

*In the opinion of Hawkins Delafield & Wood LLP and Curis Bartling P.C., Co-Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Co-Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.*

**\$64,545,000**  
**CITY OF OAKLAND**  
**General Obligation Bonds**  
**(Series 2009B, Measure DD)**

**Dated: Date of Delivery**

**Due: January 15, as shown below**

*This cover page contains certain information for general reference only. It is **not** intended to be a summary of the security for or the terms of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

The \$64,545,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2009B, Measure DD) (the "Bonds") are being issued under the Constitution of the State of California (the "State"), Article 1 of Chapter 4 of Division 4 of Title 4 (commencing with Section 43600) of the Government Code of the State, the Charter of the City of Oakland (the "City"), Ordinance No. 12931 of the City adopted on May 19, 2009, and other applicable laws of the State. The specific terms and conditions for issuance of the Bonds are contained in a resolution adopted by the City Council of the City on June 16, 2009. 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 Wells Fargo Bank, National Association, as fiscal 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 their date of delivery. Interest on the Bonds will be payable semiannually on January 15 and July 15 of each year, commencing January 15, 2010. **The Bonds will be subject to redemption prior to their respective stated maturities as described herein. See "THE BONDS—Redemption."**

The Bonds are payable from *ad valorem* taxes. The City Council of the City has the power and is obligated to levy *ad valorem* taxes 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**

\$30,915,000 Serial Bonds

(Base CUSIP†† Number: 672240)

| <b>Maturity Date<br/>(January 15)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Price or<br/>Yield</b> | <b>CUSIP††<br/>Suffix</b> | <b>Maturity Date<br/>(January 15)</b> | <b>Principal<br/>Amount</b> | <b>Interest<br/>Rate</b> | <b>Price or<br/>Yield</b> | <b>CUSIP††<br/>Suffix</b> |
|---------------------------------------|-----------------------------|--------------------------|---------------------------|---------------------------|---------------------------------------|-----------------------------|--------------------------|---------------------------|---------------------------|
| 2010                                  | \$ 480,000                  | 3.000%                   | 1.320%                    | QG6                       | 2020                                  | \$ 1,515,000                | 5.500%                   | 4.570%†                   | QS0                       |
| 2011                                  | 1,055,000                   | 3.000                    | 1.780                     | QH4                       | 2021                                  | 1,600,000                   | 5.500                    | 4.760†                    | QT8                       |
| 2012                                  | 1,090,000                   | 3.000                    | 2.130                     | QJ0                       | 2022                                  | 1,685,000                   | 5.500                    | 4.900†                    | QU5                       |
| 2013                                  | 1,120,000                   | 3.000                    | 2.530                     | QK7                       | 2023                                  | 1,780,000                   | 5.500                    | 5.020†                    | QV3                       |
| 2014                                  | 1,155,000                   | 5.000                    | 3.040                     | QL5                       | 2024                                  | 1,875,000                   | 5.500                    | 5.120†                    | QW1                       |
| 2015                                  | 1,210,000                   | 3.500                    | 3.340                     | QM3                       | 2025                                  | 1,980,000                   | 5.000                    | 5.220                     | QX9                       |
| 2016                                  | 1,255,000                   | 5.000                    | 3.660                     | QN1                       | 2026                                  | 2,080,000                   | 5.125                    | 5.320                     | QY7                       |
| 2017                                  | 1,320,000                   | 4.250                    | 3.930                     | QP6                       | 2027                                  | 2,185,000                   | 5.125                    | 5.420                     | QZ4                       |
| 2018                                  | 1,375,000                   | 5.000                    | 4.140                     | QQ4                       | 2028                                  | 2,295,000                   | 5.250                    | 5.510                     | RA8                       |
| 2019                                  | 1,440,000                   | 5.000                    | 4.330                     | QR2                       | 2029                                  | 2,420,000                   | 5.250                    | 5.600                     | RB6                       |

**\$14,335,000 6.00% Term Bonds due January 15, 2034, Price 100.354%† CUSIP†† No. 672240RC4**

**\$19,295,000 6.25% Term Bonds due January 15, 2039, Price 102.142%† CUSIP†† No. 672240RD2**

The Bonds will be offered to the public when, as and if issued by the City and received, subject to the approval of legality by Hawkins Delafield & Wood LLP, San Francisco, California, and Curis Bartling P.C., Oakland, California, Co-Bond Counsel, with respect to the Bonds and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney. Alexis S. M. Chiu, Esq., San Francisco, California, is acting as Disclosure Counsel for the City. Certain legal matters are being passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about July 30, 2009.

**J.P. Morgan**

**De La Rosa & Co.**

Dated: July 22, 2009

† Priced to par call on January 15, 2019.

†† CUSIP Copyright 2009, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Underwriters assumes any 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. 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.

A wide variety of other information, including financial information, concerning the City is available from publications and websites of the City. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

Certain statements in this Official Statement, which may generally be identified by the use of such terms as “plan,” “expect,” “estimate,” “budget” or other similar words, constitute “forward-looking statements.” 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.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT 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 UNDERWRITERS MAY OFFER AND SELL TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE THEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement and the information contained herein is in a form deemed final by the City for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended.

**CITY OF OAKLAND**

**MAYOR**

RONALD V. DELLUMS

**CITY COUNCIL**

JANE BRUNNER, *President*  
*DISTRICT 1*

IGNACIO DE LA FUENTE, *Vice Mayor*  
*DISTRICT 5*

DESLEY BROOKS  
*DISTRICT 6*

REBECCA KAPLAN  
*AT-LARGE*

PATRICIA KERNIGHAN  
*DISTRICT 2*

NANCY NADEL  
*DISTRICT 3*

JEAN QUAN  
*DISTRICT 4*

LARRY REID, JR.  
*DISTRICT 7*

**CITY OFFICIALS**

DAN LINDHEIM, *City Administrator*  
MARIANNA MARYSHEVA-MARTINEZ, *Assistant City Administrator*  
JOSEPH T. YEW, JR., *Finance Director/City Treasurer*  
COURTNEY A. RUBY, *City Auditor*  
JOHN RUSSO, *City Attorney*  
LATONDA SIMMONS, *City Clerk*  
KATANO KASAINÉ, *Treasury Manager*

**SPECIAL SERVICES**

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San Francisco, California  
*Co-Bond Counsel*

Curls Bartling P.C.  
Oakland, California  
*Co-Bond Counsel*

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

Public Resources Advisory Group  
Oakland, California  
*Financial Advisor*

Wells Fargo Bank, National Association  
San Francisco, California  
*Fiscal Agent*

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**\$64,545,000**  
**CITY OF OAKLAND**  
**GENERAL OBLIGATION BONDS**  
**(Series 2009B, Measure DD)**

**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 2009B, Measure DD) (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 Agent Agreement (each defined below).

The Bonds are general obligation bonds 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 by the City 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 “SECURITY FOR THE BONDS” and “CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS.” 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 Constitution of the State of California (the “State”), Article 1 of Chapter 4 of Division 4 of Title 4 (commencing with Section 43600) of the Government Code of the State, the Charter of the City, Ordinance No. 12931 of the City adopted on May 19, 2009, and other applicable laws of the State. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the Council on June 16, 2009 (the “Resolution”). Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of July 1, 2009, between the City and Wells Fargo Bank, National Association, as fiscal agent (together with any successors, the “Fiscal Agent”).

The Bonds constitute a portion of the total authorized amount of \$198,250,000 of bonds (the “Authorized Bonds”) duly approved by at least two-thirds of the voters voting on Measure DD at the City election held on November 5, 2002 (the “Authorization”), to provide funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary and creeks in Oakland, to improve, renovate and construct youth and public recreational facilities, to rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities, and to provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary. In 2003, \$71,450,000 City of Oakland General Obligation Bonds (Series 2003A, Measure DD) were issued pursuant to the Authorization. Authorization for the issuance of \$126,800,000 of Authorized Bonds, including the Bonds, remains.

## **Purpose**

The Bonds are issued by the City to provide funds to improve water quality, provide educational and recreational facilities for children, clean up Lake Merritt, restore Oakland's creeks, waterfront and Estuary, preserve and acquire open space, renovate parks, and provide safe public spaces, including but not limited to the following projects:

- Design and construct parks, bridges, trails, streets, and water quality technologies to improve water quality, parks, and other facilities in and related to Lake Merritt and Lake Merritt Park;
- Acquire certain properties for open space purposes, design and construct trails and parks, and make other improvements along the Estuary waterfront;
- Design and construct bridges, trails and other improvements related to Lake Merritt Channel;
- Construct a new East Oakland Sports Center; and
- Acquire watershed properties and implement creek restoration improvements.

## **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 delivery thereof and will be payable on January 15, 2010, and on each July 15 and January 15 thereafter (each, an "Interest Payment Date") through January 15, 2039. 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 System. For a description of the method of payment of principal of, and 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 2009B, Measure DD)**  
**Debt Service**

| <u>Fiscal Year</u><br><u>Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>        | <u>Aggregate Debt</u><br><u>Service</u> |
|---|---------------------|------------------------|---|
| 2010  | \$480,000           | \$1,635,439.32         | \$2,115,439.32                          |
| 2011  | 1,055,000           | 3,553,831.26           | 4,608,831.26                            |
| 2012  | 1,090,000           | 3,522,181.26           | 4,612,181.26                            |
| 2013  | 1,120,000           | 3,489,481.26           | 4,609,481.26                            |
| 2014  | 1,155,000           | 3,455,881.26           | 4,610,881.26                            |
| 2015  | 1,210,000           | 3,398,131.26           | 4,608,131.26                            |
| 2016  | 1,255,000           | 3,355,781.26           | 4,610,781.26                            |
| 2017  | 1,320,000           | 3,293,031.26           | 4,613,031.26                            |
| 2018  | 1,375,000           | 3,236,931.26           | 4,611,931.26                            |
| 2019  | 1,440,000           | 3,168,181.26           | 4,608,181.26                            |
| 2020  | 1,515,000           | 3,096,181.26           | 4,611,181.26                            |
| 2021  | 1,600,000           | 3,012,856.26           | 4,612,856.26                            |
| 2022  | 1,685,000           | 2,924,856.26           | 4,609,856.26                            |
| 2023  | 1,780,000           | 2,832,181.26           | 4,612,181.26                            |
| 2024  | 1,875,000           | 2,734,281.26           | 4,609,281.26                            |
| 2025  | 1,980,000           | 2,631,156.26           | 4,611,156.26                            |
| 2026  | 2,080,000           | 2,532,156.26           | 4,612,156.26                            |
| 2027  | 2,185,000           | 2,425,556.26           | 4,610,556.26                            |
| 2028  | 2,295,000           | 2,313,575.00           | 4,608,575.00                            |
| 2029  | 2,420,000           | 2,193,087.50           | 4,613,087.50                            |
| 2030  | 2,545,000           | 2,066,037.50           | 4,611,037.50                            |
| 2031  | 2,695,000           | 1,913,337.50           | 4,608,337.50                            |
| 2032  | 2,860,000           | 1,751,637.50           | 4,611,637.50                            |
| 2033  | 3,030,000           | 1,580,037.50           | 4,610,037.50                            |
| 2034  | 3,205,000           | 1,398,237.50           | 4,603,237.50                            |
| 2035  | 3,405,000           | 1,205,937.50           | 4,610,937.50                            |
| 2036  | 3,620,000           | 993,125.00             | 4,613,125.00                            |
| 2037  | 3,845,000           | 766,875.00             | 4,611,875.00                            |
| 2038  | 4,085,000           | 526,562.50             | 4,611,562.50                            |
| 2039  | 4,340,000           | 271,250.00             | 4,611,250.00                            |
| TOTAL                                       | <u>\$64,545,000</u> | <u>\$71,277,795.74</u> | <u>\$135,822,795.74</u>                 |

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Total scheduled debt service (principal plus interest) payable with respect to all outstanding general obligation bonds of the City, including the Bonds (assuming no optional redemption prior to maturity) is as follows:

**CITY OF OAKLAND  
General Obligation Bonds  
Total Debt Service Requirements  
(principal plus interest)\***

| <b>Fiscal Year<br/>Ending June 30</b> | <b>Series 2009B Bonds</b> | <b>General Obligation<br/>Bonds**</b> | <b>Fiscal Year Total</b> |
|---------------------------------------|---------------------------|---------------------------------------|--------------------------|
| 2010                                  | \$2,115,439.32            | \$19,339,930.00                       | \$21,455,369.32          |
| 2011                                  | 4,608,831.26              | 19,364,867.50                         | 23,973,698.76            |
| 2012                                  | 4,612,181.26              | 19,404,142.50                         | 24,016,323.76            |
| 2013                                  | 4,609,481.26              | 19,438,655.00                         | 24,048,136.26            |
| 2014                                  | 4,610,881.26              | 19,483,055.00                         | 24,093,936.26            |
| 2015                                  | 4,608,131.26              | 19,541,555.00                         | 24,149,686.26            |
| 2016                                  | 4,610,781.26              | 18,497,205.00                         | 23,107,986.26            |
| 2017                                  | 4,613,031.26              | 18,581,430.00                         | 23,194,461.26            |
| 2018                                  | 4,611,931.26              | 18,600,642.50                         | 23,212,573.76            |
| 2019                                  | 4,608,181.26              | 18,652,937.50                         | 23,261,118.76            |
| 2020                                  | 4,611,181.26              | 17,472,687.50                         | 22,083,868.76            |
| 2021                                  | 4,612,856.26              | 17,523,600.00                         | 22,136,456.26            |
| 2022                                  | 4,609,856.26              | 17,549,975.00                         | 22,159,831.26            |
| 2023                                  | 4,612,181.26              | 8,772,225.00                          | 13,384,406.26            |
| 2024                                  | 4,609,281.26              | 8,764,975.00                          | 13,374,256.26            |
| 2025                                  | 4,611,156.26              | 8,779,975.00                          | 13,391,131.26            |
| 2026                                  | 4,612,156.26              | 8,300,475.00                          | 12,912,631.26            |
| 2027                                  | 4,610,556.26              | 8,300,475.00                          | 12,911,031.26            |
| 2028                                  | 4,608,575.00              | 8,306,475.00                          | 12,915,050.00            |
| 2029                                  | 4,613,087.50              | 8,302,475.00                          | 12,915,562.50            |
| 2030                                  | 4,611,037.50              | 8,308,225.00                          | 12,919,262.50            |
| 2031                                  | 4,608,337.50              | 8,312,475.00                          | 12,920,812.50            |
| 2032                                  | 4,611,637.50              | 8,314,475.00                          | 12,926,112.50            |
| 2033                                  | 4,610,037.50              | 5,738,775.00                          | 10,348,812.50            |
| 2034                                  | 4,603,237.50              | 1,323,575.00                          | 5,926,812.50             |
| 2035                                  | 4,610,937.50              | 1,321,375.00                          | 5,932,312.50             |
| 2036                                  | 4,613,125.00              | 1,321,925.00                          | 5,935,050.00             |
| 2037                                  | 4,611,875.00              |                                       | 4,611,875.00             |
| 2038                                  | 4,611,562.50              |                                       | 4,611,562.50             |
| 2039                                  | 4,611,250.00              |                                       | 4,611,250.00             |
| <b>Total</b>                          | <b>\$135,822,795.74</b>   | <b>\$337,618,582.50</b>               | <b>\$473,441,378.24</b>  |

\* Totals may appear inconsistent due to rounding of components.

\*\* Excludes the Series 2009B Bonds.

## Redemption

### *Optional Redemption*

The Bonds maturing on or before January 15, 2019, are not subject to redemption prior to their respective stated maturities. Bonds maturing on or after January 15, 2020, 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 and sinking fund installments to be redeemed to be determined by the City and by lot within a maturity), on or after January 15, 2019, at redemption prices equal to the principal amount thereof to be redeemed, without premium, together with accrued interest to the date fixed for redemption.

### *Right to Provide a Conditional Notice of Redemption and to Rescind Optional Redemption*

The City shall have the right to provide a conditional notice of redemption and 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 for 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, 2034 (the "2034 Term Bonds"), are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amount and at the times, as follows:

| Mandatory Redemption Date<br>(January 15) | Principal Amount |
|---|------------------|
| 2030                                      | \$2,545,000      |
| 2031                                      | 2,695,000        |
| 2032                                      | 2,860,000        |
| 2033                                      | 3,030,000        |
| 2034*                                     | 3,205,000        |

\* Maturity

The Bonds maturing on January 15, 2039 (the "2039 Term Bonds"), are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount to be redeemed together with accrued interest thereon to the redemption date, without premium, in the amount and at the times, as follows:

| Mandatory Redemption Date<br>(January 15) | Principal Amount |
|---|------------------|
| 2035                                      | \$3,405,000      |
| 2036                                      | 3,620,000        |
| 2037                                      | 3,845,000        |
| 2038                                      | 4,085,000        |
| 2039*                                     | 4,340,000        |

\* 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 may be defeased 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 held by the Fiscal Agent, will be sufficient, without reinvestment, to pay all principal, interest, and premium, if any, with respect to all of the outstanding Bonds at or before their stated maturity dates; or

(b) By irrevocably depositing with the Fiscal Agent or other fiduciary, in trust, Defeasance Securities (defined below) not subject to call, together with cash, if required, in such amount as will, without reinvestment, in the opinion of an independent certified public accountant, 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 all principal, interest, and premium, if any, with respect to all of the Bonds at or before their respective stated maturity dates;

provided; however, that if the Bonds to be defeased are to be redeemed prior to their respective stated maturities, notice of such redemption must have been mailed as described under "*—Redemption — Notice of Redemption,*" or an irrevocable direction to give such notice must have been made by the City.

Notwithstanding that any of the Bonds will not have been surrendered for payment, all obligations of the City with respect to all said outstanding Bonds will 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 the preceding paragraph, to the Owners of said Bonds not so surrendered and paid, all sums due with respect thereto; provided that the City will have received a verification report from an independent certified public accountant stating that the escrow is sufficient to satisfy the standards of the preceding paragraph and an opinion of co-bond counsel for said Bonds, that said Bonds have been defeased.

"Defeasance Securities" means any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including obligations of federal agencies and federally sponsored entities to the extent unconditionally guaranteed by the United States of America and including interest strips of any such obligations or of bonds issued by the Resolution Funding Corporation and held in book-entry form by the Federal Reserve Bank of New York.

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 in connection with the Bonds:

#### Sources

|                            |                   |
|----------------------------|-------------------|
| Principal Amount of Bonds  | \$64,545,000.00   |
| Net Original Issue Premium | <u>968,171.60</u> |
| Total Sources of Funds     | \$65,513,171.60   |

#### Uses

|                                  |                   |
|----------------------------------|-------------------|
| Proceeds Account                 | \$64,545,000.00   |
| Debt Service Account             | 211,152.61        |
| Costs of Issuance <sup>(1)</sup> | 300,000.00        |
| Underwriters' Discount           | <u>457,018.99</u> |
| Total Uses of Funds              | \$65,513,171.60   |

(1) Costs of issuance will be paid by the Underwriters and include fees for services of rating agencies, financial advisor, co-bond counsel and disclosure counsel and other costs, including printing.

### SECURITY FOR THE BONDS

#### General

The Bonds are 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 TAX LIMITATIONS." After such taxes are collected, on or prior to the date on which the principal of and interest on the Bonds is due, such taxes will be deposited in the Debt Service Account for the Bonds for 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 “RISK FACTORS.” See “– Property Taxation – *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.”

## **Property Taxation**

***Ad Valorem Property Taxes.*** Property taxes for properties situated in the City are assessed and collected by the County of Alameda (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 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 0.39% of taxes collected for tax collection services provided in Fiscal Year 2008-09.

In prior years, the State Budget has resulted in various reallocations affecting property tax revenues, including the “triple flip” involving property tax and sales tax, the replacement of motor vehicle license fee revenues, and the temporary Education Revenue Augmentation Fund (ERAF) transfers. See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – GENERAL FUND REVENUES – Other Taxes.”

***Assessed Valuations.*** All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. 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 XIII A (for new construction, certain changes of ownership and 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:

**City of Oakland Assessed Valuations  
(in \$000s)**

| Fiscal Year | Total<br>Assessed Value | <i>Less:</i><br>Tax-Exemptions | <i>Total Taxable</i><br><i>Assessed Value</i> | <i>Less:</i><br>Redevelopment<br>Tax Increments | Net Taxable<br>Assessed Value |
|-------------|-------------------------|--------------------------------|---|---|-------------------------------|
| 2004-05     | \$31,344,145            | (\$2,067,228)                  | \$29,276,917                                  | (\$4,090,609)                                   | \$25,186,308                  |
| 2005-06     | 34,553,772              | (2,310,189)                    | 32,243,583                                    | (5,186,441)                                     | 27,057,142                    |
| 2006-07     | 38,167,160              | (2,347,281)                    | 35,819,879                                    | (7,750,010)                                     | 28,069,869                    |
| 2007-08     | 41,797,578              | (2,478,760)                    | 39,318,818                                    | (9,552,758)                                     | 29,766,060                    |
| 2008-09     | 43,858,259              | (2,584,624)                    | 41,273,635                                    | (10,425,138)                                    | 30,848,497                    |

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 clerk of the court specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

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

**City of Oakland**  
**Property Tax Levies and Collections**  
(in \$000s)

| Fiscal Year | City's Share<br>of 1% | Levy Voter-<br>Approved<br>Debt | Total     | Total<br>Collected <sup>(1)</sup> | Percent<br>Collected | Delinquent<br>Collections <sup>(2)</sup> |
|-------------|-----------------------|---------------------------------|-----------|-----------------------------------|----------------------|--|
| 2003-04     | \$65,248              | \$61,760                        | \$127,008 | \$123,148                         | 96.96%               | \$3,860                                  |
| 2004-05     | 68,095                | 59,673                          | 127,768   | 123,859                           | 96.94                | 3,909                                    |
| 2005-06     | 73,331                | 63,369                          | 136,700   | 132,085                           | 96.62                | 4,615                                    |
| 2006-07     | 79,357                | 75,071                          | 154,428   | 146,240                           | 94.70                | 8,188                                    |
| 2007-08     | 86,220                | 76,453                          | 162,673   | 151,669                           | 93.24                | 11,044                                   |

<sup>(1)</sup> As of June 30 of the related Fiscal Year.

<sup>(2)</sup> As of June 30, 2008. Note that delinquent collections are higher in later years due to delinquencies paid when property is transferred.

Source: Alameda County Auditor-Controller.

**Assessment Appeals.** The following table sets forth resolved and unresolved pending assessment appeals in the City of Oakland as of June 10, 2009:

**City of Oakland**  
**Pending Assessment Appeals**  
As of June 10, 2009

***Unresolved Appeals***

|                          |                 |        |
|--------------------------|-----------------|--------|
| Number of Appeals        | 1,843           |        |
| Total Value Under Appeal | \$2,959,276,481 |        |
| Owner's Opinion of Value | 1,721,797,312   |        |
| Maximum Potential Loss   | 1,237,479,169   | 41.82% |

***Resolved Appeals (Fiscal Year 2008-09)***

|                                   |              |       |
|-----------------------------------|--------------|-------|
| Number of Appeals                 | 48           |       |
| Total Value Under Appeal          | \$55,681,546 |       |
| Owners Opinion of Value           | 37,119,296   |       |
| Value Determined by Appeals Board | 51,067,000   |       |
| Net Reduction in Value            | 4,614,546    | 8.29% |

|                                       |                                 |       |
|---------------------------------------|---------------------------------|-------|
| City of Oakland 2008-09 Taxable Value | \$42,079,245,084 <sup>(1)</sup> |       |
| Maximum Appeals Loss                  | 1,242,093,715                   | 2.95% |

<sup>(1)</sup> Does not include homeowners exemption and SBE Nonunitary values.

Source: Alameda County Assessment Appeals Board.



**Tax Rates.** The City contains thirty-three Tax Rate Areas. A five-year history of the property tax rates levied by the City and other local government agencies on properties in these combined Tax Rate Areas is shown below.

