearns
Attn: David Officer

The Bank of New York
Attn: Milly Canessa

cc: Bob Olson, *Squire, Sanders & Dempsey*
Stephanie Shepherd, *Squire, Sanders & Dempsey*

FROM: Janice Mazyck
Nii Addy

Re: Closing Wire Instructions

Below are the closing wire instructions for:

$21,000,000
City of Oakland
General Obligation Bonds, Series 2006 (Measure G)

THE FOLLOWING WIRE TRANSFER WILL BE PERFORMED BY THE CITY OF OAKLAND NO LATER THAN 12:30 p.m., PDT ON TUESDAY, JUNE 27, 2006.

The City of Oakland will send a wire to the Fiscal Agent, The Bank of New York Trust Company in the amount of $210,000.00 representing the Good Faith Deposit.

Wire instructions for the Good Faith Deposit are as follows:

The Bank of New York Trust Company
ABA# = 021000018
BNF Account = GLA 111-565
FFC = Account Name: Oakland GOB 2006 (Measure G)
REF = Account Number: #272930
ATTN = Milly Canessa (415) 263-2420

The PFM Group

THE FOLLOWING WIRE TRANSFERS WILL BE PERFORMED BY BEAR STEARNS NO LATER THAN 8:00 a.m., PDT ON WEDNESDAY, JULY 28, 2006.

1. **Bear Stearns will send a wire to Citibank N.A. in the amount of $97,400.00 representing payment to AMBAC for the municipal bond insurance policy #25482BE.**

   Wire instructions for the insurance wire are as follows:

   Citibank N.A.
   ABA NO. 021000089
   For: Ambac Assurance Corporation
   A/C No. 40609486
   Attention: Linda Crocitto, 212-208- 3241

Bear Stearns will confirm receipt of the transferred funds to the Citibank N.A. by providing a wire transfer number to Ms. Katano Kasaine at (510) 238-2989 and to Ms. Jan Mazyck or Mr. Nii Addy at (213) 489-4075 and to Bob Olson at (415) 393-9819 and to Linda Crocitto at 212-208- 3241.

2. **BEAR STEARNS will wire $20,792,402.50 to the Trustee, Bank of New York Trust Company, reflecting the net purchase price of the General Obligation Bonds, Series 2006 (Measure G) (the "Bonds").**

The following details this net purchase price:

Par Amount	$21,000,000.00
Premium	203,552.50
(Less) Underwriter's Discount[1]	(201,150.00)
(Less) Good Faith Deposit	(210,000.00)
Total Wire Amount	$20,792,402.50

Wire instructions for the net purchase price are as follows:

The Bank of New York Trust Company
ABA# = 021000018
BNF Account = GLA 111-565
FFC = Account Name: Oakland GOB 2006 (Measure G)
REF = Account Number: #272930
ATTN = Milly Canessa (415) 263-2420

Bear Stearns will confirm receipt of the transferred funds to The Bank of New York Trust Company by providing a wire transfer number to Ms. Katano Kasaine at (510) 238-2989 and to Ms. Jan Mazyck or Mr. Nii Addy at (213) 489-4075.

[1] Underwriter's Discount includes AMBAC insurance premium of $97,400.

The PFM Group

Allocation of Funds

1. ***Original Issue Premium***. Pursuant to the Fiscal Agent Agreement, the fiscal agent will apply the portion of the Original Issue Premium allocable to the City in the Bond Fund.

2. ***Oakland Zoo and Oakland Museum Deposits***. Pursuant to the Fiscal Agent Agreement, the fiscal agent will apply the portion of proceeds allocable to the Oakland Zoo and Oakland Museum of California in their respective accounts.

Confirmation of Closing

Representatives of the City, The PFM Group, Squire, Sanders & Dempsey LLP, Bank of New York Trust Company and Bear Stearns will confirm the closing by calling DTC at any of the following numbers and speaking with any DTC representative: (212) 855-3752, x3753, x3755, x3756.

CITY OF OAKLAND
General Obligation Bonds (Series 2006, Measure G)

Distribution List
(As of June 26, 2006)

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Distribution List

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