**City of Oakland  
Property Tax Rates**

| Fiscal Year | County-wide Tax | City of Oakland | Others <sup>(1)</sup> | Total   |
|-------------|-----------------|-----------------|-----------------------|---------|
| 2004-05     | 1.00%           | 0.2049%         | 0.1018%               | 1.3057% |
| 2005-06     | 1.00            | 0.2034          | 0.1195                | 1.3229  |
| 2006-07     | 1.00            | 0.2182          | 0.1277                | 1.3459  |
| 2007-08     | 1.00            | 0.2023          | 0.1251                | 1.3274  |
| 2008-09     | 1.00            | 0.1929          | 0.1451                | 1.3380  |

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

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**Principal Property Taxpayers.** A summary of the Fiscal Year 2008-09 largest secured taxpayers in the City is presented below:

**City of Oakland  
Top Twenty Taxpayers  
Fiscal Year 2008-09<sup>(1)</sup>**

| <u>Property Taxpayer</u>            | <u>Primary Land Use</u> | <u>FY 2008-2009<br/>Assessed Valuation</u> | <u>Percentage of Total<br/>Assessed Valuation<sup>(1)</sup></u> |
|-------------------------------------|-------------------------|--|---|
| OCC Venture LLC                     | Office Building         | \$199,325,379                              | 0.52%   |
| Kaiser Foundation Health Plan Inc.  | Office Building         | 182,009,572                                | 0.47  |
| SIC Lakeside Drive LLC              | Office Building         | 176,727,558                                | 0.46  |
| Oakland Property LLC                | Office Building         | 162,302,400                                | 0.42  |
| 1800 Harrison Foundation            | Office Building         | 119,541,603                                | 0.31  |
| Suncal Oak Knoll LLC                | Residential             | 106,698,599                                | 0.28  |
| Brandywine Ordway LLC               | Office Building         | 106,120,799                                | 0.28  |
| Brandywine Webster LP               | Office Building         | 104,244,589                                | 0.27  |
| Clorox Company                      | Office Building         | 96,306,031                                 | 0.25  |
| 555 Twelfth Street Venture LLC      | Office Building         | 92,878,784                                 | 0.24  |
| Uptown Housing Partners LP          | Apartments              | 83,606,000                                 | 0.22  |
| KSL Claremont Resort Inc.           | Hotel/Resort            | 74,643,153                                 | 0.19  |
| Owens Brockway Glass Container Inc. | Industrial              | 65,665,074                                 | 0.17  |
| WM Allegro LLC                      | Apartments              | 62,100,390                                 | 0.16  |
| Legacy Landing LLC                  | Apartments              | 57,765,035                                 | 0.15  |
| Brandywine Operating Partnership    | Office Building         | 56,100,000                                 | 0.15  |
| Catellus Development Corporation    | Industrial              | 52,255,450                                 | 0.14  |
| Brandywine 1901 Harrison LLC        | Office Building         | 52,020,000                                 | 0.14  |
| Essex Portfolio LP                  | Apartments              | 49,590,000                                 | 0.13  |
| Zhone Technologies Campus LLC       | Office Building         | <u>46,928,928</u>                          | <u>0.12</u>   |
| Total                               |                         | \$1,946,829,344                            | 5.06%   |

<sup>(1)</sup> Based on the Assessed Value of \$38,492,952,555. This number is the total local secured assessed valuation minus all exemptions, plus homeowners exemption.

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Source: California Municipal Statistics, Inc.

### **Outstanding Indebtedness**

As of June 15, 2009, the City had outstanding \$216,515,000 aggregate principal amount of general obligation bonds (not including the Bonds offered hereunder), which equals 0.70% of the net assessed valuation of the City as projected by the Alameda County Assessor for Fiscal Year 2008-09. See APPENDIX A - "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – DEBT OBLIGATIONS."

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 15, 2009, the total principal amount of outstanding long-term lease obligations was \$442,460,000. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – DEBT OBLIGATIONS – Lease Obligations."

## **RISK FACTORS**

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

### **Limitations on Remedies in Event of Default**

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

### **Loss of Tax Exemption**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the City has covenanted in the Fiscal Agent Agreement to comply with all applicable requirements of the Internal Revenue Code of 1986, as amended. The interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Bonds as a result of acts or omissions of the City in violation of such covenants in the Fiscal Agent Agreement. See "TAX MATTERS" herein.

### **Internal Revenue Service ("IRS") Audit of Tax-Exempt Issues**

The IRS has initiated an expanded program for the auditing of tax-exempt issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar obligations). The City is not currently the subject of any ongoing audit nor has it been notified by the IRS regarding the possibility of any such audit.

### **Factors Affecting Property Tax Security for the Bonds**

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other

lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from *ad valorem* property taxes may cause the overall property tax rate to increase.

The principal factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year are discussed in detail in "SECURITY FOR THE BONDS – Property Taxation," as referred to below:

*Total Assessed Value of Taxable Property in the City:* The lower the assessed value of taxable property in the City, the greater the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. Total assessed valuation of taxable property in the City in fiscal year 2008-09, less the portion allocable to the City's redevelopment agency, is approximately \$30.85 billion. See "SECURITY FOR THE BONDS – Property Taxation," and accompanying discussion of assessed valuation and assessment appeals.

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See "– Seismic Risks," below. Other natural or manmade disasters, such as flood, fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City.

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

*Concentration of Taxable Property Ownership:* The more property (by assessed value) owned by any single taxpayer, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. In fiscal year 2008-09, no single taxpayer owned more than 0.52% of the total taxable property in the City. See table entitled "City of Oakland, Top Twenty Taxpayers, Fiscal Year 2008-09," under "SECURITY FOR THE BONDS – Property Taxation – Principal Property Taxpayers."

*Property Tax Rates:* One factor impacting the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per \$100 of assessed value (including the basic countywide 1% rate required by statute) is shown for each of the last five years in the table entitled "City of Oakland, Property Tax Rates," under "SECURITY FOR THE BONDS – Property Taxation – Tax Rates."

*Debt Burden on Owners of Taxable Property in the City:* Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. As of June 15, 2009, the City had outstanding approximately \$216.5 million in aggregate principal amount of general obligation bonds, which equals approximately 0.70% of the net assessed valuation for fiscal year 2008-09. See

APPENDIX A, Table A-17, “City of Oakland, General Obligation Bonds as of June 15, 2009,” and the accompanying discussion.

*Additional Debt; Authorized but Unissued Bonds:* Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of June 15, 2009, the City had voter approval to issue up to \$126.8 million in aggregate principal amount of new bonds payable from *ad valorem* property taxes, including the Bonds. See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND,” and Table A-18, “City of Oakland, General Obligation Bond Remaining Authorization as of June 15, 2009.” In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND.”

### **Seismic Risks**

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

See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – OTHER FISCAL INFORMATION – Natural Hazard Risks.”

### **Risks Involving State Budget and Legislation**

The State Legislature has passed revisions to the State’s Fiscal Year 2009-10 Budget to address a budget shortfall. Such revisions must now be approved by the Governor. See APPENDIX A – “CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – FINANCIAL INFORMATION – State Budget,” “ – State Budget for Fiscal Year 2008-09 and Fiscal Year 2009-10,” “ – Future State Budgets,” and “ – Potential Impact of State of California Financial Conditions on the City.”

### **Changes in Law**

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the State Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the funds legally available to the City to make payments with respect to the Bonds.

### **Investment of Funds**

The funds held under the Fiscal Agent Agreement are required to be invested in Authorized Investments as provided under the Fiscal Agent Agreement. All investments, including the Authorized Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected,

decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Fiscal Agent Agreement or the funds and accounts held by the City could have a material adverse effect on the source of payment for the Bonds and/or the financial condition of the City.

## CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS

### 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.

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

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

improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

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

### **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. The principal effect of Article XIII B is to limit the annual appropriations of the State and any city, county, city and county, school district, special district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, adjusted for changes in the cost of living, population and services rendered by the government entity. The “base year” for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

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

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

### **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 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 an agency, such as a city or 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 agency 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 agency 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 or 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 City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues. The interpretation and application of Proposition 218 will 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, such as the City, be approved by resolution or ordinance adopted by two-thirds vote of the governmental entity's legislative body and by a majority of the voters of the governmental entity voting in an election on the tax, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction voting in an election on the tax, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (6) requires that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino* (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.

The Santa Clara decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Two cases decided by the California Courts of Appeals in 1993, *Fielder v. City of Los Angeles*, and *Fisher v. County of Alameda*, have held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities, because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

On December 15, 1997, the Court of 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.

## **Future Initiatives**

Articles XIII A, XIII B, XIII C and XIII D and Proposition 62 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**

### **Opinion of Co-Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP and Curls Bartling P.C., Co-Bond Counsel to the City, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering their opinion, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and Co-Bond Counsel have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code. The provisions of the American Recovery and Reinvestment Act of 2009 relating to the treatment of interest on certain tax-exempt bonds apply to the Bonds.

In addition, in the opinion of Co-Bond Counsel to the City, under existing statutes, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

Co-Bond Counsel express no opinion regarding any other Federal or state tax consequences with respect to the Bonds. Co-Bond Counsel render their opinion under existing statutes and court decisions as of the issue date, and assume no obligation to update, revise or supplement their opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to their attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The City has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Bonds from gross income under Section 103 of the Code.

## **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Bonds.

The Bonds are not taken into account (subject to certain limitations) in determining the portion of a financial institution's interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax-exempt obligations. The Bonds, however, are taken into account in the calculation of the amount of a financial institution's preference items under Section 291 of the Code.

Prospective owners of the Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

## **Original Issue Discount**

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Bonds of that maturity was sold to the public (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Co-Bond Counsel further is of the opinion that, for any Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

## **Bond Premium**

In general, if an owner acquires a Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, 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 such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

## **Information Reporting and Backup Withholding**

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

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

## **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CERTAIN LEGAL MATTERS**

The legal opinion of Hawkins Delafield & Wood LLP, San Francisco, California, and Curls Bartling, P.C., Oakland, California (together, “Co-Bond Counsel”), approving the validity of the Bonds, in substantially the form attached hereto as APPENDIX F, will be made available to the original purchasers of the Bonds at the time of original delivery of the Bonds. Alexis S. M. Chiu, Esq., San Francisco, California, is serving as Disclosure Counsel to the City. Certain legal matters will be passed upon for the City by the City Attorney and for the Underwriters by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. Payment of fees of Co-Bond Counsel and Disclosure Counsel is contingent upon the issuance of the Bonds.

## **FINANCIAL ADVISOR**

Public Resources Advisory Group is acting as the financial advisor (the “Financial Advisor”) to the City with respect to the Bonds. The Financial Advisor has assisted the City in the matters relating to the planning, structuring, execution and delivery of the Bonds. In connection with this Official Statement, the Financial Advisor has relied upon City officials and other sources, who have access to relevant data to provide accurate information for this Official Statement, and the Financial Advisor has not been engaged, nor have they undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the City to compile, review, examine or audit any information in this Official Statement in accordance with accounting standards. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

## **ABSENCE OF MATERIAL LITIGATION**

No material 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.

## **CONTINUING DISCLOSURE**

The City has covenanted for the benefit of the 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 2008-09 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report and the notices of material events will be filed by the City with the Municipal Securities Rulemaking Board (the “MSRB”). 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 Underwriters (as defined below) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”). In the previous five years, the City has never failed to comply in all material respects with any previous undertakings to provide annual reports or notices of material events pursuant to the Rule.

## RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings have assigned the Bonds ratings of "A1", "AA-" 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.

## UNDERWRITING

The Bonds will be sold to the underwriters of the Bonds (the "Underwriters") pursuant to a bond purchase contract (the "Purchase Contract") between the City and the Underwriters (for whom J.P. Morgan Securities Inc. is acting as representative). The Underwriters have agreed to purchase the Bonds for \$64,756,152.61 (which represents the \$64,545,000 aggregate principal amount of the Bonds, plus net original issue premium of \$968,171.60, less an underwriters' discount of \$457,018.99 and less \$300,000.00 to cover other costs of issuance of the Bonds, which the Underwriters have agreed to pay).

The initial public offering prices of the Bonds may be changed from time to time by the Underwriters. The Purchase Contract for the Bonds between the City and the Underwriters provides that the Underwriters will purchase all the Bonds if any are purchased and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel.

J.P. Morgan Securities Inc., one of the underwriters of the Bonds, has informed the City that it has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, at the original issue prices, and that pursuant to the Distribution Agreement, J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Bonds with UBS Financial Services Inc. The City has not reviewed the Distribution Agreement and is not a party to it. The City does not guarantee the accuracy or completeness of the foregoing information and such information is not to be construed as a representation of the City or any underwriter other than J.P. Morgan Securities Inc.

**MISCELLANEOUS**

The purpose of this Official Statement is to supply information to purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Fiscal Agent Agreement and the Resolution and of laws and documents contained herein do not purport to be complete, and reference is hereby made to said Resolution, Fiscal Agent Agreement, laws and documents 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 constructed from the City's records and other sources. The appropriate City officials, acting in their official capacities, 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/ Dan Lindheim      
City Administrator

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## APPENDIX A

### CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

#### 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 railroad 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 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; employee pension funds; and the creation and organization of the Port of Oakland. An eight-member City Council, seven of whom are elected by district and one of whom is elected on a City-wide basis, governs the City. The Mayor is not a member of the City Council but is the City’s chief executive officer. The current Mayor, Ronald V. Dellums, is serving his first term, which expires in January 2011. 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 Courtney A. Ruby, 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 2013.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City. The current City Administrator is Dan Lindheim, who was appointed in January 2009.

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

## **ECONOMIC HIGHLIGHTS**

The City of Oakland, located immediately east of the City and County of San Francisco in Alameda County, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, the City's land uses range from industrialized lands bordering the Bay on the west to suburban foothills in the east. The City is served by two major interstate freeways, lies at the crossroads of the Bay Area Rapid Transit system and major railroads, and boasts a world-class seaport and a growing international airport. Oakland is a strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace.

Oakland has an historic, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life, comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – according to the 2000 U.S. Census, ranking it the eighth most educated city in the nation.

All of these factors – combined with favorable weather, a vibrant waterfront, lush hills, plentiful open space, beautiful neighborhoods, panoramic vistas, and abundant cultural amenities – make the City a highly desirable place to live, work and do business.

The following represent some of the major projects recently completed, currently underway or in the final planning stages in the City.

### ***Downtown Central District***

- The Fox Theater, which is a national historic landmark, is undergoing renovation into a 750- to 3000-seat live performance venue as well as the home for the Oakland School for the Arts. The Fox Theater is the largest historic theater renovation in America today and opened the Oakland School for the Arts in January 2009 and the Fox Theater in February 2009.
- The Uptown Housing Project Phase I will provide 665 rental apartments, of which 20 percent will be affordable housing for households earning less than 50 percent of the area's median income, 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park. Phase II of the project will provide an additional 175-290 residential units and 20,000 square feet of retail space. Phase I of the project was completed with the grand opening in October of 2008.
- A new development has been proposed for Jack London Square that will feature 1.2 million square feet of mixed-use retail, commercial and office space, a 1,700 seat movie theater, a 250 room hotel, a supermarket, restaurants, and offices.
- Block T-12 of City Center was purchased by Shorenstein Properties LLC in December of 2007 and will be developed into a mixed-use facility offering 588,000 square feet of office space and 9,500 square feet of retail space. Construction started in October of 2008 but is currently on hold because of market conditions.

### ***Central City East Projects***

- Estuary Cove, a 1.1 acre site on Embarcadero Drive opened in 2007, includes a three-story 26,005 square foot building that houses new boat dealer, Starbucks, California Teachers Associations, Quiznos, and offices.

- Monte Vista Homes, where 545 residential units are currently under construction along with an already completed 6,000 square foot community center and 10,000 square feet of neighborhood-serving retail and commercial space.
- The Oak to Ninth Project is approximately 64 acres of waterfront property along the Oakland Estuary. The project includes up to 3,100 residential units including 465 affordable housing units, 200,000 square feet of ground-floor commercial space, a minimum of 3,950 parking spaces, approximately 32 acres of parks and public open space, two renovated marinas (total 170 boat slips), and an existing wetlands restoration area. The existing buildings on the site will be demolished with the exception of the Jack London Aquatic Center, a portion of the Ninth Avenue Terminal shed building, and a portion of the Ninth Avenue Terminal wharf structure. The project does not include approximately six acres of privately-held property along the east of Fifth Avenue that contain a mix of commercial and industrial uses, as well as a small community of work/live facilities. The project will be constructed in four phases over a seventeen year period.

### ***Coliseum Area***

- Lion Creek Crossings, a new development that includes 442 units of affordable rental and 28 units for first time home buyers received \$34.5 million of HUD funding and is expected to be completed by December 2010. Three phases of the project totaling 370 units along with over four acres of the new Lion Creek Park were completed in 2008.
- Coliseum Transit Village, which will be used as a mixed-use, sustainable transit oriented development, including 390 units of market rate and senior housing and 20,000-30,000 square feet of neighborhood retail space.
- Coliseum Towne Center, which is estimated to be completed in March of 2010 and will include 166,000 square feet of proposed retail shopping center.

### ***Broadway/MacArthur/San Pablo***

- The Kaiser Hospital Master Plan includes construction of a new hospital building, parking structures, medical office, and administrative offices.

### ***Oakland Army Base***

- Wood Street is approved for 1,557 units of housing and 13,000 square feet of retail. In 2008, three projects were completed, including: (1) Zephyr Gate, a 130 unit condominium project under construction with 25 units completed in FY 2007-08; (2) Pacific Cannery Lofts, a 163 unit condominium project under construction in FY 2007-08; and (3) 14<sup>th</sup> Street Apartments at Central Station, a 99 unit affordable housing project.

### ***Other Developments***

- Trader Joe's, a national specialty food retailer, opened two new locations in Oakland in 2007. The first, a 12,000 square-foot store on Lakeshore Avenue, opened in the Fall of 2007 and the second location, a 14,000 square-foot store, opened just one block north of the busy Rockridge BART station.
- Whole Foods, America's first national "certified organic" grocer, opened an Oakland location in the last quarter of 2007 in the Adams Point District. Modeled after a German food market and

constructed within an historic trolley barn, Oakland's Whole Foods is considered one of the finest food emporiums in the Bay Area.

**Population**

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2009, at 425,068. This figure represents 27.3% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population has grown over 5% since 2000. The following table sets forth the population of the City, Alameda County and the State of California.

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

| Year | City    | County    | State      |
|------|---------|-----------|------------|
| 2000 | 402,100 | 1,454,300 | 34,336,000 |
| 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 |
| 2006 | 411,755 | 1,510,303 | 37,172,015 |
| 2007 | 415,492 | 1,526,148 | 37,662,518 |
| 2008 | 420,183 | 1,543,000 | 38,049,462 |
| 2009 | 425,068 | 1,556,657 | 38,292,687 |

Sources: The 2000 total are U.S. Census figures. The figures for the years 2001 through 2009 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

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## Industry and Employment

The following Table A-2 sets forth estimates of the labor force, civilian employment and unemployment for City residents, State residents and United States residents between 2004 through 2008.

**Table A-2**  
**City of Oakland, State of California and United States**  
**Civilian Labor Force, Employment and Unemployment**  
**Annual Average for Years 2004 Through 2008**

| Year and Area     | Labor Force | Civilian<br>Employment | Unemployment | Unemployment<br>Rate |
|-------------------|-------------|------------------------|--------------|----------------------|
| 2004              |             |                        |              |                      |
| City              | 195,200     | 177,500                | 17,700       | 9.1%                 |
| State             | 17,552,300  | 16,459,900             | 1,092,400    | 6.2                  |
| United States     | 147,401,000 | 139,252,000            | 8,149,000    | 5.5                  |
| 2005              |             |                        |              |                      |
| City              | 192,900     | 177,600                | 15,300       | 7.9                  |
| State             | 17,695,600  | 16,746,900             | 948,700      | 5.4                  |
| United States     | 149,321,000 | 141,730,000            | 7,591,000    | 5.1                  |
| 2006              |             |                        |              |                      |
| City              | 192,900     | 179,600                | 13,300       | 6.9                  |
| State             | 17,901,900  | 17,029,300             | 872,600      | 4.9                  |
| United States     | 151,428,000 | 144,427,000            | 7,001,000    | 4.6                  |
| 2007              |             |                        |              |                      |
| City              | 195,700     | 181,200                | 14,500       | 7.4                  |
| State             | 18,188,100  | 17,208,900             | 979,200      | 5.4                  |
| United States     | 153,124,000 | 146,047,000            | 7,078,000    | 4.6                  |
| 2008 <sup>†</sup> |             |                        |              |                      |
| City              | 200,300     | 181,200                | 19,100       | 9.5                  |
| State             | 18,391,800  | 17,059,600             | 1,332,300    | 7.2                  |
| United States     | 154,287,000 | 145,362,000            | 8,924,000    | 5.8                  |

<sup>†</sup> Most recent annual data available. Recent State Employment Development Department reports indicate significant increases in unemployment rates for the City, the State and the United States in 2009.

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

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**Commercial Activity**

**Table A-3  
City of Oakland  
Trade Outlets and Taxable Sales  
for Calendar Years 2004-2008<sup>†</sup>  
(\$ In Thousands)**

| <u>Taxable Retail Sales</u> | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         | <u>2007</u>         | <u>2008<sup>†</sup></u> |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| Apparel Stores              | \$ 47,989           | \$ 52,853           | \$ 54,090           | \$ 58,448           | \$ 24,853               |
| General Merchandise         | 126,945             | 148,962             | 181,926             | 186,346             | 93,461                  |
| Food Stores                 | 172,540             | 179,294             | 183,913             | 203,400             | 109,752                 |
| Eating & Drinking           | 379,758             | 403,583             | 433,736             | 465,224             | 233,518                 |
| Household                   | 85,276              | 72,249              | 69,353              | 63,822              | 23,882                  |
| Building Materials          | 250,265             | 317,662             | 325,065             | 285,930             | 118,218                 |
| Auto Dealers and Supplies   | 512,749             | 512,545             | 543,896             | 572,407             | 233,293                 |
| Service Stations            | 315,573             | 376,643             | 404,202             | 513,570             | 366,096                 |
| Other Retail                | 502,893             | 531,027             | 481,694             | 434,795             | 212,622                 |
| SUBTOTAL                    | <u>2,393,988</u>    | <u>2,594,818</u>    | <u>2,677,875</u>    | <u>2,783,942</u>    | <u>1,415,695</u>        |
| All Other Outlets           | 1,428,834           | 1,617,919           | 1,779,513           | 1,907,058           | 547,397                 |
| TOTAL ALL OUTLETS           | <u>\$ 3,822,822</u> | <u>\$ 4,212,737</u> | <u>\$ 4,457,388</u> | <u>\$ 4,691,000</u> | <u>\$ 1,963,092</u>     |

<sup>†</sup> Most recent data available for first and second quarters only.

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

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The largest industries in the City, in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as follows:

**Table A-4**  
**City of Oakland**  
**Employment by Industry Group**  
**Annual Averages**

| Industry Employment <sup>(1)</sup>                  | 2003      | 2004      | 2005      | 2006      | 2007      |
|---|-----------|-----------|-----------|-----------|-----------|
| Agriculture   | 2,600     | 1,500     | 1,600     | 1,500     | 1,500     |
| Natural Resources and Mining                        | 900       | 1,200     | 1,100     | 1,200     | 1,200     |
| Construction  | 67,100    | 69,800    | 72,800    | 73,300    | 72,400    |
| Manufacturing                                       | 98,000    | 98,200    | 95,600    | 95,800    | 93,700    |
| Trade, Transportation,<br>Warehousing and Utilities | 197,200   | 193,800   | 195,000   | 197,100   | 198,100   |
| Information   | 32,600    | 31,300    | 30,700    | 30,100    | 29,400    |
| Finance, Insurance, and Real<br>Estate              | 67,700    | 67,600    | 69,500    | 67,700    | 62,300    |
| Professional and Business<br>Services               | 144,900   | 147,700   | 150,600   | 154,900   | 155,500   |
| Education and Health Services                       | 117,000   | 117,200   | 118,500   | 121,800   | 124,700   |
| Leisure and Hospitality                             | 80,400    | 80,600    | 83,000    | 85,600    | 87,500    |
| Other Services                                      | 37,500    | 36,600    | 35,600    | 35,900    | 36,200    |
| Government  | 179,700   | 179,700   | 180,000   | 182,000   | 186,800   |
| TOTAL <sup>(2)</sup>                                | 1,028,200 | 1,025,200 | 1,033,700 | 1,046,900 | 1,049,100 |

<sup>(1)</sup> Based on place of work.

<sup>(2)</sup> "Total" may not be precise due to independent rounding.

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

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## Construction Activity

The total valuation of building permits issued in the City as estimated by the Construction Industry Research Board was approximately \$381 million as of 2008. The following Table A-5 provides an estimated building permit valuation summary for 2004 through 2008.

**Table A-5**  
**City of Oakland**  
**Building Permit Valuation**  
**for Years 2004- 2008**  
**(\$ In Thousands)**

| Year | Residential   |           |             |           |          | Value of<br>Alterations/<br>Additions | Total<br>Residential<br>Valuation | Nonresidential<br>Valuation | Total <sup>(1)</sup> |
|------|---------------|-----------|-------------|-----------|----------|---------------------------------------|-----------------------------------|-----------------------------|----------------------|
|      | Single Family |           | Multifamily |           |          |                                       |                                   |                             |                      |
|      | Units         | Valuation | Units       | Valuation |          |                                       |                                   |                             |                      |
| 2004 | 351           | \$82,007  | 890         | \$104,611 | \$65,087 | \$251,705                             | \$125,838                         | \$377,542                   |                      |
| 2005 | 199           | 63,542    | 1,275       | 186,944   | 78,841   | 329,327                               | 158,139                           | 487,465                     |                      |
| 2006 | 217           | 64,059    | 2,137       | 295,256   | 67,494   | 426,809                               | 119,700                           | 546,509                     |                      |
| 2007 | 223           | 72,618    | 741         | 125,267   | 59,404   | 257,289                               | 185,095                           | 442,384                     |                      |
| 2008 | 126           | 33,281    | 642         | 101,479   | 66,903   | 199,663                               | 181,513                           | 381,177                     |                      |

<sup>(1)</sup> Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.  
Source: Construction Industry Research Board.

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## 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 final budget for Fiscal Year 2008-09, as modified in October 2008, provided for General Purpose Fund revenues of \$465.0 million and expenditures of \$464.8 million. On June 30, 2009, the City adopted the Fiscal Year 2009-11 budgets. Initial analysis and presentation of the line budget detail as adopted by the City Council is reported in Table A-6. The City's Fiscal Year 2009-10 budget provided revenues of \$425.3 million and expenditures of \$419.3 million, and Fiscal Year 2010-11 had revenues of \$427.4 million and expenditures of \$426.8 million. A mid-cycle budget review will be conducted at the end of Fiscal Year 2009-10.

The decline in General Purpose Fund revenues reflects, among other factors, a 3.2% reduction in assessed property values anticipated by the Office of the Alameda County Assessor, decreases in sales tax revenues and declines in real estate transfer tax revenues due to the economic downturn. The budgeted increase in General Purpose Fund expenditures reflects amounts associated with the Kids First! program, salary increase for police and changes to the internal service fund rates.

To balance the General Purpose Fund, the Fiscal Years 2009-10 and 2010-11 budget includes several revenue enhancement actions, including limited-duration revenues through the Business Tax Amnesty Program, increases in parking citation charges and an expansion or adoption of certain City taxes. Decreases in budgeted expenditure reflect major decisions that include transfers outside the General Purpose Fund, permanent cuts, employee concessions and savings from an early retirement program. The budget for Fiscal Year 2009-10 anticipates all revenues and expenditures to be balanced at approximately \$1 billion in each of Fiscal Years 2009-2010 and 2010-2011.

Set forth below is a table summarizing the City's General Purpose Fund Adopted Policy Budget for Fiscal Years 2009-10 and 2010-11.

**Table A-6  
GENERAL PURPOSE FUND REVENUES AND EXPENDITURES**

|   | <b>FY 2009-10<br/>Adopted Policy<br/>Budget</b> | <b>FY 2010-11<br/>Adopted Policy<br/>Budget</b> |
|---|---|---|
| <b>REVENUES:</b>                          |   |   |
| Property Tax                              | \$ 130,195,120                                  | \$ 130,195,120                                  |
| Sales Tax                                 | 41,730,000                                      | 41,430,000                                      |
| Vehicle License Tax                       | 1,089,520                                       | 1,111,310                                       |
| Business License Tax                      | 52,000,400                                      | 50,813,310                                      |
| Utility Consumption Tax                   | 54,451,200                                      | 54,906,170                                      |
| Real Estate Transfer Tax                  | 27,387,010                                      | 29,600,000                                      |
| Transient Occupancy Tax                   | 10,097,740                                      | 10,299,690                                      |
| Parking Tax                               | 8,112,833                                       | 8,255,633                                       |
| Licenses & Permits                        | 1,354,890                                       | 1,388,440                                       |
| Fines & Penalties                         | 29,016,210                                      | 29,016,210                                      |
| Vehicle Boot Program                      | 500,000   | 500,000   |
| Interest Income                           | 2,000,000                                       | 2,000,000                                       |
| Service Charges                           | 53,517,740                                      | 54,380,020                                      |
| Grants & Subsidies                        | 0   | 0   |
| Miscellaneous                             | 832,960   | 726,520   |
| Interfund Transfers                       | 12,966,380                                      | 12,742,620                                      |
| <b>Total Revenues <sup>(1)</sup></b>      | <b>\$ 425,252,003</b>                           | <b>\$ 427,365,043</b>                           |
| <b>EXPENDITURES:</b>                      |   |   |
| Mayor                                     | \$ 2,195,140                                    | \$ 2,288,386                                    |
| City Council                              | 2,907,384                                       | 3,478,958                                       |
| City Administrator                        | 6,532,866                                       | 7,334,010                                       |
| City Clerk                                | 2,633,224                                       | 2,955,504                                       |
| City Attorney                             | 3,801,112                                       | 5,181,112                                       |
| City Auditor                              | 1,424,895                                       | 1,538,065                                       |
| Finance and Management Agency             | 18,527,853                                      | 18,311,724                                      |
| Human Resources                           | 3,907,119                                       | 4,125,574                                       |
| Information Technology                    | 7,823,062                                       | 9,020,373                                       |
| Contracting and Purchasing                | 1,889,174                                       | 1,936,534                                       |
| Fire Services                             | 97,945,936                                      | 99,139,236                                      |
| Police Services                           | 173,274,003                                     | 172,386,247                                     |
| Public Works                              | 4,534,222                                       | 4,265,999                                       |
| Parks and Recreation                      | 13,110,725                                      | 13,196,369                                      |
| Library                                   | 11,268,511                                      | 12,038,195                                      |
| Museum                                    | 6,430,798                                       | 6,531,138                                       |
| Human Services                            | 5,870,736                                       | 5,529,491                                       |
| Community and Economic Development Agency | 3,452,595                                       | 2,048,189                                       |
| Non Departmental and Port                 | 51,157,700                                      | 55,085,269                                      |
| Subtotal Expenditures                     | \$ 418,687,052                                  | \$ 426,390,372                                  |
| Capital Improvement Projects              | 616,100   | 420,489   |
| <b>Total Expenditures</b>                 | <b>\$ 419,303,151</b>                           | <b>\$ 426,810,861</b>                           |

<sup>(1)</sup> The excess of revenues over expenditures represents provisions for reserves.

In addition, the adopted Policy Budget could require future adjustments to revenues and expenditures in order to maintain a balanced budget.

### **City Financial Statements**

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 2007-08 was Macias, Gini & O'Connell LLP who will also conduct the 2008-09 audit.

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

### **State Budget**

The following information concerning the State's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State budget is regularly available at various State-maintained websites. Text of the State budget may be found at the State Department of Finance website, [www.govbud.dof.ca.gov](http://www.govbud.dof.ca.gov) under the heading "California Budget". An impartial analysis of the budget is posted by the Office of the Legislative Analyst at [www.lao.ca.gov](http://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](http://www.treasurer.ca.gov). The States cash-flow can be found on the California State Controller's website, [www.sco.ca.gov](http://www.sco.ca.gov). The information referred to is prepared by the respective state agency maintaining each website and not by the City, and the City takes no responsibility for the continued accuracy of the Internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

### **State Budget for Fiscal Year 2008-09 and Fiscal Year 2009-10**

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

On September 24, 2008, Governor Schwarzenegger signed the State Budget for Fiscal Year 2008-09—the latest in State history. As originally enacted, the 2008-09 State Budget projected General Fund revenues for Fiscal Year 2007-08 of \$103.027 billion and revenues for Fiscal Year 2008-09 of \$101.991 billion. However, it is widely acknowledged that by the time of passage of the 2008-09 State Budget, revenue estimates were already too optimistic, in light of continuing weak performance in the California economy and unprecedented adverse developments in the global and national financial markets, particularly after September 15, 2008. The Governor declared a fiscal emergency in December 2008, and called three concurrent special legislative sessions in order to address a budget deficit officially estimated to be \$41.7 billion by Fiscal Year-end 2009-10, absent further actions on revenues and expenditures.

Although the Governor signed the 2009-10 budget act on February 20, 2009, much of the budget depended on the results of the May 19 election and on revenue and expenditure projections for 2008-09

that are now out of date. Ordinarily, the Governor's January budget proposal undergoes a major revision in May as revenue and expenditure figures for the current year become available. The Governor released his May Revision of the adopted 2009-10 budget on May 14, 2009. The May Revision indicated that due to further deterioration in State revenue projections, a 2009-10 budget shortfall of approximately \$15.4 billion would occur regardless of the outcome of the May 19 election, and anticipated that failure of the May 19 ballot measures would cause the budget shortfall to increase to approximately \$21.3 billion without further budget actions.

Propositions 1A, 1B, 1C, 1D, and 1E failed to win the necessary majority vote for passage at the May 19 election. According to the State's Legislative Analyst, Propositions 1C, 1D and 1E would have provided \$5.8 billion to the State's general fund in 2009-10 through the securitization and sale of future rights to State lottery revenues and diversion to general fund purposes of tax revenues that were previously dedicated by voter initiative to childhood development and mental health services. (The other propositions were expected to primarily affect State budgets beyond 2009-10.)

On May 21, 2009, the LAO released an analysis of the May Revision entitled "Overview of the 2009-10 May Revision" (the "LAO Overview"). The LAO Overview stated that the Governor's estimate of the budget problem that needed to be addressed was reasonable. However, based on updated estimates of General Fund revenues and expenditures, the LAO projected that the budget shortfall might actually be \$24.3 billion, \$3 billion more than estimated by the Governor.

On July 24, 2009, the State Legislature passed the following budgetary measures, among numerous others, for the Fiscal Year 2009-10 State budget<sup>1</sup>: Revenues: accelerate state income tax withholding (+\$1.7 billion) and personal and corporation estimated tax payments (+\$610 million); sell a portion of the State Compensation Insurance Fund (+\$1.0 billion). Borrowing: divert \$1.98 billion in local property tax revenues to the State, to be repaid within three years under Proposition 1A of 2004. Additional changes include spending cuts, revenue enhancements, and shifting revenues and expenditures among programs and years.

Among the foregoing measures, the diversion of revenues pursuant to Proposition 1A of 2004, would have the most significant impact on cities, and it is estimated that the diversion of Proposition 1A revenues would result in a reduction of \$11.8 million to the City for Fiscal Year 2009-10.

The revision to the Fiscal Year 2009-10 State Budget, as approved by the State Legislature, is now subject to the Governor's approval. There can be no assurance that the final Fiscal Year 2009-10 State Budget will not further burden local governments, including cities, or that it will not significantly reduce revenues to local governments.

### **Future State Budgets**

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

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<sup>1</sup> This has been revised to reflect the approval by the State Legislature of revisions to the Fiscal Year 2009-10 State Budget following posting of the Preliminary Official Statement dated July 7, 2009.

economic conditions and other factors, including the current economic downturn, over which the City has no control.

### **Potential Impact of State of California Financial Condition on the City**

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

### **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 (the "Government Code"). The Government Code also directs the City to present an annual investment policy (the "Investment Policy") for confirmation to the City Council. The City Council adopted an Investment Policy for Fiscal Year 2009-10 on June 16, 2009. The Investment Policy may be revised by the City Council at any time.

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

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**Table A-7**  
**Summary of Investment Policy**  
**(Fiscal Year 2009-10)**

| Permitted Investment Types   | Maximum Investment              | Maximum Maturity |
|--|---------------------------------|------------------|
| U.S. Treasury Bills, Notes & Bonds <sup>(1)</sup>  | 20%                             | 5 years          |
| Federal Agencies   | None                            | 5 years          |
| Bankers Acceptance   | 40%                             | 180 days         |
| Commercial Paper   | 25%                             | 270 days         |
| Asset-Backed Commercial Paper  | 25%                             | 270 days         |
| Local Government Investment Pools  | 20%                             | N/A              |
| Medium Term Notes  | 30%                             | 5 years          |
| Negotiable CDs   | 30%                             | 5 years          |
| Repurchase Agreements  | None                            | 360 days         |
| Reverse Repurchase Agreements <sup>(2)</sup>   | 20%                             | 92 days          |
| Secured Obligations and Agreements   | 20%                             | 2 years          |
| Money Market Mutual Funds  | 20%                             | N/A              |
| Certificates of Deposit <sup>(3)</sup>   | Prudent Person Standard Applies | 360 days         |
| Local Agency Investment Fund   | \$40 million <sup>(4)</sup>     | N/A              |
| Local City / Agency Bonds  | None                            | 5 years          |
| State of California Bonds or any other of the United States Registered State Bonds, Treasury Notes or Warrants | None                            | 5 years          |
| Other Local Agency Bonds   | Prudent Person Standard Applies | 5 years          |
| Secured Obligations and Agreements   | 20%                             | 2 years          |

<sup>(1)</sup> Investment in U.S. Treasury securities requires approval of the City Council under the Nuclear-Free Ordinance.

<sup>(2)</sup> The sum of reverse purchase agreements and securities lending agreements should not exceed 20% of the portfolio.

<sup>(3)</sup> Certificates of Deposit in excess of \$250,000 must be collateralized.

<sup>(4)</sup> Maximum currently authorized by Local Agency Investment Fund is \$40 million, which is subject to change.

Source: City of Oakland.

### **Current Investment Portfolio**

Fitch Ratings (“Fitch”) assigned a managed fund credit rating of “AAA” and a market-risk rating of “V-1+” to the City’s Pooled Operating Portfolio on November 25, 2008. 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 May 31, 2009. The City’s Pooled Operating Portfolio is invested in the Local Agency Investment Fund and other money market funds.

Fitch’s managed-fund credit ratings are an assessment of the overall credit quality of a fund’s portfolio. Fitch’s assigned 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 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 A-8**  
**City of Oakland**  
**Pooled Operating Portfolio**  
**As of May 31, 2009**

| Investments                   | Market Value             | Book Value               | Percent of Portfolio | Term (Days) | Days to Maturity | 360 Day Equivalent | 365 Day Equivalent |
|-------------------------------|--------------------------|--------------------------|----------------------|-------------|------------------|--------------------|--------------------|
| Treasury Securities-Discout   | \$ 3,000,000.00          | \$ 2,999,970.83          | 1.05%                | 5           | 1                | 0.070              | 0.071              |
| Federal Agency Issues-Coupon  | 62,405,761.50            | 61,594,751.67            | 21.47                | 1,188       | 866              | 3.647              | 3.698              |
| Federal Agency Issues-Discout | 110,961,300.00           | 110,865,277.49           | 38.64                | 133         | 64               | 0.286              | 0.290              |
| Money Market                  | 51,110,000.00            | 51,110,000.00            | 17.81                | 1           | 1                | 0.592              | 0.600              |
| Local Agency Investment Funds | 39,998,008.76            | 40,000,000.00            | 13.94                | 1           | 1                | 1.585              | 1.607              |
| Certificates of Deposit       | 349,000.00               | 349,000.00               | 0.12                 | 181         | 81               | 2.044              | 2.072              |
| Negotiable CD's               | 20,015,360.00            | 20,000,000.00            | 6.97                 | 188         | 21               | 1.235              | 1.252              |
| <b>TOTAL/AVERAGE</b>          | <b>\$ 287,839,430.26</b> | <b>\$ 286,918,999.99</b> | <b>100.00%</b>       | <b>320</b>  | <b>212</b>       | <b>1.309</b>       | <b>1.327</b>       |

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 and are summarized in the following table.

**Table A-9**  
**City of Oakland**  
**Major General Fund Revenues**  
**(June 30, 2008)**

| Revenue Source           | Amount                | Percent of Total General Fund Revenues |
|--------------------------|-----------------------|--|
| Property Tax             | \$ 201,765,000        | 37%                                    |
| Sales Tax <sup>†</sup>   | 53,090,000            | 10                                     |
| Business Tax             | 52,542,000            | 10                                     |
| Utility Consumption Tax  | 52,524,000            | 10                                     |
| Real Estate Transfer Tax | 36,205,000            | 7                                      |
| Charges for Services     | 55,048,000            | 10                                     |
| Subtotal                 | 451,174,000           | 83                                     |
| Other                    | 90,547,000            | 17                                     |
| <b>TOTAL</b>             | <b>\$ 541,721,000</b> | <b>100%</b>                            |

<sup>†</sup> This amount is net of incentive payments to United Airlines under an economic development agreement. See “–Other Taxes– Sales & Uses Taxes.”

Source: City of Oakland, Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2008.

### 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 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 0.27% of taxes collected for tax collection services provided in Fiscal Year 2007-08.

In prior years, the State Budget has resulted in various reallocations affecting property tax revenues, including the “triple flip” involving property tax and sales tax, the replacement of VLF revenues, and the temporary ERAF transfers. See “General Fund Revenues–Other Taxes.”

**Assessed Valuations.** All property is assessed using full cash value as defined by Article XIII A of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. 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 XIII A (for new construction, certain changes of ownership and 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 A-10**  
**City of Oakland Assessed Valuations**  
**(in \$000s)**

| Fiscal Year | Total Assessed Value | Less: Tax-Exemptions | Total Taxable Assessed Value | Less:                        |                            |
|-------------|----------------------|----------------------|------------------------------|------------------------------|----------------------------|
|             |                      |                      |                              | Redevelopment Tax Increments | Net Taxable Assessed Value |
| 2004-05     | \$31,344,145         | (\$2,067,228)        | \$29,276,917                 | (\$4,090,609)                | \$25,186,308               |
| 2005-06     | 34,553,772           | (2,310,189)          | 32,243,583                   | (5,186,441)                  | 27,057,142                 |
| 2006-07     | 38,167,160           | (2,347,281)          | 35,819,879                   | (7,750,010)                  | 28,069,869                 |
| 2007-08     | 41,797,578           | (2,478,760)          | 39,318,818                   | (9,552,758)                  | 29,766,060                 |
| 2008-09     | 43,858,259           | (2,584,624)          | 41,273,635                   | (10,425,138)                 | 30,848,497                 |

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 clerk of the court specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Certain counties within the State, including Alameda County, have adopted an "Alternative Method of Distribution of Tax Levies and Collections and Tax Sale Proceeds" authorized under the Revenue and Taxation Code (the "Teeter Plan"). Under the Teeter Plan local taxing agencies receive 100% of the tax levy for each fiscal year, rather than on the basis of actual collections. The City does not participate in the Teeter Plan. 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 A-11**  
**City of Oakland**  
**Property Tax Levies and Collections**  
**(in \$000s)**

| Fiscal Year | City's Share<br>of 1% | Levy Voter-<br>Approved<br>Debt | Total     | Total<br>Collected <sup>(1)</sup> | Percent<br>Collected | Delinquent<br>Collections <sup>(2)</sup> |
|-------------|-----------------------|---------------------------------|-----------|-----------------------------------|----------------------|--|
| 2003-04     | \$65,248              | \$61,760                        | \$127,008 | \$123,148                         | 96.96%               | \$3,860                                  |
| 2004-05     | 68,095                | 59,673                          | 127,768   | 123,859                           | 96.94                | 3,909                                    |
| 2005-06     | 73,331                | 63,369                          | 136,700   | 132,085                           | 96.62                | 4,615                                    |
| 2006-07     | 79,357                | 75,071                          | 154,428   | 146,240                           | 94.70                | 8,188                                    |
| 2007-08     | 86,220                | 76,453                          | 162,673   | 151,669                           | 93.24                | 11,044                                   |

<sup>(1)</sup> As of June 30 of the related Fiscal Year.

<sup>(2)</sup> As of June 30, 2008. Note that delinquent collections are higher in later years due to delinquencies paid when property is transferred.

Source: Alameda County Auditor-Controller.

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**Assessment Appeals.** The following table sets forth resolved and unresolved pending assessment appeals in the City of Oakland as of June 10, 2009:

**Table A-12  
City of Oakland  
Pending Assessment Appeals  
As of June 10, 2009**

***Unresolved Appeals***

|                          |                 |        |
|--------------------------|-----------------|--------|
| Number of Appeals        | 1,843           |        |
| Total Value Under Appeal | \$2,959,276,481 |        |
| Owner's Opinion of Value | 1,721,797,312   |        |
| Maximum Potential Loss   | 1,237,479,169   | 41.82% |

***Resolved Appeals (Fiscal Year 2008-09)***

|                                   |              |       |
|-----------------------------------|--------------|-------|
| Number of Appeals                 | 48           |       |
| Total Value Under Appeal          | \$55,681,546 |       |
| Owner's Opinion of Value          | 37,119,296   |       |
| Value Determined by Appeals Board | 51,067,000   |       |
| Net Reduction in Value            | 4,614,546    | 8.29% |

|                                       |                                 |       |
|---------------------------------------|---------------------------------|-------|
| City of Oakland 2008-09 Taxable Value | \$42,079,245,084 <sup>(1)</sup> |       |
| Maximum Appeals Loss                  | 1,242,093,715                   | 2.95% |

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<sup>(1)</sup> Does not include homeowners exemption and State Board of Equalization Nonunitary values.  
Source: Alameda County Assessment Appeals Board.

**Tax Rates.** The City contains thirty-three Tax Rate Areas. A five-year history of the property tax rates levied by the City and other local government agencies on properties in these combined Tax Rate Areas is shown below.

**Table A-13  
City of Oakland  
Property Tax Rates**

| Fiscal Year | County-wide Tax | City of Oakland | Others <sup>(1)</sup> | Total   |
|-------------|-----------------|-----------------|-----------------------|---------|
| 2004-05     | 1.00%           | 0.2049%         | 0.1018%               | 1.3057% |
| 2005-06     | 1.00            | 0.2034          | 0.1195                | 1.3229  |
| 2006-07     | 1.00            | 0.2182          | 0.1277                | 1.3459  |
| 2007-08     | 1.00            | 0.2023          | 0.1251                | 1.3274  |
| 2008-09     | 1.00            | 0.1929          | 0.1451                | 1.3380  |

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

*Principal Property Taxpayers.* A summary of the Fiscal Year 2008-09 largest secured taxpayers in the City is presented below:

**Table A-14  
City of Oakland  
Top Twenty Taxpayers  
Fiscal Year 2008-09<sup>(1)</sup>**

**LARGEST TAXPAYERS FOR FISCAL YEAR 2008-2009**

| Property Taxpayer                   | Primary Land Use | FY 2008-2009<br>Assessed Valuation | Percentage of Total<br>Assessed Valuation <sup>(1)</sup> |
|-------------------------------------|------------------|------------------------------------|--|
| OCC Venture LLC                     | Office Building  | \$ 199,325,379                     | 0.52%  |
| Kaiser Foundation Health Plan Inc.  | Office Building  | 182,009,572                        | 0.47   |
| SIC Lakeside Drive LLC              | Office Building  | 176,727,558                        | 0.46   |
| Oakland Property LLC                | Office Building  | 162,302,400                        | 0.42   |
| 1800 Harrison Foundation            | Office Building  | 119,541,603                        | 0.31   |
| Suncal Oak Knoll LLC                | Residential      | 106,698,599                        | 0.28   |
| Brandywine Ordway LLC               | Office Building  | 106,120,799                        | 0.28   |
| Brandywine Webster LP               | Office Building  | 104,244,589                        | 0.27   |
| Clorox Company                      | Office Building  | 96,306,031                         | 0.25   |
| 555 Twelfth Street Venture LLC      | Office Building  | 92,878,784                         | 0.24   |
| Uptown Housing Partners LP          | Apartments       | 83,606,000                         | 0.22   |
| KSL Claremont Resort Inc.           | Hotel/Resort     | 74,643,153                         | 0.19   |
| Owens Brockway Glass Container Inc. | Industrial       | 65,665,074                         | 0.17   |
| WM Allegro LLC                      | Apartments       | 62,100,390                         | 0.16   |
| Legacy Landing LLC                  | Apartments       | 57,765,035                         | 0.15   |
| Brandywine Operating Partnership    | Office Building  | 56,100,000                         | 0.15   |
| Catellus Development Corporation    | Industrial       | 52,255,450                         | 0.14   |
| Brandywine 1901 Harrison LLC        | Office Building  | 52,020,000                         | 0.14   |
| Essex Portfolio LP                  | Apartments       | 49,590,000                         | 0.13   |
| Zhone Technologies Campus LLC       | Office Building  | 46,928,928                         | 0.12   |
| <b>Total</b>                        |                  | <b>\$ 1,946,829,344</b>            | <b>5.06%</b>   |

<sup>(1)</sup> Based on the Assessed Value of \$38,492,952,555. This number is the total local secured assessed valuation minus all exemptions, plus homeowners exemption.

Source: California Municipal Statistics, Inc.

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## Other Taxes

The City's General Fund receives taxes from seven other sources, 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 the County is 9.75%. The City's General Fund traditionally receives one percent of the 9.75% under State Bradley-Burns law, which portion is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Burns 1% city sales tax was modified by a State budgetary change known as the "triple flip." The "triple flip" puts in place a complex revenue swap to fund the State's deficit bonds approved by the electorate in March 2004 to balance the State budget. The "triple flip" trades 0.25% of the 1% city share of the Bradley-Burns sales tax for an equal amount of property taxes from the countywide Education Revenue Augmentation Fund (ERAF) until the State's deficit bonds are retired.

The City's General Fund also receives a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993. The City also receives a portion of the 0.50% countywide transportation sales tax, which is deposited in a special revenue fund. The City's sales and use tax revenue for Fiscal Year 2008-09 is projected to be approximately \$46.78 million.

Pursuant to California Sales and Use Tax Regulations, the City has received additional net sales tax revenues of approximately \$2.1 million since 2004, based upon the location by United Airlines of a centralized jet fuel buying company within the City. In an action pending in San Francisco Superior Court, the County of San Mateo has challenged the validity of the State regulations and seeks redistribution of these tax revenues. In addition, the Board of Equalization has indicated that it may contest the applicability of the regulations to the United situation. The City could lose all or a portion of these tax revenues as a result of these actions.

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

The City recently revised the Utility Consumption tax ordinance. The revisions include de-linking the tax from the Federal Excise Tax on Telephones (FET) and subject text messaging and cell phone use to UCT. The City's UCT tax revenue for Fiscal Year 2008-09 is projected to be approximately \$54.0 million.

**Business License.** The City's business license tax ("BT") is charged annually to businesses based in the City, and is applied to gross receipts, payroll, number of employees, number of permits, number of vehicles, value added gross receipts or manufacturing expenses, depending on the type of business. The business license tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts and is .012% when applied to gross payroll. See the tax table below for the tax rate based on the number of employees. The business license tax rate of .012% is applied to value added gross receipts and manufacturing expenses for manufacturers. The business tax rate of \$180 per permit applies to the taxicab business and \$75 per vehicle applies to the ambulance and limousine business. The City's BT revenue for Fiscal Year 2008-09 is projected to be approximately \$53.0 million.

The following business license tax rate table applies to all other transportation businesses:

|   |         |
|---|---------|
| For the first person employed (Owner)         | \$72.00 |
| For the next 19 persons employed, per person  | 18.00   |
| For the next 80 persons employed, per person  | 9.00    |
| For the next 100 persons employed, per person | 7.50    |
| For all other persons employed, per person    | 4.50    |

**Real Estate Transfer.** Real Estate Transfer Tax (“RETT”) revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is typically split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a county portion: 0.11% is allocated to 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, RETT revenues have been less than budgeted expectations, but the City has revised current and future year projections using conservative estimates to reflect the downward trend in the median sales prices of single family homes. According to the City’s third quarter revenue and expenditure report, RETT actual revenue through the end of the third quarter of Fiscal Year 2008-09 was \$27.2 million, 2% lower than the third quarter collections in Fiscal Year 2007-08. RETT revenues are projected to end the Fiscal Year 2008-09 at \$32.6 million, approximately \$1.54 million below budget.

**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%. The City’s TOT revenue for Fiscal Year 2008-09 is projected to be approximately \$10.2 million, \$2.6 million below budget.

**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 \$2.98 million from the State in Fiscal Year 2005-06 for its share of the payment in lieu of VLF. The City’s Motor Vehicle In Lieu Fee revenue for Fiscal Year 2008-09 is projected to be approximately \$1.1 million.

**Parking.** The City’s parking tax (“PT”) is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate, which is applied to the gross receipts of parking facility operators, is 18.5%, with 8.5% of the parking tax revenues restricted to funding the Violence Prevention and Public Safety Act of 2004 (Measure Y). The City’s PT revenue for Fiscal Year 2008-09 is projected to be approximately \$7.1 million, \$1.4 million below budget.

## 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 A-15**  
**City of Oakland**  
**Revenues and Expenditures**  
**General Fund**  
**(in \$000s)**  
**Fiscal Year Ending June 30**

| <b>Revenues</b>                                 | <u>2003-04</u>   | <u>2004-05</u>   | <u>2005-06</u>   | <u>2006-07</u>   | <u>2007-08</u>   |
|---|------------------|------------------|------------------|------------------|------------------|
| Taxes   |                  |                  |                  |                  |                  |
| Property  | \$109,927        | \$143,436        | \$151,754        | \$170,105        | \$201,765        |
| State <sup>(1)</sup>                            | 54,642           | 51,307           | 47,859           | 48,958           | 54,901           |
| Local <sup>(2)</sup>                            | 179,192          | 200,488          | 204,354          | 197,475          | 175,986          |
| Licenses and Permits                            | 13,453           | 15,652           | 18,975           | 1,066            | 1,612            |
| Traffic Fines and Various Penalties             | 26,817           | 24,632           | 23,888           | 24,727           | 21,653           |
| Interest Income                                 | (5,100)          | 20,845           | 3,808            | 7,007            | 10,885           |
| Revenue from Current Services                   | 56,887           | 66,375           | 66,849           | 55,837           | 55,048           |
| Grant Revenue                                   | 2,147            | 591              | 3,587            | 7,051            | 5,935            |
| Other Revenue, Including Transfers              | 23,276           | 21,896           | 17,075           | 15,116           | 11,441           |
| Annuity Income                                  | -                | -                | -                | 9,324            | 2,495            |
| <b>TOTAL REVENUES</b>                           | <u>\$461,237</u> | <u>\$545,222</u> | <u>\$538,149</u> | <u>\$536,666</u> | <u>\$541,721</u> |
| <b>Expenditures</b>                             |                  |                  |                  |                  |                  |
| General Government <sup>(3)</sup>               | \$51,673         | \$53,433         | \$62,458         | \$69,902         | \$78,355         |
| Public Safety <sup>(4)</sup>                    | 247,630          | 262,081          | 280,448          | 296,390          | 309,960          |
| Public Works                                    | 27,475           | 28,909           | 32,621           | 33,595           | 32,499           |
| Life Enrichment <sup>(5)</sup>                  | 41,359           | 37,581           | 37,930           | 40,015           | 41,619           |
| Economic and Community Development              | 20,152           | 18,902           | 20,592           | 2,780            | 8,161            |
| Other <sup>(6)</sup>                            | 24,902           | 31,237           | 17,565           | 25,601           | 9,115            |
| <b>TOTAL EXPENDITURES</b>                       | <u>\$413,191</u> | <u>\$432,143</u> | <u>\$451,614</u> | <u>\$468,283</u> | <u>\$470,594</u> |
| Other Financing Sources and Uses <sup>(7)</sup> | (67,856)         | (54,550)         | (91,853)         | (72,995)         | (91,491)         |
| <b>Net Change in Fund Balance</b>               | <b>(19,810)</b>  | <b>58,529</b>    | <b>(5,318)</b>   | <b>(4,612)</b>   | <b>(20,364)</b>  |

(1) Includes Sales and Use, Motor Vehicle in-lieu.

(2) Includes Business License, Utility Consumption, Real Estate Transfer, Transient Occupancy, Parking, Voter Approved Special Tax, Franchise.

(3) Includes elected and appointed officials, general governmental agencies and administrative services.

(4) Includes police and fire services.

(5) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.

(6) Includes capital outlays and certain debt service charges not paid from a general obligation bond tax levy.

(7) Includes transfers in and transfers out.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ending June 30, 2004 through June 30, 2008.

**Table A-16**  
**City of Oakland**  
**Balance Sheet**  
**General Fund**  
**(in \$000s)**  
**Fiscal Year Ending June 30**

|  | <u>2003-04</u>   | <u>2004-05</u>       | <u>2005-06</u>       | <u>2006-07</u>   | <u>2007-08</u>   |
|--|------------------|----------------------|----------------------|------------------|------------------|
| <b>ASSETS</b>                                  |                  |                      |                      |                  |                  |
| Cash and investments                           | \$51,902         | \$79,445             | \$128,760            | \$133,649        | \$110,735        |
| Receivables                                    |                  |                      |                      |                  |                  |
| Accrued interest                               | 429              | 418                  | 1,194                | 1,436            | 297              |
| Property taxes                                 | 3,161            | 5,484                | 7,982                | 6,928            | 14,182           |
| Accounts receivable                            | 49,669           | 65,855               | 45,096               | 43,572           | 41,751           |
| Due from component unit                        | 24,527           | 20,367               | 18,438               | 11,352           | 11,083           |
| Due from other funds                           | 67,378           | 68,721               | 60,190               | 74,730           | 81,170           |
| Notes and loans receivable                     | 37,059           | 38,619               | 40,835               | 21,693           | 21,875           |
| Restricted cash and investments                | 172,468          | 175,198              | 153,735              | 143,542          | 131,696          |
| Other  | 35               | 1,887                | 36                   | 36               | 36               |
| <b>TOTAL ASSETS</b>                            | <u>\$406,628</u> | <u>\$455,994</u>     | <u>\$456,266</u>     | <u>\$436,938</u> | <u>\$412,825</u> |
| <b>LIABILITIES AND FUND BALANCES</b>           |                  |                      |                      |                  |                  |
| <b>Liabilities:</b>                            |                  |                      |                      |                  |                  |
| Accounts payable and other accrued liabilities | \$114,151        | \$102,181            | \$101,796            | \$108,730        | \$124,284        |
| Due to other funds                             | 23,571           | 25,110               | 27,348               | 8,228            | 8,431            |
| Due to other governments                       | -                | 21                   | 65                   | 60               | 80               |
| Deferred revenue                               | 31,633           | 29,882               | 29,813               | 36,413           | 31,467           |
| Other  | 3,965            | 6,963                | 10,725               | 1,600            | 879              |
| <b>TOTAL LIABILITIES</b>                       | <u>\$173,320</u> | <u>\$164,157</u>     | <u>\$169,747</u>     | <u>\$155,031</u> | <u>\$165,141</u> |
| <b>Fund Balances:</b>                          |                  |                      |                      |                  |                  |
| <b>Reserved:</b>                               |                  |                      |                      |                  |                  |
| Encumbrances                                   | \$ 4,779         | \$ 4,115             | \$ 6,708             | \$ 7,440         | \$ 6,193         |
| Long term receivables                          | -                | 6,000                | 6,000                | -                | -                |
| Debt service                                   | 6,000            | 3,379                | 2,443                | 16,451           | 15,382           |
| Pension obligations                            | -                | 138,000 <sup>†</sup> | 119,000 <sup>†</sup> | 115,000          | 105,000          |
| Unreserved                                     | 222,529          | 140,343              | 152,368              | 143,016          | 121,109          |
| <b>TOTAL FUND BALANCES</b>                     | <u>\$233,308</u> | <u>\$291,837</u>     | <u>\$286,519</u>     | <u>\$281,907</u> | <u>\$247,684</u> |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>     | <u>\$406,628</u> | <u>\$455,994</u>     | <u>\$456,266</u>     | <u>\$436,938</u> | <u>\$412,825</u> |

<sup>†</sup> The retirement annuity is now classified as reserved. In prior years it was included in the unreserved line item.  
Source: City of Oakland, Comprehensive Annual Financial Reports, for Fiscal Year Ended June 30, 2004 through June 30, 2008.

## 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 15, 2009, the City had outstanding a total of \$216,515,000 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. The City issued no other general obligation debt during Fiscal Year 2008-09.

**Table A-17**  
**City of Oakland**  
**General Obligation Bonds**  
**As of June 15, 2009**  
**(in \$000's)**

| Issue Name  | Purpose  | Dated Date | Final Maturity | Original Par | Par Outstanding |
|---|--|------------|----------------|--------------|-----------------|
| General Obligation Bonds, Series 2002A (Measure G)  | Museum, Zoo and Chabot Space and Science Center  | 11/6/2002  | 2032           | \$38,000     | \$ 34,415       |
| General Obligation Bonds, Series 2003A (Measure DD)   | Lake Merritt   | 8/6/2003   | 2033           | 71,450       | 61,820          |
| Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) | Refunded Measure I and K Bonds, which were used on various recreational and educational projects | 6/16/2005  | 2025           | 122,170      | 100,245         |
| General Obligation Bonds, Series 2006 (Measure G)   | Museum and Zoo   | 6/28/2006  | 2036           | 21,000       | <u>20,035</u>   |
| TOTAL   |  |            |                |              | \$216,515       |

Source: City of Oakland.

All of the City's general obligation debt is authorized by voter approval of certain measures. The table below summarizes the voter-approved measures for which debt obligations have not yet been issued.

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**Table A-18**  
**City of Oakland**  
**General Obligation Bond Remaining Authorization**  
**As of June 15, 2009**  
**(in \$000's)**

| Authorization | Date Passed | Use                                 | Bond<br>Total | Authorization<br>Remaining |
|---------------|-------------|-------------------------------------|---------------|----------------------------|
| Measure DD    | 11/5/2002   | Recreational and aquatic facilities | \$198,250     | \$126,800 <sup>(1)</sup>   |
| TOTAL         |             |                                     |               | \$126,800                  |

<sup>(1)</sup> The City plans to issue a not-to-exceed amount of \$70,000,000 of Measure DD bonds in July, 2009.  
Source: City of Oakland.

**Short-Term Obligations**

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last thirteen Fiscal Years. 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 A-19**  
**City of Oakland**  
**Tax and Revenue Anticipation Notes**  
**(in \$000's)**

| Fiscal Year | Par Amount            |
|-------------|-----------------------|
| 2005-06     | 70,000                |
| 2006-07     | 75,000                |
| 2007-08     | 141,800               |
| 2008-09     | 105,705 <sup>†</sup>  |
| 2009-10     | 162,375 <sup>††</sup> |

<sup>†</sup> Consists of \$70,000,000 principal amount of Series A tax-exempt notes and \$35,705,000 principal amount of Series B taxable notes, both of which mature on July 17, 2009.

<sup>††</sup> Consists of \$115,410,000 principal amount of Series A tax-exempt notes and \$46,965,000 principal amount of Series B taxable notes, both of which mature on July 16, 2010.

Source: City of Oakland

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## Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, to occupy public buildings or use equipment. The table below summarizes the City's outstanding long-term lease obligations as of June 15, 2009. The City issued no other lease obligations during Fiscal Year 2008-09.

**Table A-20**  
**City of Oakland**  
**Lease Obligations**  
**As of June 15, 2009**  
**(in \$000s)**

| Issue Name   | Dated<br>Date | Final<br>Maturity | Original<br>Par | Par<br>Outstanding      | Leased Asset                        |
|--|---------------|-------------------|-----------------|-------------------------|-------------------------------------|
| Oakland – Alameda County Coliseum Authority<br>Lease Revenue Bonds (Arena Project), Series 1996<br>Series A1 and A2 <sup>(1)</sup> | 8/2/1996      | 2026              | \$35,000        | \$27,850                | Coliseum Arena                      |
|  | 8/2/1996      | 2026              | 35,000          | 27,900                  |                                     |
| Oakland – Alameda County Coliseum Authority<br>Lease Revenue Bonds, Series 2000 C-1, C-2, & D <sup>(1)</sup>                       | 5/25/2000     | 2025              | 37,700          | 37,700                  | Coliseum Stadium                    |
|  | 5/25/2000     | 2025              | 37,700          | 37,700                  |                                     |
|  | 5/25/2000     | 2011              | 25,250          | 3,950                   |                                     |
| Oakland Joint Powers Financing Authority Lease<br>Revenue Bonds, (Oakland Convention Center)<br>Series 2001                        | 5/15/2001     | 2014              | 134,890         | 72,110                  | Oakland Convention Center           |
| City of Oakland Refunding Certificates of<br>Participation, Series 2002  | 3/21/2002     | 2012              | 16,295          | 10,375                  | Oakland Museum                      |
| Oakland Joint Powers Financing Authority Lease<br>Revenue Bonds, 2008 Series A-1, A-2  | 4/16/2008     | 2017              | 107,630         | 96,445                  | Portion of sewer system             |
|  | 4/16/2008     | 2014              | 20,330          | 18,725                  |                                     |
| Oakland Joint Powers Financing Authority Lease<br>Revenue Refunding Bonds, (Oakland<br>Administration Buildings), 2008 Series B    | 5/1/2008      | 2026              | 113,450         | 109,705                 | Oakland Administration<br>Buildings |
| <b>Total</b>   |               |                   |                 | <u><b>\$442,460</b></u> |                                     |

<sup>(1)</sup> 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.

Source: City of Oakland.

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## Swap Agreements

On July 15, 2008, the City adopted a written interest rate swap policy for Fiscal Year 2008-09 (the “Swap Policy”). The Swap Policy established prudent guidelines for the use of management of interest rate swaps. The Swap Policy is adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the City’s risk related to its debt portfolio.

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

Series 1998 Bonds. The City entered into a forward starting interest rate swap agreement in connection with the issuance of the Oakland Joint Powers Authority Lease Revenue Bonds, 1998 Series A1/A2 (the “Series 1998 Bonds”). In June 2005, the Series 1998 Bonds were refunded, however the swap associated with these bonds remains in effect until the stated termination date on July 31, 2021. Pursuant to this swap agreement, the City receives a variable rate payment from each counterparty equal to 65% of USD-LIBOR-BBA, times the notional amount of the swap, which was intended to approximate the variable rate interest payments the City would have paid on the Series 1998 Bonds. The City makes semiannual fixed rate payments to the counterparties as set forth below. The interest rate swap is terminable at any time at the option of the City at its market value. The objective of the swap at the time it was entered into and the Series 1998 Bonds were issued was to achieve a synthetic fixed rate with respect to the Series 1998 Bonds.

The table below summarizes the interest rate swap agreement entered into by the City.

**Table A-21**  
**Summary of Series 1998 Bonds**  
**Interest Rate Swap Agreement**  
**(As of June 30, 2009)**

| Effective Date | Notional Amount <sup>(1)</sup> | Counterparty/<br>Guarantor                               | Counterparty<br>Credit Ratings<br>(Moody’s/S&P) | Fixed Rate<br>Payable by<br>City | Market Value<br>to City | Expiration<br>Date |
|----------------|--------------------------------|--|---|----------------------------------|-------------------------|--------------------|
| 01/09/97       | \$100,000,000                  | Goldman Sachs<br>Mitsui Marine<br>Derivative<br>Products | Aa1/AAA <sup>(1)</sup>                          | 5.6775%                          | (\$18,981,573)          | July 31, 2021      |

<sup>(1)</sup> Downgraded by Moody’s April 7, 2009  
Source: City of Oakland.

## 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”), a closed plan covering uniformed employees hired prior to July 1, 1976. The second series, issued in 2001, was part of a plan of finance undertaken by the City to restructure the City’s 1997 pension obligation bonds and to reduce the annual

net 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.

**Table A-22**  
**City of Oakland**  
**Pension Obligation Bonds**  
**As of June 15, 2009**  
**(in \$000s)**

| <u>Issue Name</u>   | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
|---|-------------------|-----------------------|---------------------|------------------------|
| City of Oakland Taxable Pension Obligation Bonds, Series 1997, Sub-Series A | 2/1/1997          | 2011                  | \$420,495           | \$52,818               |
| City of Oakland Taxable Pension Obligation Bonds, Series 2001               | 10/17/2001        | 2022                  | 195,636             | <u>195,636</u>         |
| TOTAL   |                   |                       |                     | \$248,454              |

Source: City of Oakland.

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, which occurs in Fiscal Year 2022-23.

**Table A-23**  
**City of Oakland**  
**Annual Payments for Pension Obligation Bonds**

| <u>Fiscal Year</u> | <u>Annual Payment</u> |
|--------------------|-----------------------|
| 2008-09            | \$38,082,816          |
| 2009-10            | 39,181,314            |
| 2010-11            | 40,305,000            |
| 2011-12            | 38,375,000            |
| 2012-13            | 39,555,000            |

Source: City of Oakland

For additional information on the City’s pension systems, see “OTHER FISCAL INFORMATION—*Retirement Programs*” herein.

**Limited Obligations**

The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City. 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 which they support. Tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area, the Coliseum Area Redevelopment Project Area, the Broadway/MacArthur/San Pablo Redevelopment Project Area and the Central City East Redevelopment Project Area. In addition, bonds have been issued that are secured by dedicated housing set-aside revenues from all the City's redevelopment project areas.

The table on the following page summarizes the Redevelopment Agency's outstanding tax allocation debt and other financings, including the final maturity date, original par amounts and amounts outstanding. All information below is presented as of June 15, 2009.

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**Table A-24**  
**Tax Allocation Bonds**  
**(In \$000's)**  
**As of June 15, 2009**

| <b>Central District Redevelopment Project Area</b>   |                   |                       |                     |                        |
|--|-------------------|-----------------------|---------------------|------------------------|
| <u>Issue Name</u>  | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
| Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992                  | 11/15/1992        | 2014                  | \$97,655            | \$29,720               |
| Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003                      | 1/9/2003          | 2019                  | 120,605             | 100,835                |
| Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005                      | 2/8/2005          | 2022                  | 44,360              | 31,970                 |
| Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T                     | 11/21/2006        | 2022                  | 33,135              | 27,975                 |
| Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) | 5/20/2009         | 2020                  | 38,755              | 38,755                 |
| Total Central Business District  |                   |                       | \$334,510           | \$229,255              |
| <b>Broadway/MacArthur/San Pablo Redevelopment Project Area</b>   |                   |                       |                     |                        |
| <u>Issue Name</u>  | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
| Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-TE and 2006C-T        | 10/12/2006        | 2037                  | \$17,270            | \$16,675               |
| <b>Central City East Redevelopment Project Area</b>  |                   |                       |                     |                        |
| <u>Issue Name</u>  | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
| Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and 2006A-T                  | 10/12/2006        | 2037                  | \$76,300            | \$73,665               |
| <b>Coliseum Area Redevelopment Project Area</b>  |                   |                       |                     |                        |
| <u>Issue Name</u>  | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
| Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and 2006B-T                      | 10/12/2006        | 2037                  | \$102,590           | \$98,925               |
| <b>City-wide Housing</b>   |                   |                       |                     |                        |
| <u>Issue Name</u>  | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
| Subordinated Housing Set-Aside Revenue Bonds, Series 2000T   | 5/16/00           | 2018                  | \$39,395            | \$4,290                |
| Subordinated Housing Set-Aside Revenue Bonds, Series 2006A and 2006A-T                                     | 4/4/06            | 2037                  | 84,840              | 82,785                 |
| Total  |                   |                       | \$124,235           | \$87,075               |
| <b>General Obligation Bonds</b>  |                   |                       |                     |                        |
| <b>(In \$000's)</b>  |                   |                       |                     |                        |
| <b>As of June 15, 2009</b>   |                   |                       |                     |                        |
| <u>Issue Name</u>  | <u>Dated Date</u> | <u>Final Maturity</u> | <u>Original Par</u> | <u>Par Outstanding</u> |
| General Obligation, Series 1998 (Tribune Towers Restoration) <sup>†</sup>                                  | 4/15/98           | 2011                  | \$600               | \$170                  |

<sup>†</sup> The Agency issued these bonds solely to the County of Alameda. Repayment is secured by a pledge of legally available funds of the Agency.  
Source: City of Oakland.

## Special Assessments

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

**Table A-25**  
**City of Oakland**  
**Special Assessment Bonds**  
**As of June 15, 2009**  
**(in \$000s)**

| Issue Name  | Dated<br>Date | Final<br>Maturity | Original<br>Par | Par<br>Outstanding |
|---|---------------|-------------------|-----------------|--------------------|
| Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A | 8/1/1996      | 2020              | \$ 465          | \$ 185             |
| Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997   | 12/3/1997     | 2012              | 1,250           | 215                |
| Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999                | 7/27/1999     | 2024              | 7,255           | 5,525              |
| TOTAL   |               |                   |                 | \$5,925            |

Source: City of Oakland.

## Enterprise Revenue Bonds

The City also has 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 and have an outstanding par amount of \$56,090,000 as of June 15, 2009.

## 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 June 1, 2009, according to California Municipal Statistics, Inc., is shown in the table 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. According to California Municipal Statistics, Inc., self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

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**Table A-26**  
**City of Oakland**  
**Statement of Direct and Overlapping Debt**  
**As of June 1, 2009**

|                                      |                                 |
|--------------------------------------|---------------------------------|
| 2008-09 Assessed Valuation:          | \$41,657,585,337 <sup>(1)</sup> |
| Redevelopment Incremental Valuation: | <u>10,425,137,651</u>           |
| Adjusted Assessed Valuation:         | \$31,232,447,686                |

| <u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>                 | <u>% Applicable</u> | <u>Debt 6/1/09</u>               |
|--|---------------------|----------------------------------|
| Bay Area Rapid Transit District  | 7.086%              | \$ 31,274,770                    |
| East Bay Municipal Utility District, Special District No. 1            | 51.550              | 15,354,168                       |
| East Bay Regional Park District  | 10.447              | 13,147,550                       |
| Chabot-Las Positas Community College District                          | 1.238               | 5,820,757                        |
| Peralta Community College District                                     | 54.195              | 192,297,409                      |
| Berkeley and Castro Valley Unified School Districts                    | 0.003 & 0.127       | 118,290                          |
| Oakland Unified School District  | 99.997              | 551,408,457                      |
| San Leandro Unified School District                                    | 12.249              | 12,889,010                       |
| <b>City of Oakland</b>   | <b>100.000</b>      | <b>222,803,315</b>               |
| City of Oakland 1915 Act Bonds   | 100.000             | 5,925,000                        |
| City of Emeryville 1915 Act Bonds                                      | 4.183               | <u>401,359</u>                   |
| TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT                   |                     | \$1,051,440,085                  |
| <br>   |                     |                                  |
| <u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>                       |                     |                                  |
| Alameda County and Coliseum Authority General Fund Obligations         | 17.861%             | \$ 79,678,457                    |
| Alameda County Pension Obligations                                     | 17.861              | 36,261,531                       |
| Alameda-Contra Costa Transit District Certificates of Participation    | 21.550              | 9,215,858                        |
| Chabot-Las Positas Community College District General Fund Obligations | 1.238               | 59,795                           |
| Peralta Community College District Pension Obligations                 | 54.195              | 84,202,278                       |
| Oakland Unified School District Certificates of Participation          | 99.997              | 76,092,717                       |
| San Leandro Unified School District Certificates of Participation      | 12.249              | 172,098                          |
| Castro Valley Unified School District Certificates of Participation    | 0.127               | 832                              |
| <b>City of Oakland and Coliseum Authority General Fund Obligations</b> | <b>100.000</b>      | <b>466,960,000<sup>(2)</sup></b> |
| <b>City of Oakland Pension Obligations</b>                             | <b>100.000</b>      | <b><u>248,454,842</u></b>        |
| TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT                         |                     | \$1,001,098,408                  |
| <br>   |                     |                                  |
| COMBINED TOTAL DEBT  |                     | \$2,052,538,493 <sup>(3)</sup>   |

Ratios to 2008-09 Assessed Valuation:

|  |              |
|--|--------------|
| <b>Direct Debt (\$222,803,315)</b> .....                   | <b>0.53%</b> |
| Total Direct and Overlapping Tax and Assessment Debt ..... | 2.52%        |

Ratios to Adjusted Assessed Valuation:

|   |              |
|---|--------------|
| <b>Combined Direct Debt (\$938,218,157)</b> ..... | <b>3.00%</b> |
| Combined Total Debt .....                         | 6.57%        |

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/08: \$32,601

(1) Gross assessed value less certain exemptions.

(2) Excludes issue to be sold.

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

Source: California Municipal Statistics, Inc.



## OTHER FISCAL INFORMATION

### Insurance and Risk Management

The City is insured up to \$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. The City is also insured up to \$70,000,000 after a \$750,000 per occurrence self-insured retention for workers' compensation losses. As of June 30, 2008, the amount of all self-insured general liability exposure is valued at approximately \$45,764,357. Of this amount, approximately \$16,395,226 is estimated to be due within one year. Payment of Workers' Compensation claims is provided through annual appropriations. As of June 30, 2008, the amount of Workers' Compensation liability determined to be probable is approximately \$64,571,904. Of this amount, \$18,094,388 is estimated to be due within one year.

### Labor Relations

City employees are represented by eight labor unions and associations (identified in the table below), the largest one being the Service Employees International Union (Local 1021) Full-Time, which represents approximately 57% of all City employees. Approximately 95% of all City employees are covered by negotiated agreements, as detailed below. Memoranda of Understanding ("MOUs") between the City of Oakland and non-sworn employee organizations and firefighters expired June 30, 2008. The City and the respective unions are currently in full-contract negotiations, except for the MOUs effective through June 30, 2010 covering sworn Police Officers and park rangers.

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

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**Table A-27  
City of Oakland  
Labor Relations  
As of July 1, 2009**

| <u>Employee Organization/Bargaining Unit</u>   | <u>Number of<br/>Employees</u> | <u>Contract<br/>Termination</u> |
|--|--------------------------------|---------------------------------|
| International Association of Firefighters, Local 55  | 466                            | June 30, 2008 <sup>(1)</sup>    |
| International Brotherhood of Electrical Workers, Local 1245  | 24                             | June 30, 2008 <sup>(1)</sup>    |
| International Federation of Professional and Technical Engineers (IFPTE), Local 21 Units TA1, TF1, TM2, TW1, and TF1 | 495                            | June 30, 2008 <sup>(1)</sup>    |
| IFPTE, Local 21 Units UH1 (Supervisors), UM1 and UM2 (Managers)  | 385                            | June 30, 2008 <sup>(1)</sup>    |
| IFPTE, Local 21 (Deputy City Attorney IVs)   | 27                             | June 30, 2008 <sup>(1)</sup>    |
| Service Employees International Union (SEIU), Local 790/ full-time   | 1,414                          | June 30, 2008 <sup>(1)</sup>    |
| SEIU, Local 790/ part-time   | 1,254                          | June 30, 2008 <sup>(1)</sup>    |
| Deputy Attorney V & Special Counsel Association  | 9                              | June 30, 2008 <sup>(1)</sup>    |
| Oakland Park Rangers Association   | 7                              | June 30, 2010                   |
| Oakland Police Officers Association  | <u>718</u>                     | June 30, 2010                   |
|  | <u>4,799</u>                   |                                 |

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<sup>(1)</sup> Currently under negotiation.

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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 (“OMERS”). 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 December 31, 2008, PFRS covered one active employee and 1,219 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 November 2006, City voters passed Measure M to modify the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

In accordance with voter-approved measures adopting the City Charter provisions that govern PFRS, the City annually levies an *ad valorem* tax (the “Tax Override”) on all property within the City subject to taxation by the City to help fund its pension obligations. 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 \$420.5 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 required 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 combined Pension Obligation Bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

An actuarial valuation on the PFRS benefit plan is conducted every two years as of 2005; the most recent complete valuation was dated July 1, 2007. 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, and average salary increases of 4.5%.

The following table shows PFRS's recent funding progress.

**Table A-28**  
**Police and Fire Retirement System Schedule of Funding Progress**  
**(\$ millions)**

| Valuation Date<br>July 1 | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Assets | Unfunded<br>Liability | Funded<br>Status | Annual<br>Covered<br>Payroll <sup>(1)</sup> |
|--------------------------|-----------------------------------|---------------------------------|-----------------------|------------------|---|
| 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   |
| 2007 <sup>(2)</sup>      | 888.1                             | 566.0                           | 322.1                 | 63.7             | 0.4   |
| 2008 <sup>(3)</sup>      | 881.0                             | 522.0                           | 359.0                 | 59.0             | N/A <sup>(4)</sup>                          |

<sup>(1)</sup> Because this is a closed system with few employees, UAAL as a percentage of payroll is not presented.

<sup>(2)</sup> Following the 2005 audit, the actuarial valuation was conducted every two years. The 2007 audit was performed by Bartel Associates, LLC.

<sup>(3)</sup> Estimated as of March 24, 2009 by the Plan's Actuary, Bartel Associates, LLC.

<sup>(4)</sup> N/A – Not Available.

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2007.

In light of the contribution holiday funded by proceeds of Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2011 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, beginning in July of 2011. The Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2007, 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 A-29**  
**Police and Fire Retirement System**  
**Projection of Future Contributions**  
**As of July 1, 2007**

|   | Valuation<br>Assumptions | Unfavorable<br>Experience | Favorable<br>Experience |
|---|--------------------------|---------------------------|-------------------------|
| Investment Return                         | 8.00%                    | 2.00%                     | 14.00%                  |
| Wage Growth                               | 4.75%                    | 4.75%                     | 4.75%                   |
| Annual City Contribution 2011-2012 Amount | \$39 million             | \$41 million              | \$31 million            |

Source: Oakland Police and Fire Retirement System, Actuarial Report as of July 1, 2007.

**Oakland Municipal Employees Retirement System.** OMERS is the second closed pension 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 78 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 July 1, 2007. OMERS utilizes the aggregate cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, and average increases of 3.0%. As of July 1, 2007, the actuarially determined surplus was \$1.8 million. During Fiscal Year 2007-08 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 table sets forth the City's employer contribution rates as determined by PERS for the past four fiscal years and the current fiscal year, as well as PERS' projection for Fiscal Year 2010-11.

**Table A-30**  
**Public Employees Retirement System Contribution Rates**  
**City of Oakland**

|                    | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10               | 2010-11<br>(Projected) |
|--------------------|---------|---------|---------|---------|-----------------------|------------------------|
| Miscellaneous Plan | 18.55%  | 17.48%  | 19.20%  | 19.55%  | 19.59% <sup>(1)</sup> | 19.4% <sup>(2)</sup>   |
| Safety Plan        | 29.71%  | 27.70%  | 27.01%  | 27.51%  | 27.45% <sup>(3)</sup> | 27.6%                  |

<sup>(1)</sup> 2009-10 employer contribution rate is actual rate based on member and financial data as of June 30, 2007.

<sup>(2)</sup> Estimated rate based solely on a projection of the investment return for Fiscal Year 2007-08, and assumes that there are no future amendments to the City's pension benefits through PERS and no liability gains or losses. The actual rate will be provided in the PERS October 2009 annual valuation report.

<sup>(3)</sup> As of June 30, 2009, the contribution rate, effective July 1, 2009, was lowered from 27.88% to 27.45% due to a payment of \$580,149. The subsidized PERS rate only applies to Safety employees.

Source: PERS.

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.

For Fiscal Year 2007-08, the City's contribution to PERS was \$97.9 million. The City's unfunded liability with PERS, as of June 30, 2007, was \$231.8 million for the public safety (police and fire) retirement plan, resulting in a 76.6% funded status, and \$263.8 million for the miscellaneous retirement plan, resulting in a 83.7% funded status.

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The following table represents the City's annual contribution to PERS over the past five years:

**Table A-31**  
**Public Employees Retirement System**  
**Annual Pension Cost**  
**City of Oakland**  
**(\$ millions)**

| Fiscal Year Ended<br>June 30 | Annual Cost |
|------------------------------|-------------|
| 2004                         | \$48.4      |
| 2005                         | 87.4        |
| 2006                         | 95.0        |
| 2007                         | 89.3        |
| 2008                         | 97.9        |

Source: City of Oakland Comprehensive Annual Financial Reports.

**Table A-32**  
**Public Employees Retirement System Schedule of Funding Progress**  
**Public Safety Employees**  
**City of Oakland**  
**(\$ millions)**

| Valuation<br>Date<br>July 1 | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Assets | Unfunded<br>Liability | Funded<br>Status | Annual<br>Covered<br>Payroll | UAAL as<br>% of<br>Payroll |
|-----------------------------|-----------------------------------|---------------------------------|-----------------------|------------------|------------------------------|----------------------------|
| 2003                        | \$631.5                           | \$454.7                         | \$176.8               | 72.0%            | \$111.0                      | 159.2%                     |
| 2004                        | 730.1                             | 529.5                           | 200.6                 | 72.5             | 115.5                        | 173.8                      |
| 2005                        | 820.6                             | 602.4                           | 218.2                 | 73.4             | 122.9                        | 177.6                      |
| 2006                        | 907.4                             | 678.6                           | 228.8                 | 74.8             | 124.1                        | 184.3                      |
| 2007                        | 989.1                             | 757.3                           | 231.8                 | 76.6             | 127.4                        | 181.9                      |

Source: PERS. Note: There has not been any preliminary 2008 calculation provided by PERS.

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**Table A-33**  
**Public Employees Retirement System Schedule of Funding Progress**  
**Miscellaneous Employees**  
**City of Oakland**  
**(\$ millions)**

| Valuation Date<br>July 1 | Actuarial<br>Accrued<br>Liability | Actuarial<br>Value of<br>Assets | Unfunded<br>Liability | Funded<br>Status | Annual<br>Covered<br>Payroll | UAAL as<br>% of<br>Payroll |
|--------------------------|-----------------------------------|---------------------------------|-----------------------|------------------|------------------------------|----------------------------|
| 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                       |
| 2005                     | 1,397.2                           | 1,156.7                         | 240.5                 | 82.8             | 206.3                        | 116.6                      |
| 2006                     | 1,507.9                           | 1,250.7                         | 257.2                 | 82.9             | 217.0                        | 118.6                      |
| 2007                     | 1,617.2                           | 1,353.4                         | 263.8                 | 83.7             | 225.8                        | 116.9                      |

Source: PERS. Note: There has not been any preliminary 2008 calculation provided by PERS.

### Post-Employment Benefits

The City has three programs to pay the partial costs of health insurance premiums for certain classes of retirees from City employment. Retirees meeting certain requirements relating to age and years of service are eligible for health benefits. The health benefits are extended to retirees pursuant to labor agreements between the City and certain of its employee labor unions and in resolutions adopted by the City. Approximately \$11.0 million was paid on behalf of retirees under these programs for the year ended June 30, 2008.

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

The City implemented GASB 45 in fiscal year 2008. As of June 30, 2008, the Actuarial Accrued Liability (the “AAL”), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, was \$591.6 million. As of July 1, 2008, assuming 4.00% interest earnings, the City’s annual net OPEB obligation was \$43.7 million after a pay-as-you-go amount of \$10.97 million.

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**Table A-34**  
**Valuation of Liability for Post Employment Health Benefits**  
**(Combined Police, Fire and Municipal Employees)**  
**As of July 1, 2008**  
**City of Oakland**

|  |               |               |                      |
|--|---------------|---------------|----------------------|
| Interest Rate                          | 4.00%         | 6.00%         | 7.75% <sup>(1)</sup> |
| Active employees                       | 3,777         | 3,777         | 3,777                |
| Retirees                               | 2,364         | 2,364         | 2,364                |
| Total Participants                     | 6,141         | 6,141         | 6,141                |
| Actuarial Accrued Liability            | \$592,000,000 | \$435,000,000 | \$343,000,000        |
| Assets                                 | 0             | 0             | 0                    |
| Unfunded Actuarial Accrued Liability   | \$592,000,000 | \$435,000,000 | \$343,000,000        |
| Normal Cost at beginning of year       | \$29,000,000  | \$18,000,000  | \$12,000,000         |
| Annual Required Contribution           | \$55,000,000  | \$41,000,000  | \$34,000,000         |
| Annual benefit payments <sup>(2)</sup> | \$13,000,000  | \$13,000,000  | \$13,000,000         |

<sup>(1)</sup> Based on expected rate of return of PERS investment pool.

<sup>(2)</sup> Estimated benefit payments for 2008-09.

Source: JPMorgan Compensation and Benefit Strategies.

### **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 through the San Francisco Peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake, also on the San Andreas Fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of 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 partially-wooded hillside areas, which are naturally prone to wildfire. In October, 1991 a fire in the Oakland/Berkeley Hills damaged 1,990 acres of forest and residential property, destroying 2,354 homes and 456 apartment units, most of which were in 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.



## **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 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. The financial impact to the City of the litigation discussed below has yet to be determined.

Sacks v. City Of Oakland. In 2004, the Oakland electorate adopted Measure Y, imposing taxes to fund services and programs to prevent violence and crime and enhance fire safety in the City of Oakland. The tax revenue may be used only for the purposes specified in the measure, i.e., to hire and maintain police officers for community-policing assignments, for fire services, and for violence prevention programs. On April 7, 2008, a taxpayer filed an action for writ of mandate in Alameda Superior Court (Case No. RG08380286) alleging that the City: (1) illegally collected Measure Y parcel taxes because the City had not fulfilled its Measure Y obligations, (2) illegally authorized the expenditure of Measure Y funds for the expenses for the recruitment and training of new officers, and (3) did not perform proper Measure Y audits.

In a Statement of Decision issued June 16, 2009, the Superior Court held that the City properly collected the Measure Y parcel taxes and petitioner could not establish any entitlement to taxpayer refunds. The Court further held that the City illegally used tax revenue to recruit and train officers who were not assigned to community-policing duties set forth in the measure and failed to prepare proper audits. The Superior Court Judgment will likely require the City to transfer up to \$10.3 million into the Measure Y fund from other internal City funds or funding sources. The judgment could provide that the \$10.3 million be transferred over a number of years. The Court has not entered judgment against the City. The City expects to appeal the Court's decision if judgment is entered, which should stay the judgment. The time period for appealing the judgment has not yet started. The appeal could last another two years.

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**APPENDIX B**

**ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND  
FOR THE YEAR ENDED JUNE 30, 2008**

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# **CITY OF OAKLAND**

## **CALIFORNIA**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2008**

**PREPARED BY THE FINANCE AND MANAGEMENT AGENCY**

**WILLIAM E. NOLAND, DIRECTOR**

**ACE A. TAGO, CONTROLLER**

**PRINTED ON RECYCLED PAPER**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2008

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# INTRODUCTORY SECTION

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# CITY OF OAKLAND



**FINANCE AND MANAGEMENT AGENCY  
ACCOUNTING DIVISION**

150 FRANK H. OGAWA PLAZA, SUITE 6353  
OAKLAND, CALIFORNIA 94612  
(510) 238-3916

December 17, 2008

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 net assets for the fiscal year ended June 30, 2008, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management 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.

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, 2008, 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, 2008. 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. The Basic Financial Statements presents information on the activities of the City and its component units.

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 unit is reported in a separate column in the government-wide financial statements to emphasize that it is 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) is presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda.

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

### ***Profile of the Government***

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

In November 1998, the citizens of Oakland passed Measure X changing the form of government from Council-City Manager to Mayor-Council through a charter amendment. Legislative authority is vested in the City Council and executive authority is vested in the Mayor. The City

Administrator, appointed by and under the direction of the Mayor, has administrative authority to manage the day-to-day administrative and fiscal operations of the City. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and 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 30, 2006, the City Council, during its mid-cycle review, approved the City’s revised budget for fiscal year 2006-07.

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.

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

The City of Oakland's primary economic indicators are highlighted on pages 16 and 17 in the Management Discussion and Analysis (MD&A) section of this report.

### ***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*

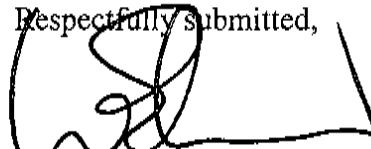
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. The Certificate of Achievement 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 18 of the last 19 years. The single missing year was due to the delay in the submission of the City's CAFR to GFOA as a result of conversion to a new financial management system. The City's Fiscal Year 2007-08 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 & O'Connell LLP for their assistance and guidance. Finally, I would like to thank the Mayor, members of the City Council, and the City Administrator for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,



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, 2007

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.



*Charles S. Cox*

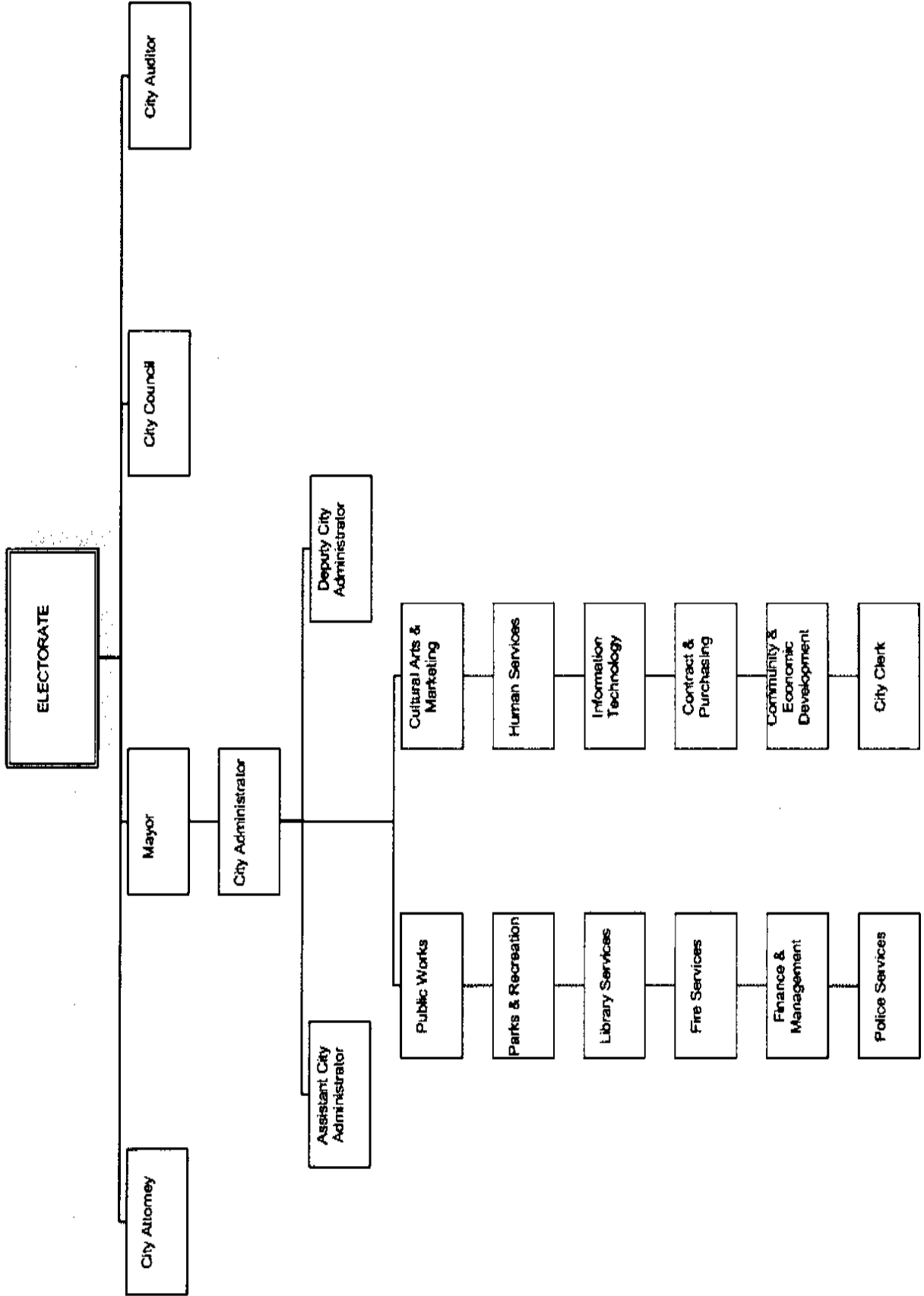
President

*Jeffrey R. Emmer*

Executive Director



# City of Oakland Organization Chart



**DIRECTORY OF CITY OFFICIALS  
MAYOR/COUNCIL FORM OF GOVERNMENT  
June 30, 2008**

**MAYOR**

Ronald V. Dellums

**MEMBERS OF THE CITY COUNCIL**

Ignacio De La Fuente, *President (District 5)*

Jean Quan, *Vice-Mayor (District 4)*

*At Large – Henry Chang, Jr.*

*District 3 – Nancy Nadel*

*District 1 – Jane Brunner*

*District 6 – Desley Brooks*

*District 2 – Patricia Kernighan*

*District 7 – Larry Reid*

**COUNCIL APPOINTED OFFICERS**

Dan Lindheim, *Acting City Administrator*

La Tonda Simmons, *City Clerk*

**ELECTED OFFICERS**

John Russo, *City Attorney*

Courtney Ruby, *City Auditor*

**AGENCY & DEPARTMENT DIRECTORS**

Raul Godinez II  
*Public Works*

Audree Jones- Taylor  
*Parks & Recreation*

Carmen Martinez  
*Library Services*

Daniel Farrell  
*Fire Services*

William E. Noland  
*Finance & Management*

Wayne Tucker  
*Police Services*

Lori Fogarty  
*Cultural Arts & Marketing*

Andrea Youngdahl  
*Human Services*

Robert Glaze  
*Information Technology*

Deborah Barnes  
*Contracting & Purchasing*

Eric Angstadt, Acting  
*Community & Economic Development*

**CITY OF OAKLAND**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**PROJECT TEAM**

William E. Noland  
*Director*  
*Finance and Management Agency*

Ace A. Tago  
*Controller*

**AUDIT/FINANCIAL STATEMENT COORDINATOR**

Osborn K. Solitei, *Assistant Controller*

**FINANCIAL STATEMENT PREPARATION**

**Financial Statement Leaders**

Theresa Woo  
*Accountant III*

Connie L. Chu  
*Accountant III*

**Accounting Team (GL, ORA & GRANTS)**

Michelle Wong  
Jennifer Luong  
Frank Catalya  
Erico Parras

Edward Chun  
Felipe Kiocho  
Rogelio Medalla  
Leland Lee

Bruce Levitch  
Norma Torres  
Andy Yang

**ADMINISTRATIVE SUPPORT**

Ebony Thomas, *Administrative Assistant*

**SPECIAL ASSISTANCE**

Donna Treglown  
Dawn Hort

Deanna Andrews  
Gregoria Torres

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

# FINANCIAL SECTION

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**MACIAS GINI & O'CONNELL** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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213.286.6400

402 West Broadway, Suite 400  
San Diego, CA 92101  
619.573.1112

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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent 67%, 71% and (18)%, respectively, of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information as of and for the year ended June 30, 2008. We also did not audit the Oakland Redevelopment Agency (ORA) whose financial activities are included in the County's basic financial statements as a major fund and which represents 27%, 28% and 16% of the assets, net assets, and revenues of the governmental activities as of and for the year ended June 30, 2008.. The OMERS, PFRS and ORA financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 16 and 17 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 50, *Pension Disclosures—an amendment of GASB Statements No. 25 and No. 27*, effective July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, 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 and the other auditors 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 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 statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, 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 express no opinion on them.

*Macias Gini & Cannelo LLP*  
Certified Public Accountants

Walnut Creek, California  
December 17, 2008

## 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, 2008. 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 \$740.4 million as of June 30, 2008, compared to \$755.7 million at June 30, 2007. This represents a net decrease of \$15.3 million or 2.0 percent compared to the previous year. Assets decreased by 2.5 percent or net of \$71.4 million, the net decrease is primarily attributed to a decrease of net pension assets in the amount of \$31.6 million to reflect annual pension cost, an increase in capital assets by \$54.6 million and an offset of a combined decrease of \$62.8 million in pooled and restricted cash and investments attributable to the retirement of refunding bonds and spent bond proceeds for capital improvement. Conversely, liabilities decreased by 0.9 percent or \$21.2 million compared to the prior fiscal year primarily as a result of principal debt payments.
- The City's governmental cumulative fund balances decreased by 4.4 percent or \$53.7 million to \$1,157.3 million compared to \$1,211.0 million for the prior fiscal year. This decrease is primarily attributed to a \$67.8 million increase in overall governmental expenditures for its operations and the increase was offset by a \$9.3 million or 1.0 percent increase in overall governmental revenue.
- As of June 30, 2008, the City had total long-term obligations outstanding of \$2.0 billion compared to a similar amount outstanding for the prior fiscal year for a decrease of 1.5 percent or \$30.2 million. Of this amount, \$331.5 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.7 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, 2008 was \$37.5 million compared to \$56.1 million for the previous year, a decrease of 33.2 percent or \$18.6 million. The unreserved/undesignated fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Fund expenditures for fiscal year 2008.

## 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 and 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 and other post employment 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, 2008 by \$740.4 million compared to \$755.7 million as of June 30, 2007, a decrease of \$15.3 million. The largest portion of the City's net assets, 69.4 percent, reflects its investment in capital assets of \$513.8 million for governmental and business type activities net of related debt. Of the remaining balance, 84.6 percent reflects \$191.8 million in resources that are subject to external restrictions on how they may be used. The net deficit of \$110.2 million is

primarily attributed to the restatement of the net pension asset of \$69.2 million as of June 30, 2007 to reflect prior years actuarially required annual contributions, and ongoing projects related to governmental activities and a 6.8 percent increase in expenditures and offset by a 1.0 percent increase in revenues.

**City of Oakland's Net Assets**  
**June 30, 2008**  
*(In Thousands)*

|  | <b>Governmental<br/>Activities</b> |                   | <b>Business-Type<br/>Activities</b> |                   | <b>Total</b>      |                   |
|--|------------------------------------|-------------------|-------------------------------------|-------------------|-------------------|-------------------|
|  | <b>2008</b>                        | <b>2007 (1)</b>   | <b>2008</b>                         | <b>2007 (2)</b>   | <b>2008</b>       | <b>2007</b>       |
| <b>Assets:</b>                                     |                                    |                   |                                     |                   |                   |                   |
| Current and other assets                           | \$ 1,866,790                       | \$1,950,947       | \$ 40,808                           | \$ 47,689         | \$ 1,907,598      | \$ 1,998,636      |
| Capital assets                                     | 899,317                            | 854,373           | 145,731                             | 136,093           | 1,045,048         | 990,466           |
| <b>TOTAL ASSETS</b>                                | <b>2,766,107</b>                   | <b>2,805,320</b>  | <b>186,539</b>                      | <b>183,782</b>    | <b>2,952,646</b>  | <b>2,989,102</b>  |
| Long-term liabilities                              | 1,951,568                          | 1,979,249         | 63,541                              | 66,024            | 2,015,109         | 2,045,273         |
| Other liabilities                                  | 193,721                            | 186,286           | 3,386                               | 1,845             | 197,107           | 188,131           |
| <b>TOTAL LIABILITIES</b>                           | <b>2,145,289</b>                   | <b>2,165,535</b>  | <b>66,927</b>                       | <b>67,869</b>     | <b>2,212,216</b>  | <b>2,233,404</b>  |
| <b>Net assets:</b>                                 |                                    |                   |                                     |                   |                   |                   |
| Invested in capital assets,<br>net of related debt | 401,881                            | 353,715           | 111,881                             | 109,886           | 513,762           | 463,601           |
| Restricted   | 336,908                            | 317,558           | -                                   | -                 | 336,908           | 317,558           |
| Unrestricted (deficit)                             | (117,971)                          | (31,488)          | 7,731                               | 6,027             | (110,240)         | (25,461)          |
| <b>Total net assets</b>                            | <b>\$ 620,818</b>                  | <b>\$ 639,785</b> | <b>\$ 119,612</b>                   | <b>\$ 115,913</b> | <b>\$ 740,430</b> | <b>\$ 755,698</b> |

(1) The June 30, 2007 balances were restated to reflect the impact of prior years actuarially required annual contributions on the net pension asset.

(2) The June 30, 2007 balances were restated to reflect the accrual of sewer services revenues as of June 30, 2007 for comparison purposes.

**Governmental activities.** The City's change in net assets of (\$19.0) million for the year ended June 30, 2008 compared to \$111.6 million for the previous fiscal year represents a net decrease of \$130.6 million. The key elements of this decrease are listed below.

**Changes in Net Assets**  
**For the Year Ended June 30, 2008**  
*(In Thousands)*

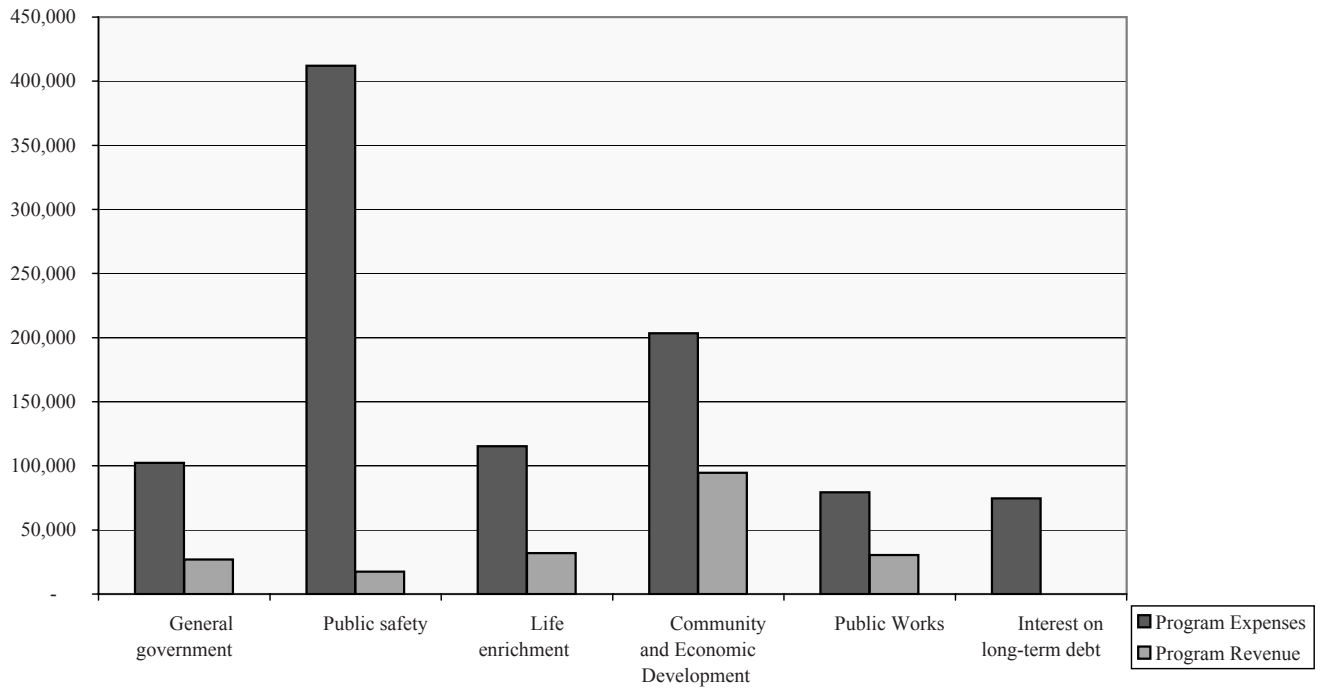
|  | Governmental Activities |                   | Business-Type Activities |                   | Totals            |                   |
|--|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
|  | 2008                    | 2007 (3)          | 2008                     | 2007 (2)          | 2008              | 2007              |
| <b>Revenues:</b>                                       |                         |                   |                          |                   |                   |                   |
| Program revenues:                                      |                         |                   |                          |                   |                   |                   |
| Charges for services (1)                               | \$ 110,296              | \$ 97,449         | \$ 33,751                | \$ 30,075         | \$ 144,047        | \$ 127,524        |
| Operating grants and contributions                     | 91,278                  | 106,903           | -                        | 21                | 91,278            | 106,924           |
| General revenues:                                      |                         |                   |                          |                   |                   |                   |
| Property taxes   | 358,338                 | 317,666           | -                        | -                 | 358,338           | 317,666           |
| State taxes:   |                         |                   |                          |                   |                   |                   |
| Sales and use taxes                                    | 64,812                  | 58,006            | -                        | -                 | 64,812            | 58,006            |
| Motor vehicles in-lieu tax                             | 1,811                   | 2,268             | -                        | -                 | 1,811             | 2,268             |
| Gas tax  | 7,305                   | 7,449             | -                        | -                 | 7,305             | 7,449             |
| Local taxes:   |                         |                   |                          |                   |                   |                   |
| Business license                                       | 52,542                  | 50,339            | -                        | -                 | 52,542            | 50,339            |
| Utility consumption                                    | 52,524                  | 51,426            | -                        | -                 | 52,524            | 51,426            |
| Real estate transfer                                   | 36,205                  | 61,505            | -                        | -                 | 36,205            | 61,505            |
| Transient occupancy                                    | 12,400                  | 12,303            | -                        | -                 | 12,400            | 12,303            |
| Parking  | 15,747                  | 16,202            | -                        | -                 | 15,747            | 16,202            |
| Voter approved special tax                             | 32,942                  | 31,483            | -                        | -                 | 32,942            | 31,483            |
| Franchise  | 13,791                  | 13,010            | -                        | -                 | 13,791            | 13,010            |
| License and permits                                    | 19,319                  | 20,390            | -                        | -                 | 19,319            | 20,390            |
| Interest and investment income                         | 47,852                  | 48,073            | 1,434                    | 1,745             | 49,286            | 49,818            |
| Other (1)  | 50,153                  | 85,841            | -                        | 2                 | 50,153            | 85,843            |
| <b>Total revenues</b>                                  | <b>967,315</b>          | <b>980,313</b>    | <b>35,185</b>            | <b>31,843</b>     | <b>1,002,500</b>  | <b>1,012,156</b>  |
| <b>Expenses:</b>                                       |                         |                   |                          |                   |                   |                   |
| General government                                     | 102,218                 | 91,119            | -                        | -                 | 102,218           | 91,119            |
| Public safety  | 412,050                 | 366,578           | -                        | -                 | 412,050           | 366,578           |
| Life enrichment  | 115,315                 | 105,728           | -                        | -                 | 115,315           | 105,728           |
| Community & economic development                       | 203,406                 | 183,968           | -                        | -                 | 203,406           | 183,968           |
| Public works   | 79,348                  | 101,075           | -                        | -                 | 79,348            | 101,075           |
| Interest on long-term debt                             | 74,545                  | 79,864            | -                        | -                 | 74,545            | 79,864            |
| Sewer  | -                       | -                 | 30,502                   | 29,365            | 30,502            | 29,365            |
| Parks and recreation                                   | -                       | -                 | 384                      | 1,087             | 384               | 1,087             |
| <b>Total expenses</b>                                  | <b>986,882</b>          | <b>928,332</b>    | <b>30,886</b>            | <b>30,452</b>     | <b>1,017,768</b>  | <b>958,784</b>    |
| Change in net assets before transfers and special item | (19,567)                | 51,981            | 4,299                    | 1,391             | (15,268)          | 53,372            |
| Transfers  | 600                     | 600               | (600)                    | (600)             | -                 | -                 |
| Special item:  |                         |                   |                          |                   |                   |                   |
| Net resale properties from OBRA                        | -                       | 59,020            | -                        | -                 | -                 | 59,020            |
| Change in net assets                                   | <b>(18,967)</b>         | <b>111,601</b>    | <b>3,699</b>             | <b>791</b>        | <b>(15,268)</b>   | <b>112,392</b>    |
| Net assets - beginning, as previously reported         | 639,785                 | 579,234           | 112,059                  | 111,268           | 751,844           | 690,502           |
| Restatement  | -                       | (51,050)          | 3,854                    | -                 | 3,854             | (51,050)          |
| Net assets - beginning, as restated                    | <b>639,785</b>          | <b>528,184</b>    | <b>115,913</b>           | <b>111,268</b>    | <b>755,698</b>    | <b>639,452</b>    |
| Net assets at end of year                              | <b>\$ 620,818</b>       | <b>\$ 639,785</b> | <b>\$ 119,612</b>        | <b>\$ 112,059</b> | <b>\$ 740,430</b> | <b>\$ 751,844</b> |

(1) Charges for services and other revenues in governmental activities were reclassified for fiscal year 2006/07 for comparison purposes.

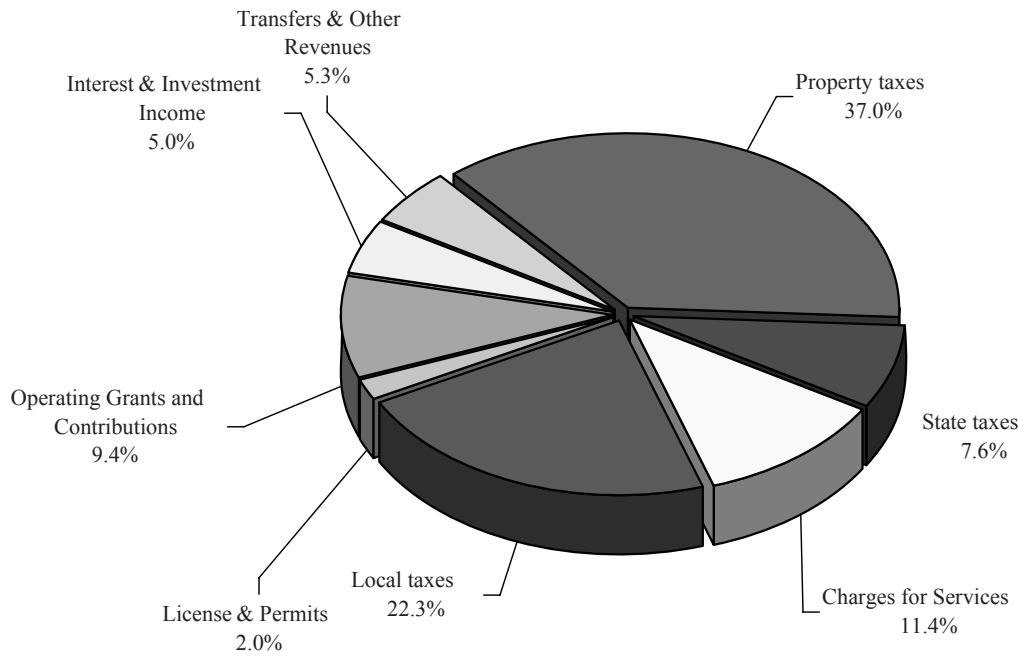
(2) The amounts for fiscal year 2006/07 have not been restated to reflect the restatement of sewer service revenues as the amounts as of June 30, 2006 were not available.

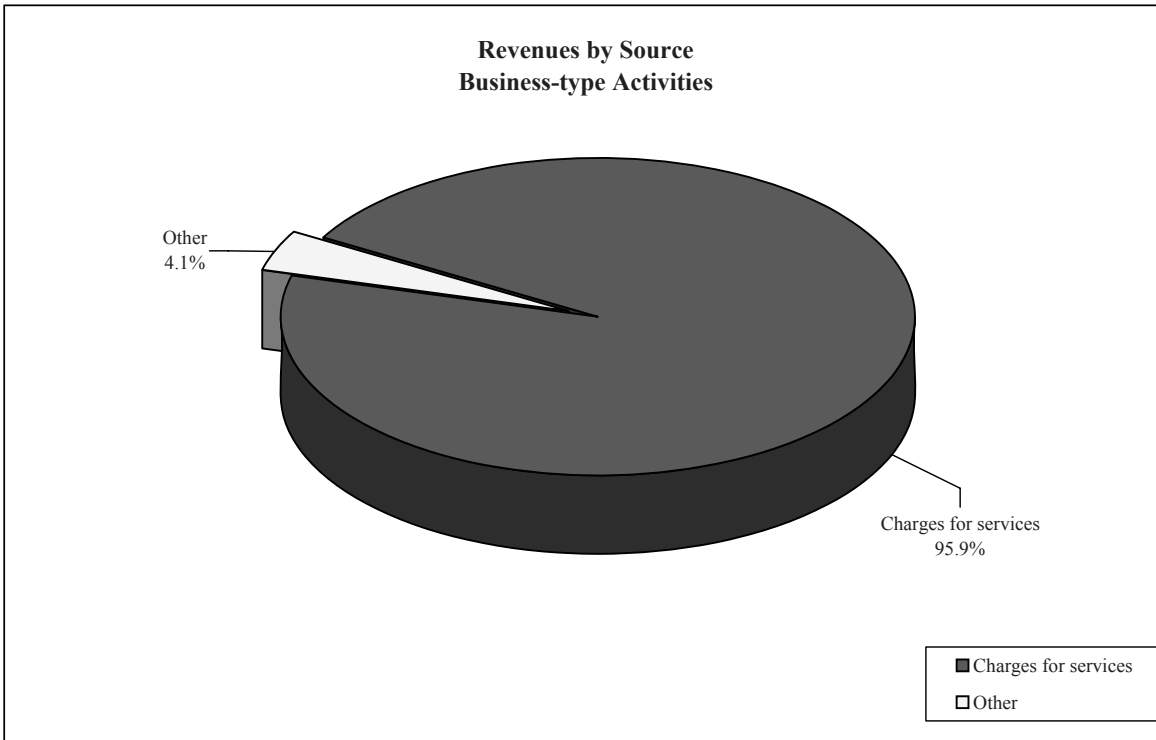
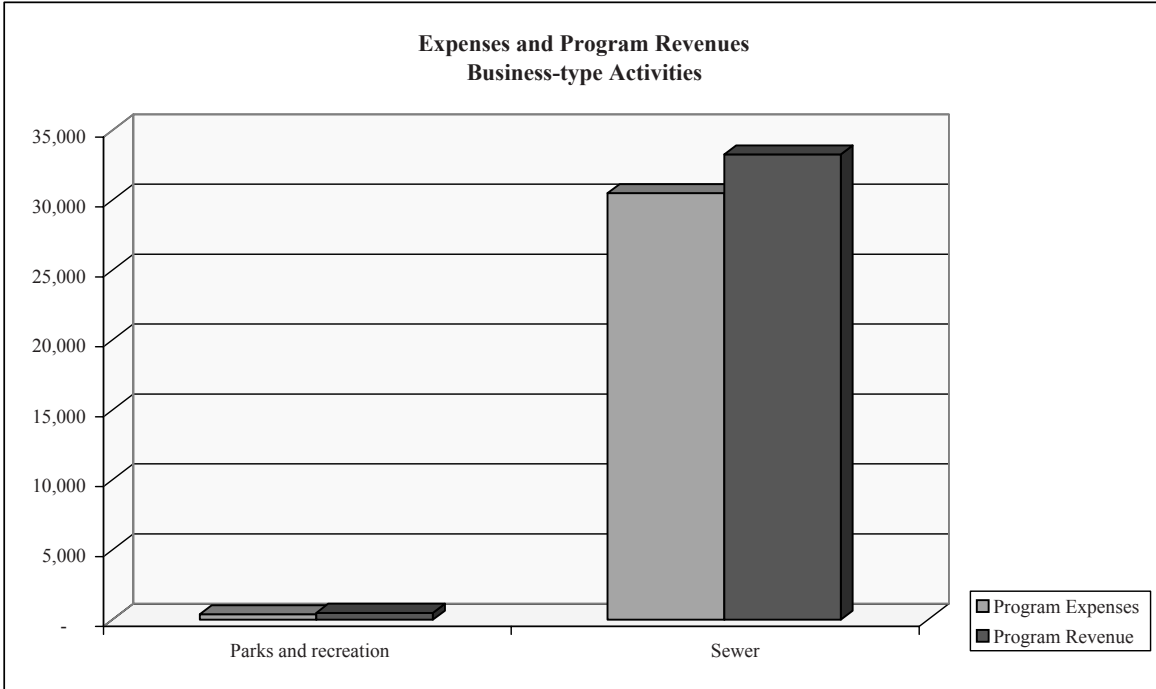
(3) The amounts for fiscal year 2006/2007 have been restated to reflect the impact of prior years actuarially required annual contributions on the Police and Fire Retirement System.

### Expenses and Program Revenues Governmental Activities



### Revenues by Sources Governmental Activities





## Governmental activities

The decrease of \$130.6 million or 117.0 percent in the change in net assets attributed to the following significant elements:

- While the increases in property taxes of \$40.7 million or 12.8 percent was driven by enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2007-08 and also an increase of charges for services by \$35.1 million or 46.6 percent; local taxes decreased by \$20.1 million or 8.5 percent primarily due to the real estate transfer tax; operating grants and contributions and other revenues decreased by 21.3 million or 19.9 percent and 15.1 million or 13.9 percent respectively.
- The increase of \$11.1 million or 12.2 percent of spending in general government when compared to the pervious year is due to personnel cost, ongoing capital projects and Other Post Employment Benefits (OPEB) cost.
- The increase of \$45.5 million or 12.4 percent of spending in public safety when compared to the previous year is due primarily to overtime costs resulting from the continuing problem of shortage in sworn staff, and the added costs to recruit new officers, conduct police academies to train and certify new recruits and OPEB cost.
- The increases in life enrichment expenses of \$9.6 million or 9.1 percent is attributed to OPEB cost, completed projects and costs related to continuing projects from previous years.
- The increases in community and economic development expenses of \$19.4 million or 10.6 percent is attributed to OPEB cost, completed projects and costs related to continuing projects from previous years and also the transfer of design and construction division from public works agency to community and economic development.
- The decrease in public works agency expenses of \$21.7 million or 21.5 percent is attributed to the transfer of design and construction division from public works agency to community and economic development.
- Interest on long-term debt decreased by \$5.3 million or 6.7 percent due to refunding of certain debts by the City.

**Business-type activities.** Business-type activities ended the fiscal year with a positive change in its net assets of \$3.7 million compared to \$0.8 million the previous fiscal year. The increase of \$2.9 million in net assets is attributable to \$3.4 million or 10.3 percent increase in sewer revenues offset by \$1.1 million or 3.9 percent increase in sewer project related expenses. The increase in net assets is a result of rate increases and the restatement of sewer revenues.

## **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.

**General Fund:** The General Fund is the chief operating fund of the City. At June 30, 2008, its unreserved fund balance is \$121.1 million or 48.9 percent of the \$247.7 million total General Fund balance.

In 2007-08, General Fund revenues of \$541.7 million were \$5.0 million or 0.9 percent higher than 2006-07 revenues of \$536.7 million. Due to a slowing economy, the revenues have increased modestly over last year. The current year increase is due primarily to increases in property tax revenue of \$31.7 million and sales tax of \$6.4 million, offset by a decrease in real estate transfer revenue of \$25.3 million due to a slowing housing market.

In 2007-08, General Fund expenditures of \$488.5 million were \$20.2 million or 4.3 percent higher than 2006-07 expenditures of \$468.3 million. The increase in expenditures was mainly due to increases in public safety of \$13.6 million because of salaries, pension, healthcare and benefit costs.

**Federal and State Fund:** The Federal and State Fund had a fund balance of \$17.3 million as of June 30, 2008 that represents an increase of \$12.3 million or 243.7 percent over the prior fiscal year. The net increase of \$12.3 million was primarily attributed to a decrease in Home Loan Program and multi year grant projects expenditures for community and economic development.

**Oakland Redevelopment Agency:** The Oakland Redevelopment Agency had a fund balance of \$598.8 million as of June 30, 2008 that represents a modest decrease of \$2.6 million or 0.4 percent over the prior fiscal year. The net decrease of \$2.6 million was primarily attributed to \$12.4 million increase in tax increment. These increases were offset by increased project expenditures of \$12.2 million and a decrease of \$3.9 million in rents and other reimbursements revenues.

**Municipal Capital Improvement Fund:** The Municipal Capital Improvement Fund had a fund balance of \$68.5 million as of June 30, 2008 that represents a decrease of \$28.3 million or 29.2 percent over the prior fiscal year. The net decrease of \$28.3 million is attributed to increase in capital improvement projects expense.

**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 \$111.9 million as of June 30, 2008, compared to \$109.9 million for the previous fiscal year. The \$2.0 million or 1.8 percent increase is related to proceeds spent from a debt issued to finance sewer projects. During the fiscal year, the City capitalized \$9.2 million in sewer system completed projects, net of depreciation.

### **General Fund Budgetary Highlights**

During the fiscal year ended June 30, 2008, General Fund had a \$2.6 million decrease in budgeted revenues between the original and final amended operating budget. The decrease is due to decrease in other revenues. Actual budgetary basis revenues of \$541.2 million were \$6.8 million less than the final amended budget. The decrease is primarily attributed to real estate transfer tax revenue collection due to the housing market.

In addition, there was \$27.7 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of \$488.5 million were \$11.8 million less than the amended budget and \$15.9 million less than the original budget. The net budget savings is attributed to (1) the significant turnover in full time sworn officers through attrition, (2) the absorption of a certain portion of sworn officers salaries and benefits by Measure Y funds to satisfy that Measure's mandates while recruitment for additional authorized full time peace officers is in progress, and (3) the completion of carryforward projects during the fiscal year.

### **Capital Assets**

The City's capital assets, net of depreciation, totaled \$1,045.0 million as of June 30, 2008 compared to \$990.5 million as of June 30, 2007, an increase of \$54.5 million or 5.5 percent. Governmental activities additions of \$92.2 million in capital assets included land acquisition and capitalization of infrastructure, facilities and improvements, and furniture, machinery and equipment which met the City's threshold for capitalization. These additions were offset by retirements and depreciation, the net effect of which was an increase of \$44.9 million in adjustments against capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$9.2 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, 2008 totaling \$180,320,388. The projects include street construction, park construction, building improvements and sewer and storm drain improvements.

## **Debt Administration**

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was \$1,116.2 million. The total amount of debt applicable to the debt limit was \$331.5 million. The resulting legal debt margin was \$784.7 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2008, were as follows:

|                                  |     |
|----------------------------------|-----|
| Standard and Poor's Corporation  | AA- |
| Moody's Investors Services, Inc. | A1  |
| Fitch, JBCA, Inc.                | A+  |

On March 21, 2008, the Standard and Poor's Corporation upgraded the City's general obligations bonds rating from A+ to AA- while affirming the stable outlook.

As of June 30, 2008, the City had total long-term obligations outstanding of \$2.02 billion compared to \$2.05 billion outstanding for the prior fiscal year, a decrease of 1.5 percent. Of this amount, \$331.5 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.7 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, 2008**  
*(In Thousands)*

|   | <b>Governmental<br/>Activities</b> |                           | <b>Business-Type<br/>Activities</b> |                         | <b>Totals</b>             |                           |
|---|------------------------------------|---------------------------|-------------------------------------|-------------------------|---------------------------|---------------------------|
|   | <b>2008</b>                        | <b>2007</b>               | <b>2008</b>                         | <b>2007</b>             | <b>2008</b>               | <b>2007</b>               |
| General obligation bonds                                  | \$ 331,528                         | \$ 345,214                | \$ -                                | \$ -                    | \$ 331,528                | \$ 345,214                |
| Tax allocation bonds                                      | 496,630                            | 514,475                   | -                                   | -                       | 496,630                   | 514,475                   |
| Certificate of participation                              | 40,495                             | 45,795                    | -                                   | -                       | 40,495                    | 45,795                    |
| Lease revenue bonds                                       | 323,340                            | 325,105                   | -                                   | -                       | 323,340                   | 325,105                   |
| Pension obligation bonds                                  | 282,705                            | 313,625                   | -                                   | -                       | 282,705                   | 313,625                   |
| Special assessment debt<br>with government<br>commitments | 6,200                              | 6,800                     | -                                   | -                       | 6,200                     | 6,800                     |
| Accreted interest on<br>appreciation bonds                | 125,743                            | 104,356                   | -                                   | -                       | 125,743                   | 104,356                   |
| Sewer-bonds &<br>notes payable                            | -                                  | -                         | 61,066                              | 63,431                  | 61,066                    | 63,431                    |
| Less: deferred amounts                                    |                                    |                           |                                     |                         |                           |                           |
| Bond issuance premiums                                    | 32,204                             | 22,887                    | 2,475                               | 2,593                   | 34,679                    | 25,480                    |
| Bond refunding loss                                       | (34,658)                           | (20,035)                  | -                                   | -                       | (34,658)                  | (20,035)                  |
| Total Bonds Payable                                       | <u>1,604,187</u>                   | <u>1,658,222</u>          | <u>63,541</u>                       | <u>66,024</u>           | <u>1,667,728</u>          | <u>1,724,246</u>          |
| Notes & Leases payable                                    | 46,013                             | 48,899                    | -                                   | -                       | 46,013                    | 48,899                    |
| Other long-term liabilities                               | 301,368                            | 272,128                   | -                                   | -                       | 301,368                   | 272,128                   |
| Total Outstanding Debt                                    | <u><u>\$ 1,951,568</u></u>         | <u><u>\$1,979,249</u></u> | <u><u>\$ 63,541</u></u>             | <u><u>\$ 66,024</u></u> | <u><u>\$2,015,109</u></u> | <u><u>\$2,045,273</u></u> |

The City's overall total long-term obligations decreased by \$30.2 million compared to fiscal year 2007. The net decrease is primarily attributable to the City debt principal payments and the refunding of variable bonds (Auction Rates Securities) to fixed rate bonds.

## **Summary of New Debt:**

### **Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and A-2**

On April 3, 2008, the Oakland Joint Powers Financing Authority (the “JPFA”) issued its Refunding Revenue Bonds in an aggregate principal amount of \$127,960,000. This issue is comprised of a tax-exempt portion in an aggregate amount of \$107,630,000 (the “2008 Series A-1”) and a taxable portion in an aggregate amount of \$20,330,000 (the “2008 Series A-2”), (collectively, the “2008 Bonds”). The 2008 Bonds are fixed rate bonds. The 2008 Bonds were issued to (i) refund and defease all of the outstanding JPFA’s Refunding Revenue Bonds, 2005 Series A and Series B (Auction Rates Securities) and (ii) to convert the auction rates securities to fixed rate bonds. The proceeds associated with the 2008 Series A-2 were used to fund a portion of the City’s obligation to make payments to its Police and Fire Retirement System.

### **Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series B**

On April 16, 2008, the Oakland Joint Powers Financing Authority (the “JPFA”) issued its Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B in an aggregate principal amount of \$113,450,000 (the “2008 Series B Bonds”). The 2008 Series B Bonds are tax-exempt, and fixed rate bonds. The 2008 Series Bonds were issued to (i) refund and defease all of the outstanding JPFA’s Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2004 Series A-1 and A-2 (Auction Rates Securities) (the “2004 Bonds”), (ii) to convert the auction rates securities to fixed rate bonds and (iii) to terminate two interest rate swaps associated with the 2004 Bonds.

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 2007-08.

The City of Oakland’s unemployment rate increased to 9.6% in June 2008 compared to an average unemployment rate of 7.4% for July 2007.

The Bay Area’s consumer price index for all urban consumers in June 2008 was 225.181 compared to the U.S. city average consumer price index (CPI-U) for all urban consumers at 218.815. (Base period: 1982 – 84 = 100).

Average forecast residential rental and vacancy rates for 2008 were \$1,410 per month and 4.5% respectively compared to \$1,321 and 3.8% for 2007.

Oakland's gross metropolitan product, estimated at \$107.8 billion for 2004, ranks in the top 20 metropolitan economies in the United States and among the top 60 largest economy in the world.

Estimated population for January 1, 2008 is 420,183 with a total number of households of 412,926 an average household size of 2.629 persons and a per capita personal income of \$25,118..

Electric utility average total rate for commercial range from 13.764 to 16.528 cents per kilowatt hour while industrial average total rate are from 8.230 to 11.475 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 2007-08 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.

# BASIC FINANCIAL STATEMENTS

**City of Oakland**  
**Statement of Net Assets**  
**June 30, 2008**  
*(In Thousands)*

|   | Primary Government         |                             |                   | Component Unit    |
|---|----------------------------|-----------------------------|-------------------|-------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total             | Port of Oakland   |
| <b>ASSETS</b>   |                            |                             |                   |                   |
| Cash and investments  | \$ 408,412                 | \$ 3,926                    | \$ 412,338        | \$ 88,720         |
| Receivables (net of allowance for uncollectibles of<br>\$6,894 for City and \$2,079 for Port):                    |                            |                             |                   |                   |
| Accrued interest  | 2,080                      | -                           | 2,080             | 407               |
| Property taxes  | 25,261                     | -                           | 25,261            | -                 |
| Accounts receivable   | 64,134                     | 8,235                       | 72,369            | 50,619            |
| Grants receivable   | 12,239                     | -                           | 12,239            | -                 |
| Due from Port   | 11,421                     | -                           | 11,421            | -                 |
| Internal balances   | 1,177                      | (1,177)                     | -                 | -                 |
| Inventories   | 1,136                      | -                           | 1,136             | -                 |
| Restricted assets:  |                            |                             |                   |                   |
| Cash and investments  | 669,220                    | 29,197                      | 698,417           | 119,309           |
| Receivables   | -                          | -                           | -                 | 3,839             |
| Property held for resale  | 121,735                    | -                           | 121,735           | -                 |
| Notes and loans receivable (net of allowance for<br>uncollectibles of \$49,941 for the City)                      | 257,741                    | -                           | 257,741           | -                 |
| Other   | 36                         | -                           | 36                | 86,851            |
| Capital assets:   |                            |                             |                   |                   |
| Land and other assets not being depreciated<br>Facilities, infrastructures, and equipment,<br>net of depreciation | 131,696                    | 10,542                      | 142,238           | 616,781           |
| Unamortized bond issuance costs   | 767,621                    | 135,189                     | 902,810           | 1,723,532         |
| Net pension asset   | 16,917                     | 627                         | 17,544            | -                 |
| Net pension asset   | 275,281                    | -                           | 275,281           | -                 |
| <b>TOTAL ASSETS</b>   | <u>2,766,107</u>           | <u>186,539</u>              | <u>2,952,646</u>  | <u>2,690,058</u>  |
| <b>LIABILITIES</b>  |                            |                             |                   |                   |
| Accounts payable and other current liabilities  | 145,122                    | 3,178                       | 148,300           | 44,119            |
| Accrued interest payable  | 15,691                     | 176                         | 15,867            | 18,105            |
| Due to other governments  | 15,350                     | -                           | 15,350            | -                 |
| Due to primary government   | -                          | -                           | -                 | 11,421            |
| Unearned revenue  | 6,442                      | 26                          | 6,468             | 66,057            |
| Matured bonds and interest payable  | 520                        | -                           | 520               | -                 |
| Other   | 10,596                     | 6                           | 10,602            | 44,959            |
| Non-current liabilities:  |                            |                             |                   |                   |
| Due within one year   | 173,473                    | 2,554                       | 176,027           | 36,241            |
| Due in more than one year   | 1,778,095                  | 60,987                      | 1,839,082         | 1,545,358         |
| <b>TOTAL LIABILITIES</b>  | <u>2,145,289</u>           | <u>66,927</u>               | <u>2,212,216</u>  | <u>1,766,260</u>  |
| <b>NET ASSETS (deficit)</b>   |                            |                             |                   |                   |
| Invested in capital assets, net of related deb  | 401,881                    | 111,881                     | 513,762           | 877,126           |
| Restricted net assets:  |                            |                             |                   |                   |
| Debt service  | 14,220                     | -                           | 14,220            | 15,241            |
| Pension   | 131,367                    | -                           | 131,367           | -                 |
| Urban redevelopment and housing   | 174,627                    | -                           | 174,627           | -                 |
| Other purposes  | 16,694                     | -                           | 16,694            | 12,692            |
| Unrestricted net assets (deficit)   | (117,971)                  | 7,731                       | (110,240)         | 18,739            |
| <b>TOTAL NET ASSETS</b>   | <u>\$ 620,818</u>          | <u>\$ 119,612</u>           | <u>\$ 740,430</u> | <u>\$ 923,798</u> |

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

**City of Oakland**  
**Statement of Activities**  
**Year Ended June 30, 2008**  
*(In Thousands)*

| Functions/Programs                                    | Program Revenue     |                      |                                    | Net (Expense) Revenue and Changes in Net Assets |                    | Component Unit Port of Oakland |                          |
|---|---------------------|----------------------|------------------------------------|---|--------------------|--------------------------------|--------------------------|
|   | Expenses            | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Primary Government |                                | Business-type Activities |
| <b>Primary government:</b>                            |                     |                      |                                    |   |                    |                                |                          |
| Governmental activities:                              |                     |                      |                                    |   |                    |                                |                          |
| General government                                    | \$ 102,218          | \$ 22,276            | \$ 4,667                           | \$ -  | \$ -               | \$ -                           | \$ (75,275)              |
| Public safety   | 412,050             | 10,331               | 7,173                              | -   | -                  | -                              | (394,546)                |
| Life enrichment                                       | 115,315             | 5,110                | 26,923                             | -   | -                  | -                              | (83,282)                 |
| Community and economic development                    | 203,406             | 45,466               | 49,137                             | -   | -                  | -                              | (108,803)                |
| Public works  | 79,348              | 27,113               | 3,378                              | -   | -                  | -                              | (48,857)                 |
| Interest on long-term debt                            | 74,545              | -                    | -                                  | -   | -                  | -                              | (74,545)                 |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>                  | <u>986,882</u>      | <u>110,296</u>       | <u>91,278</u>                      | -   | -                  | -                              | <u>(785,308)</u>         |
| <b>Business-type activities:</b>                      |                     |                      |                                    |   |                    |                                |                          |
| Sewer   | 30,502              | 33,264               | -                                  | -   | 2,762              | -                              | 2,762                    |
| Parks and recreation                                  | 384                 | 487                  | -                                  | -   | 103                | -                              | 103                      |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b>                 | <u>30,886</u>       | <u>33,751</u>        | -                                  | -   | <u>2,865</u>       | -                              | <u>2,865</u>             |
| <b>TOTAL PRIMARY GOVERNMENT</b>                       | <u>\$ 1,017,768</u> | <u>\$ 144,047</u>    | <u>\$ 91,278</u>                   | <u>\$ -</u>                                     | <u>\$ 2,865</u>    | <u>\$ -</u>                    | <u>\$ (782,443)</u>      |
| <b>Component unit:</b>                                |                     |                      |                                    |   |                    |                                |                          |
| Port of Oakland                                       | \$ 335,070          | \$ 299,883           | \$ -                               | \$ 27,092                                       | \$ -               | \$ -                           | \$ (8,095)               |
| <b>General revenues:</b>                              |                     |                      |                                    |   |                    |                                |                          |
| Property taxes  |                     |                      |                                    |   | 358,338            |                                |                          |
| State taxes:  |                     |                      |                                    |   |                    |                                |                          |
| Sales and use taxes                                   |                     |                      |                                    |   | 64,812             |                                |                          |
| Motor vehicle in-lieu tax                             |                     |                      |                                    |   | 1,811              |                                |                          |
| Gas tax   |                     |                      |                                    |   | 7,305              |                                |                          |
| Local taxes:  |                     |                      |                                    |   |                    |                                |                          |
| Business license                                      |                     |                      |                                    |   | 52,542             |                                |                          |
| Utility consumption                                   |                     |                      |                                    |   | 52,524             |                                |                          |
| Real estate transfer                                  |                     |                      |                                    |   | 36,205             |                                |                          |
| Transient occupancy                                   |                     |                      |                                    |   | 12,400             |                                |                          |
| Parking   |                     |                      |                                    |   | 15,747             |                                |                          |
| Voter approved special tax                            |                     |                      |                                    |   | 32,942             |                                |                          |
| Franchise   |                     |                      |                                    |   | 13,791             |                                |                          |
| License and permits                                   |                     |                      |                                    |   | 19,319             |                                |                          |
| Interest and investment income                        |                     |                      |                                    |   | 47,852             | 1,434                          | 13,145                   |
| Other   |                     |                      |                                    |   | 50,153             | -                              | 21,499                   |
| Transfers   |                     |                      |                                    |   | 600                | (600)                          | -                        |
| <b>TOTAL GENERAL REVENUES AND TRANSFERS</b>           |                     |                      |                                    |   | <u>766,341</u>     | <u>834</u>                     | <u>767,175</u>           |
| Changes in net assets                                 |                     |                      |                                    |   | (18,967)           | 3,699                          | (15,268)                 |
| <b>NET ASSETS - BEGINNING, AS PREVIOUSLY REPORTED</b> |                     |                      |                                    |   | <u>708,977</u>     | <u>112,059</u>                 | <u>821,036</u>           |
| Restatement of net pension asset                      |                     |                      |                                    |   | (69,192)           | -                              | (69,192)                 |
| Restatement of sewer service revenue                  |                     |                      |                                    |   | -                  | 3,854                          | 3,854                    |
| Net Assets - Beginning, as restated                   |                     |                      |                                    |   | <u>639,785</u>     | <u>115,913</u>                 | <u>755,698</u>           |
| <b>NET ASSETS - ENDING</b>                            |                     |                      |                                    |   | <u>\$ 620,818</u>  | <u>\$ 119,612</u>              | <u>\$ 740,430</u>        |

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



**CITY OF OAKLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**  
*(In Thousands)*

|   | <b>General</b>          | <b>Federal/State<br/>Grant Fund</b> | <b>Oakland<br/>Redevelopment<br/>Agency</b> | <b>Municipal<br/>Capital<br/>Improvement</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|-------------------------------------|---|--|---|---|
| <b>ASSETS</b>   |                         |                                     |   |  |   |   |
| Cash and investments  | \$ 110,735              | \$ -                                | \$ 227,767                                  | \$ 77  | \$ 69,769                               | \$ 408,348                              |
| Receivables (net of allowance<br>for uncollectibles of \$3,867):                |                         |                                     |   |  |   |   |
| Accrued interest  | 297                     | 81                                  | 1,348                                       | 18   | 336                                     | 2,080                                   |
| Property taxes  | 14,182                  | 1,678                               | 2,074                                       | -  | 7,327                                   | 25,261                                  |
| Accounts receivable   | 41,751                  | 4,551                               | 2,577                                       | 165  | 14,936                                  | 63,980                                  |
| Grants receivable   | -                       | 11,685                              | -   | -  | 554                                     | 12,239                                  |
| Due from component unit   | 11,083                  | -                                   | -   | -  | 338                                     | 11,421                                  |
| Due from other funds  | 81,170                  | 174                                 | 14,772                                      | -  | 4,000                                   | 100,116                                 |
| Notes and loans receivable (net<br>of allowance for uncollectibles of \$49,941) | 21,875                  | 96,291                              | 116,429                                     | -  | 23,146                                  | 257,741                                 |
| Restricted cash and investments   | 131,696                 | 11,652                              | 282,373                                     | 70,479                                       | 168,310                                 | 664,510                                 |
| Property held for resale  | -                       | -                                   | 121,735                                     | -  | -                                       | 121,735                                 |
| Other   | 36                      | -                                   | -   | -  | -                                       | 36                                      |
| <b>TOTAL ASSETS</b>   | <b><u>\$412,825</u></b> | <b><u>\$ 126,112</u></b>            | <b><u>\$ 769,075</u></b>                    | <b><u>\$ 70,739</u></b>                      | <b><u>\$ 288,716</u></b>                | <b><u>\$1,667,467</u></b>               |
| <b>LIABILITIES AND FUND BALANCES</b>  |                         |                                     |   |  |   |   |
| <b>Liabilities</b>  |                         |                                     |   |  |   |   |
| Accounts payable and accrued liabilities  | \$ 124,284              | \$ 6,461                            | \$ 3,938                                    | \$ 1,062                                     | \$ 7,697                                | \$ 143,442                              |
| Due to other funds  | 8,431                   | 6,332                               | 12,579                                      | -  | 22,564                                  | 49,906                                  |
| Due to other governments  | 80                      | 257                                 | 15,013                                      | -  | -                                       | 15,350                                  |
| Deferred revenue  | 31,467                  | 95,722                              | 134,650                                     | -  | 28,540                                  | 290,379                                 |
| Matured bonds and interest payable  | -                       | -                                   | -   | 520  | -                                       | 520                                     |
| Other   | 879                     | 9                                   | 4,087                                       | 612  | 5,009                                   | 10,596                                  |
| <b>TOTAL LIABILITIES</b>  | <b><u>165,141</u></b>   | <b><u>108,781</u></b>               | <b><u>170,267</u></b>                       | <b><u>2,194</u></b>                          | <b><u>63,810</u></b>                    | <b><u>510,193</u></b>                   |
| <b>Fund balances</b>  |                         |                                     |   |  |   |   |
| Reserved:   |                         |                                     |   |  |   |   |
| Encumbrances  | 6,193                   | 28,230                              | -   | 4,752  | 18,715                                  | 57,890                                  |
| Long-term receivables   | -                       | -                                   | 1,292                                       | -  | -                                       | 1,292                                   |
| Debt service  | 15,382                  | 16,280                              | -   | 746  | 162,527                                 | 194,935                                 |
| Property held for resale  | -                       | -                                   | 121,735                                     | -  | -                                       | 121,735                                 |
| Capital projects  | -                       | -                                   | 474,037                                     | -  | -                                       | 474,037                                 |
| Pension obligations   | 105,000                 | -                                   | -   | -  | -                                       | 105,000                                 |
| Unreserved/(deficit) reported in:   |                         |                                     |   |  |   |   |
| General fund  | 121,109                 | -                                   | -   | -  | -                                       | 121,109                                 |
| Special revenue funds   | -                       | (27,179)                            | -   | -  | 35,308                                  | 8,129                                   |
| Capital project funds   | -                       | -                                   | 1,744                                       | 63,047                                       | 8,356                                   | 73,147                                  |
| <b>TOTAL FUND BALANCES</b>  | <b><u>247,684</u></b>   | <b><u>17,331</u></b>                | <b><u>598,808</u></b>                       | <b><u>68,545</u></b>                         | <b><u>224,906</u></b>                   | <b><u>1,157,274</u></b>                 |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b>                                      | <b><u>\$412,825</u></b> | <b><u>\$ 126,112</u></b>            | <b><u>\$ 769,075</u></b>                    | <b><u>\$ 70,739</u></b>                      | <b><u>\$ 288,716</u></b>                | <b><u>\$1,667,467</u></b>               |

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

**City of Oakland**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**for Governmental Activities**  
**June 30, 2008**  
*(In Thousands)*

---

|  |              |
|--|--------------|
| Fund balances - total governmental funds | \$ 1,157,274 |
|--|--------------|

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not a financial resource and therefore, are not reported in the funds.

|   |                 |         |
|---|-----------------|---------|
| Primary government capital assets, net of depreciation            | \$ 899,317      |         |
| Less: internal service funds' capital assets, net of depreciation | <u>(19,001)</u> | 880,316 |

Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets.

16,917

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.

275,281

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.

|   |             |          |
|---|-------------|----------|
| Interest payable on long-term debt for primary government         | \$ (15,691) |          |
| Add: Interest payable on long-term debt for internal service fund | <u>97</u>   | (15,594) |

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.

283,937

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

|  |                |             |
|--|----------------|-------------|
| Long-term liabilities                                  | \$ (1,951,568) |             |
| Less: long-term liabilities for internal service funds | <u>10,841</u>  | (1,940,727) |

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.

(36,586)

|                                       |                          |
|---------------------------------------|--------------------------|
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u><u>\$ 620,818</u></u> |
|---------------------------------------|--------------------------|

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, 2008**  
*(In Thousands)*

|  | General           | Federal/State<br>Grant Fund | Oakland<br>Redevelopment<br>Agency | Municipal<br>Capital<br>Improvement | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-----------------------------|------------------------------------|-------------------------------------|--------------------------------|--------------------------------|
| <b>REVENUES</b>  |                   |                             |                                    |                                     |                                |                                |
| Taxes:   |                   |                             |                                    |                                     |                                |                                |
| Property   | \$ 201,765        | \$ -                        | \$ 121,784                         | \$ -                                | \$ 34,525                      | \$ 358,074                     |
| State:   |                   |                             |                                    |                                     |                                |                                |
| Sales and use  | 53,090            | -                           | -                                  | -                                   | 11,722                         | 64,812                         |
| Motor vehicle in-lieu  | 1,811             | -                           | -                                  | -                                   | -                              | 1,811                          |
| Gas  | -                 | -                           | -                                  | -                                   | 7,305                          | 7,305                          |
| Local:   |                   |                             |                                    |                                     |                                |                                |
| Business license   | 52,542            | -                           | -                                  | -                                   | -                              | 52,542                         |
| Utility consumption  | 52,524            | -                           | -                                  | -                                   | -                              | 52,524                         |
| Real estate transfer   | 36,205            | -                           | -                                  | -                                   | -                              | 36,205                         |
| Transient occupancy  | 12,400            | -                           | -                                  | -                                   | -                              | 12,400                         |
| Parking  | 8,524             | -                           | -                                  | -                                   | 7,223                          | 15,747                         |
| Voter approved special tax   | -                 | 11,825                      | -                                  | -                                   | 21,117                         | 32,942                         |
| Franchise  | 13,791            | -                           | -                                  | -                                   | -                              | 13,791                         |
| Licenses and permits   | 1,612             | -                           | -                                  | -                                   | 17,707                         | 19,319                         |
| Fines and penalties  | 21,653            | 124                         | -                                  | -                                   | 1,720                          | 23,497                         |
| Interest and investment income                                       | 10,885            | 1,764                       | 20,333                             | 3,162                               | 13,750                         | 49,894                         |
| Charges for services   | 55,048            | 74                          | 5,893                              | -                                   | 15,720                         | 76,735                         |
| Other intergovernmental revenues                                     | -                 | -                           | -                                  | -                                   | 33,561                         | 33,561                         |
| Federal and state grants and subventions                             | 5,935             | 82,023                      | 3,810                              | 6                                   | 2,654                          | 94,428                         |
| Annuity income   | 2,495             | -                           | -                                  | -                                   | -                              | 2,495                          |
| Other  | 11,441            | 1,918                       | 2,991                              | 458                                 | 4,897                          | 21,705                         |
| <b>TOTAL REVENUES</b>  | <b>541,721</b>    | <b>97,728</b>               | <b>154,811</b>                     | <b>3,626</b>                        | <b>171,901</b>                 | <b>969,787</b>                 |
| <b>EXPENDITURES</b>  |                   |                             |                                    |                                     |                                |                                |
| Current:   |                   |                             |                                    |                                     |                                |                                |
| Elected and Appointed Officials:                                     |                   |                             |                                    |                                     |                                |                                |
| Mayor  | 3,172             | -                           | -                                  | 1                                   | 602                            | 3,775                          |
| Council  | 4,423             | -                           | -                                  | 1,271                               | 1,447                          | 7,141                          |
| City Administrator   | 11,459            | 752                         | -                                  | 640                                 | 3,365                          | 16,216                         |
| City Attorney  | 10,112            | 77                          | -                                  | -                                   | 5,022                          | 15,211                         |
| City Auditor   | 1,230             | -                           | -                                  | -                                   | 53                             | 1,283                          |
| City Clerk   | 1,906             | -                           | -                                  | -                                   | 68                             | 1,974                          |
| Agencies/Departments:  |                   |                             |                                    |                                     |                                |                                |
| Personnel Resource Management  | 6,135             | -                           | -                                  | -                                   | 1,383                          | 7,518                          |
| Information Technology   | 11,263            | 161                         | -                                  | 834                                 | 1,408                          | 13,666                         |
| Financial Services   | 26,658            | 255                         | -                                  | -                                   | 1,330                          | 28,243                         |
| Contracting and Purchasing   | 1,997             | -                           | -                                  | -                                   | 283                            | 2,280                          |
| Police Services  | 203,954           | 5,533                       | -                                  | 65                                  | 16,341                         | 225,893                        |
| Fire Services  | 106,006           | 2,254                       | -                                  | 1,667                               | 8,502                          | 118,429                        |
| Life Enrichment:   |                   |                             |                                    |                                     |                                |                                |
| Parks and Recreation   | 16,907            | 46                          | -                                  | 83                                  | 3,836                          | 20,872                         |
| Library  | 11,817            | 11,962                      | -                                  | 10                                  | 44                             | 23,833                         |
| Cultural Arts and Museum   | 6,561             | 7                           | -                                  | -                                   | 315                            | 6,883                          |
| Aging & Health and Human Services                                    | 6,334             | 28,783                      | -                                  | 2                                   | 21,120                         | 56,239                         |
| Community and Economic Development                                   | 8,161             | 16,706                      | 109,587                            | 9,722                               | 62,732                         | 206,908                        |
| Public Works   | 32,499            | 2,620                       | -                                  | 1,961                               | 34,891                         | 71,971                         |
| Other  | 9,115             | -                           | 1,398                              | -                                   | 84                             | 10,597                         |
| Capital outlay   | 6,718             | 14,325                      | -                                  | 14,797                              | 10,472                         | 46,312                         |
| Debt service:  |                   |                             |                                    |                                     |                                |                                |
| Principal repayment  | 1,069             | 810                         | 17,845                             | 865                                 | 72,351                         | 92,940                         |
| Bond termination payments  | -                 | -                           | -                                  | -                                   | 5,674                          | 5,674                          |
| Bond issuance costs  | 268               | -                           | -                                  | -                                   | 3,942                          | 4,210                          |
| Interest charges   | 733               | 1,149                       | 28,542                             | 46                                  | 41,058                         | 71,528                         |
| <b>TOTAL EXPENDITURES</b>  | <b>488,497</b>    | <b>85,440</b>               | <b>157,372</b>                     | <b>31,964</b>                       | <b>296,323</b>                 | <b>1,059,596</b>               |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>53,224</b>     | <b>12,288</b>               | <b>(2,561)</b>                     | <b>(28,338)</b>                     | <b>(124,422)</b>               | <b>(89,809)</b>                |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                   |                             |                                    |                                     |                                |                                |
| Issuance of refunding bonds:   |                   |                             |                                    |                                     |                                |                                |
| Premiums on issuance of bonds  | -                 | -                           | -                                  | -                                   | 241,410                        | 241,410                        |
| Payment to refunding bond escrow agent                               | -                 | -                           | -                                  | -                                   | (221,250)                      | (221,250)                      |
| Property sale proceeds   | 4,044             | 1                           | -                                  | -                                   | -                              | 4,045                          |
| Transfers in   | 3,600             | -                           | -                                  | -                                   | 95,091                         | 98,691                         |
| Transfers out  | (95,091)          | -                           | -                                  | -                                   | (3,000)                        | (98,091)                       |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <b>(87,447)</b>   | <b>1</b>                    | <b>-</b>                           | <b>-</b>                            | <b>123,564</b>                 | <b>36,118</b>                  |
| <b>NET CHANGE IN FUND BALANCES</b>                                   | <b>(34,223)</b>   | <b>12,289</b>               | <b>(2,561)</b>                     | <b>(28,338)</b>                     | <b>(858)</b>                   | <b>(53,691)</b>                |
| Fund balances - beginning  | 281,907           | 5,042                       | 601,369                            | 96,883                              | 225,764                        | 1,210,965                      |
| <b>FUND BALANCES - ENDING</b>  | <b>\$ 247,684</b> | <b>\$ 17,331</b>            | <b>\$ 598,808</b>                  | <b>\$ 68,545</b>                    | <b>\$ 224,906</b>              | <b>\$ 1,157,274</b>            |

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

**City of Oakland**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities of Governmental Activities**  
**Year Ended June 30, 2008**  
*(In Thousands)*

Net change in fund balances - total governmental funds \$ (53,691)

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.

Primary government:

|   |           |        |
|---|-----------|--------|
| Capital asset acquisition                                   | \$ 92,150 |        |
| Retirement of capital assets                                | (27)      |        |
| Depreciation  | (47,179)  |        |
| Net changes of capital assets within internal service funds | 318       | 45,262 |

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period. 17,714

Some expenses such as claims, vacations and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds. 9,310

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 expenditures in the governmental funds. (31,551)

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. 2,793

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 transactions, 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.

|  |           |        |
|--|-----------|--------|
| Debt and capital lease principal payments  | \$ 92,940 |        |
| Payments to escrow agent for refunded debt | 221,250   |        |
| Issuance of bonds and notes                | (241,410) |        |
| Drawdowns on EEC HUD 108 notes             | (2,605)   |        |
| Premium on bond proceeds                   | (11,313)  |        |
| Bond termination payments                  | 5,674     | 64,536 |

Amortization of bond premiums 1,996

Amortization of refunding loss (3,044)

Additional accrued and accreted interest calculated on bonds and notes payable (22,896)

Principal payments of Coliseum Authority pledge obligation 2,900

Net changes on other long-term liability for mandated Alameda County environmental clean-up health costs 2,218

Net changes on post employment benefits other than pension benefits (OPEB) (43,668)

The net loss of activities of internal service funds is reported with governmental activities (10,846)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (18,967)**

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, 2008**  
*(In Thousands)*

|   | <b>Business-type Activities - Enterprise Funds</b> |   |                   | <b>Governmental<br/>Activities</b>    |
|---|--|---|-------------------|---------------------------------------|
|   | <b>Sewer<br/>Service</b>                           | <b>Nonmajor Fund<br/>Parks and<br/>Recreation</b> | <b>Total</b>      | <b>Internal<br/>Service<br/>Funds</b> |
| <b>ASSETS</b>   |  |   |                   |                                       |
| Current Assets:   |  |   |                   |                                       |
| Cash and investments  | \$ -   | \$ 3,926  | \$ 3,926          | \$ 64                                 |
| Accounts receivables (net of uncollectibles of \$2,578 and \$449)<br>for the enterprise funds and internal service funds, respectively) | 8,218  | 17  | 8,235             | 154                                   |
| Due from other funds  | -  | -   | -                 | 74                                    |
| Inventories   | -  | -   | -                 | 1,136                                 |
| Restricted cash and investments   | 29,064   | 133   | 29,197            | 4,710                                 |
| <b>Total Current Assets</b>   | <u>37,282</u>                                      | <u>4,076</u>                                      | <u>41,358</u>     | <u>6,138</u>                          |
| Non-current Assets:   |  |   |                   |                                       |
| Capital assets:   |  |   |                   |                                       |
| Land and other assets not being depreciated   | 9,785  | 757   | 10,542            | 310                                   |
| Facilities and equipment, net of depreciation   | 133,532  | 1,657   | 135,189           | 18,691                                |
| Total capital assets  | 143,317  | 2,414   | 145,731           | 19,001                                |
| Unamortized bond issuance costs   | 627  | -   | 627               | -                                     |
| <b>Total Non-current Assets</b>   | <u>143,944</u>                                     | <u>2,414</u>                                      | <u>146,358</u>    | <u>19,001</u>                         |
| <b>TOTAL ASSETS</b>   | <u>181,226</u>                                     | <u>6,490</u>                                      | <u>187,716</u>    | <u>25,139</u>                         |
| <b>LIABILITIES</b>  |  |   |                   |                                       |
| Current Liabilities:  |  |   |                   |                                       |
| Accounts payable and accrued liabilities  | 2,921  | 257   | 3,178             | 1,680                                 |
| Accrued interest payable  | 176  | -   | 176               | 97                                    |
| Due to other funds  | 1,177  | -   | 1,177             | 49,107                                |
| Unearned revenue  | 26   | -   | 26                | -                                     |
| Other payables  | 6  | -   | 6                 | -                                     |
| Bonds and notes payables  | 2,554  | -   | 2,554             | 3,035                                 |
| <b>Total Current Liabilities</b>  | <u>6,860</u>                                       | <u>257</u>  | <u>7,117</u>      | <u>53,919</u>                         |
| Non-current Liabilities:  |  |   |                   |                                       |
| Bonds and notes payables  | 60,987   | -   | 60,987            | 7,806                                 |
| <b>Total Non-current Liabilities</b>  | <u>60,987</u>                                      | <u>-</u>  | <u>60,987</u>     | <u>7,806</u>                          |
| <b>TOTAL LIABILITIES</b>  | <u>67,847</u>                                      | <u>257</u>  | <u>68,104</u>     | <u>61,725</u>                         |
| <b>NET ASSETS (DEFICIT)</b>   |  |   |                   |                                       |
| Invested in capital assets, net of related debt   | 109,467  | 2,414   | 111,881           | 8,160                                 |
| Unrestricted (deficit)  | 3,912  | 3,819   | 7,731             | (44,746)                              |
| <b>TOTAL NET ASSETS (DEFICIT)</b>   | <u>\$ 113,379</u>                                  | <u>\$ 6,233</u>                                   | <u>\$ 119,612</u> | <u>\$ (36,586)</u>                    |

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, 2008**  
*(In Thousands)*

|  | <u>Business-type Activities Enterprise Funds</u> |   |                   | <u>Governmental Activities</u> |
|--|--|---|-------------------|--------------------------------|
|  | <u>Sewer Service</u>                             | <u>Nonmajor Fund Parks and Recreation</u> | <u>Total</u>      | <u>Internal Service Funds</u>  |
| <b>OPERATING REVENUES</b>                                |  |   |                   |                                |
| Rental   | \$ -   | \$ 386                                    | \$ 386            | \$ -                           |
| Sewer services   | 33,196   | -   | 33,196            | -                              |
| Charges for services                                     | -  | -   | -                 | 41,477                         |
| Other  | 68   | 101                                       | 169               | 94                             |
| <b>TOTAL OPERATING REVENUES</b>                          | <u>33,264</u>                                    | <u>487</u>                                | <u>33,751</u>     | <u>41,571</u>                  |
| <b>OPERATING EXPENSES</b>                                |  |   |                   |                                |
| Personnel  | 13,210   | 108                                       | 13,318            | 20,758                         |
| Supplies   | 420  | 2   | 422               | 7,533                          |
| Depreciation and amortization                            | 4,068  | 174                                       | 4,242             | 4,337                          |
| Contractual services and supplies                        | 1,154  | 25  | 1,179             | 586                            |
| Repairs and maintenance                                  | 67   | -   | 67                | 3,066                          |
| General and administrative                               | 4,284  | 27  | 4,311             | 5,271                          |
| Rental   | 1,496  | 48  | 1,544             | 1,818                          |
| Other  | 2,869  | -   | 2,869             | 7,413                          |
| <b>TOTAL OPERATING EXPENSES</b>                          | <u>27,568</u>                                    | <u>384</u>                                | <u>27,952</u>     | <u>50,782</u>                  |
| <b>OPERATING INCOME (LOSS)</b>                           | <u>5,696</u>                                     | <u>103</u>                                | <u>5,799</u>      | <u>(9,211)</u>                 |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                 |  |   |                   |                                |
| Interest and investment income                           | 1,272  | 162                                       | 1,434             | 35                             |
| Interest expense   | (2,934)  | -   | (2,934)           | (2,116)                        |
| Other, net   | -  | -   | -                 | 446                            |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>           | <u>(1,662)</u>                                   | <u>162</u>                                | <u>(1,500)</u>    | <u>(1,635)</u>                 |
| <b>INCOME (LOSS) BEFORE TRANSFERS</b>                    | 4,034  | 265                                       | 4,299             | (10,846)                       |
| Transfers in   | -  | -   | -                 | 1,278                          |
| Transfers out  | (600)  | -   | (600)             | (1,278)                        |
| <b>TOTAL TRANSFERS</b>                                   | <u>(600)</u>                                     | <u>-</u>                                  | <u>(600)</u>      | <u>-</u>                       |
| Change in net assets (deficit)                           | 3,434  | 265                                       | 3,699             | (10,846)                       |
| Net Assets (deficit) - Beginning, as previously reported | 106,091  | 5,968                                     | 112,059           | (25,740)                       |
| Restatement of sewer service revenue                     | 3,854  | -   | 3,854             | -                              |
| Net Assets (deficit) - Beginning, as restated            | 109,945  | 5,968                                     | 115,913           | (25,740)                       |
| <b>NET ASSETS (DEFICIT) - ENDING</b>                     | <u>\$ 113,379</u>                                | <u>\$ 6,233</u>                           | <u>\$ 119,612</u> | <u>\$ (36,586)</u>             |

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, 2008**  
*(In Thousands)*

|  | <u>Business-type Activities - Enterprise Funds</u> |   |                  | <u>Governmental Activities</u> |
|--|--|---|------------------|--------------------------------|
|  | <u>Sewer Service</u>                               | <u>Nonmajor Fund Parks and Recreation</u> | <u>Total</u>     | <u>Internal Service Funds</u>  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |   |                  |                                |
| Cash received from customers, including other funds and cash deposits  | \$ 32,328  | \$ -                                      | \$ 32,328        | \$ 41,449                      |
| Cash received from tenants for rents   | -  | 401                                       | 401              | -                              |
| Cash from other sources  | 68   | -   | 68               | 94                             |
| Cash paid to employees for services  | (13,210)   | (108)                                     | (13,318)         | (20,758)                       |
| Cash paid to suppliers for goods and services  | (8,996)  | 246                                       | (8,750)          | (26,999)                       |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>   | <u>10,190</u>                                      | <u>539</u>                                | <u>10,729</u>    | <u>(6,214)</u>                 |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>   |  |   |                  |                                |
| Proceeds from interfund loans  | -  | -   | -                | 9,521                          |
| Repayment of interfund loans   | (2,239)  | -   | (2,239)          | (120)                          |
| Interest paid on interfund loans   | -  | -   | -                | (1,566)                        |
| Transfers in   | -  | -   | -                | 1,278                          |
| Transfers out  | (600)  | -   | (600)            | (1,278)                        |
| <b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>  | <u>(2,839)</u>                                     | <u>-</u>                                  | <u>(2,839)</u>   | <u>7,835</u>                   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |  |   |                  |                                |
| Acquisition of capital assets  | (13,302)   | (578)                                     | (13,880)         | (4,019)                        |
| Other non-operating receipts   | -  | -   | -                | 446                            |
| Long-term debt:  |  |   |                  |                                |
| Repayment of long-term debt  | (2,365)  | -   | (2,365)          | (2,907)                        |
| Interest paid on long-term debt  | (3,052)  | -   | (3,052)          | (550)                          |
| <b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>   | <u>(18,719)</u>                                    | <u>(578)</u>                              | <u>(19,297)</u>  | <u>(7,030)</u>                 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |   |                  |                                |
| Interest income  | 1,272  | 162                                       | 1,434            | 35                             |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>  | (10,096)   | 123                                       | (9,973)          | (5,374)                        |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR  | 39,160   | 3,936                                     | 43,096           | 10,148                         |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>   | <u>\$ 29,064</u>                                   | <u>\$ 4,059</u>                           | <u>\$ 33,123</u> | <u>\$ 4,774</u>                |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>        |  |   |                  |                                |
| Operating income (loss)  | \$ 5,696   | \$ 103                                    | \$ 5,799         | \$ (9,211)                     |
| <b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> |  |   |                  |                                |
| Depreciation and amortization  | 4,068  | 174                                       | 4,242            | 4,337                          |
| Changes in assets and liabilities:   |  |   |                  |                                |
| Receivables  | (868)  | 15  | (853)            | (79)                           |
| Inventories  | -  | -   | -                | 92                             |
| Due from other funds   | -  | -   | -                | (19)                           |
| Accounts payable and accrued liabilities   | 1,293  | 247                                       | 1,540            | (1,334)                        |
| Unearned revenue   | 1  | -   | 1                | -                              |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>   | <u>\$ 10,190</u>                                   | <u>\$ 539</u>                             | <u>\$ 10,729</u> | <u>\$ (6,214)</u>              |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>                              |  |   |                  |                                |
| Cash and investments   | \$ -   | \$ 3,926                                  | \$ 3,926         | \$ 64                          |
| Restricted cash and investments  | 29,064   | 133                                       | 29,197           | 4,710                          |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>   | <u>\$ 29,064</u>                                   | <u>\$ 4,059</u>                           | <u>\$ 33,123</u> | <u>\$ 4,774</u>                |
| <b>NON CASH ITEM:</b>  |  |   |                  |                                |
| Amortization of bond premiums  | \$ (118)   | \$ -                                      | \$ (118)         | \$ -                           |

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, 2008**  
*(In Thousands)*

|  | <u>Pension<br/>Trust<br/>Funds</u> | <u>Private<br/>Purpose<br/>Trust<br/>Funds</u> |
|--|------------------------------------|--|
| <b>ASSETS</b>                            |                                    |  |
| Cash and investments                     | \$ 4,715                           | \$ 6,569                                       |
| Receivables:                             |                                    |  |
| Accrued interest and dividends           | 1,499                              | 21   |
| Investments and contributions            | 28,635                             | -  |
| Restricted:                              |                                    |  |
| Cash and investments:                    |                                    |  |
| Short-term investments                   | 39,888                             | -  |
| U.S. government bonds                    | 72,540                             | -  |
| U.S. Corporate bonds                     | 75,488                             | -  |
| Domestic equities and mutual funds       | 258,251                            | -  |
| International equities and mutual funds  | 79,064                             | -  |
| Real estate mortgage loans               | <u>50</u>                          | <u>-</u>                                       |
| Total restricted cash and investments    | 525,281                            | -  |
| Securities lending collateral            | <u>89,147</u>                      | <u>-</u>                                       |
| <b>TOTAL ASSETS</b>                      | <u>649,277</u>                     | <u>6,590</u>                                   |
| <b>LIABILITIES</b>                       |                                    |  |
| Accounts payable and accrued liabilities | 71,835                             | 22   |
| Securities lending collateral            | 89,147                             | -  |
| Other                                    | <u>-</u>                           | <u>8</u>                                       |
| <b>TOTAL LIABILITIES</b>                 | <u>160,982</u>                     | <u>30</u>                                      |
| <b>NET ASSETS</b>                        |                                    |  |
| Net assets held in trust                 | <u>\$ 488,295</u>                  | <u>\$ 6,560</u>                                |

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, 2008**  
*(In Thousands)*

|   | <b>Pension<br/>Trust<br/>Funds</b> | <b>Private<br/>Purpose<br/>Trust<br/>Funds</b> |
|---|------------------------------------|--|
| <b>ADDITIONS:</b>   |                                    |  |
| Contributions:  |                                    |  |
| Member contributions  | \$ 14                              | \$ -   |
| Other contributions   | -                                  | 325  |
| Total contributions   | 14                                 | 325  |
| Trust receipts  | -                                  | 966  |
| Investment income:  |                                    |  |
| Net depreciation in fair value of investments                             | (48,029)                           | -  |
| Interest  | 11,055                             | 235  |
| Dividends   | 5,839                              | -  |
| Securities lending  | 2,516                              | -  |
| TOTAL INVESTMENT INCOME (LOSS)  | (28,619)                           | 235  |
| Less investment expenses:   |                                    |  |
| Investment expenses   | (2,640)                            | -  |
| Borrowers rebates and other agent fees on securities lending transactions | (2,208)                            | -  |
| Total investment expenses   | (4,848)                            | -  |
| NET INVESTMENT INCOME (LOSS)  | (33,467)                           | 235  |
| Other income  | 125                                | -  |
| TOTAL ADDITIONS (DEDUCTIONS)  | (33,328)                           | 1,526  |
| <b>DEDUCTIONS:</b>  |                                    |  |
| Benefits to members and beneficiaries:                                    |                                    |  |
| Retirement  | 46,009                             | -  |
| Disability  | 27,396                             | -  |
| Death   | 2,381                              | -  |
| TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES                               | 75,786                             | -  |
| Administrative expenses   | 1,054                              | 86   |
| Change in payable to City   | (4,205)                            | -  |
| Other   | -                                  | 83   |
| Police services   | -                                  | 1,257  |
| TOTAL DEDUCTIONS  | 72,635                             | 1,426  |
| Change in net assets  | (105,963)                          | 100  |
| NET ASSETS - BEGINNING  | 594,258                            | 6,460  |
| NET ASSETS - ENDING   | \$ 488,295                         | \$ 6,560                                       |

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

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# NOTES TO BASIC FINANCIAL STATEMENTS

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2008**

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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) is the City's discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize it possesses characteristics that it is legally separate from the City. Although the Port has a significant relationship with the City, it is fiscally independent and does not provide services solely to the City and, therefore, is presented discretely.

**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 Oakland City Council serves as the governing body for the Corporation. 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. The Oakland City Council serves as the governing board for JPFA. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the government-wide statement of net assets.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Discretely Presented Component Units**

The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. 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.

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**(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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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 and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered current. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue.

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, 2008.

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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; acquisition of inventory provided to various City departments on a cost reimbursement basis; and procurement of materials, supplies and services for City departments.

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

The **Private Purpose Trust Funds** account for the operations of the Youth Opportunity Program and certain gifts that are not related to Agency projects or parks, recreation and cultural activities. The Private Pension Trust Fund accounts for employee deferred compensation fund

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

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



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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.

### **Due From/Due To Other Funds and Internal Balances**

During the course of operations, numerous transactions and borrowing occur between individual funds for goods provided or services rendered and funds overdraw their share of pooled cash and inter-fund. In the fund financial statements, these receivables and payables

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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 Agreement**

The City entered into interest rate swap agreement to modify the interest rate on outstanding debt. Other than the net interest expense resulting from this agreement, 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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  |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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### **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). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

### **Compensated Absences - Accrued Vacation, Sick Leave, and Compensatory Time**

It is the City's policy and its agreements with employee groups 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.

### **Other Post Employment Benefits (OPEB)**

The OPEB valuation covers Police, Fire and Miscellaneous employees. The City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% @ 50 formula and for miscellaneous employees retirement benefits

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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under a 2.7% @ 55 formula. At June 30, 2008, the City reported a net OPEB obligation of \$43,000,000.

Refer to Note 17 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; which was the implementation of the new reporting model.

### **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 \$90,260,000 reserved for low and moderate housing projects.
6. **Reserve for Pension Obligations** – This fund balance is reserved for the City's pension obligations and is restricted with New York Life Annuity Company.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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 and regulations of other governments, creditors, grantors, or contributors and restrictions imposed by law through constitutional provisions or enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues. At June 30, 2008, the government-wide statement of net assets reported restricted net assets of \$336.9 million in governmental activities none of which was restricted by enabling legislation.

### **Restatement of Net Pension Assets**

Although not contractually required to contribute to the Oakland Police and Fire Retirement System (PFRS) until July 2011, it was determined that the calculation of the annual pension cost for the PFRS did not include some of the actuarially required annual contributions for certain prior years. The City issued pension obligation bonds in February 1997 to fund PFRS through fiscal year 2011. Bond proceeds in the amount of \$417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are required through June 30, 2011. While the City does not have a contractual requirement to contribute to the PFRS until July 2011, the actuary has computed an actuarially required annual contribution in order to determine the amount necessary to fund the plan over a level period. Therefore, the City has restated the beginning net assets of governmental activities in the amount of \$69,191,544 in order to adjust the beginning balance of the City's net pension asset as of June 30, 2007, to reflect the amortization of the asset as a result of the actuarially required annual contributions. Please refer to Note 16 for more details.

### **Restatement of Sewer Services Revenue**

During the year, it was discovered that only a portion of the sewer services revenue accruals were made on an annual basis. The East Bay Municipal Utilities District (EBMUD) has been contracted by the City to collect sewer services revenues on its behalf. It was determined that the City, based on the information provided by EBMUD, only accrued a portion of the billed revenue and did not accrue any estimates for unbilled revenues. Therefore, the City has restated the beginning net assets of the Sewer Service Enterprise Fund in the amount of \$3,854,427 to reflect the billed and unbilled revenues due to the City as of June 30, 2007.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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## **Effects of New Pronouncements**

In November 2006, the Governmental Accounting Standards Board (GASB) issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of this Statement are effective for financial statements periods beginning after December 15, 2007.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of the financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this statement is effective for the City's fiscal year ending June 30, 2010.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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

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

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



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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On September 30, 2008, the City Operating Fund or Investment Pool is rated AAA/V1+ by Fitch Ratings. Investment pools rated AAA meet the highest credit quality standards for underlying assets, diversification, management and operational capabilities. The fund's V1+ volatility rating reflects low market risk and a strong capacity to return stable principal values to participants, even in adverse interest rate environments.

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, 2008, the number of external investment managers was nine for the PFRS and one for the OMERS.

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

|   | <u>Primary Government</u>          |                                     |                            | <u>Total</u>        | <u>Component Unit</u> |
|---|------------------------------------|-------------------------------------|----------------------------|---------------------|-----------------------|
|   | <u>Governmental<br/>Activities</u> | <u>Business-type<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> |                     | <u>Port</u>           |
| Cash and investments                        | \$ 408,412                         | \$ 3,926                            | \$ 11,284                  | \$ 423,622          | \$ 88,720             |
| Restricted cash and<br>investments          | 669,220                            | 29,197                              | 525,281                    | 1,223,698           | 119,309               |
| Restricted securities<br>lending collateral | -                                  | -                                   | 89,147                     | 89,147              | -                     |
| <b>TOTAL</b>                                | <u>\$ 1,077,632*</u>               | <u>\$ 33,123</u>                    | <u>\$ 625,712</u>          | <u>\$ 1,736,467</u> | <u>\$ 208,029</u>     |
| Deposits                                    |                                    |                                     |                            | \$ 24,054           | \$ 12,733             |
| Investments                                 |                                    |                                     |                            | 1,712,413           | 195,296               |
| <b>TOTAL</b>                                |                                    |                                     |                            | <u>\$ 1,736,467</u> | <u>\$ 208,029</u>     |

\*\$1,077,632 consists of all governmental funds and the internal service funds.

**Investments - Primary Government**

**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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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, 2008, the carrying amount of the City's deposits and bank balance was \$24.0 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, \$1.0 million was FDIC insured and \$23.0 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. Under the City investment policy, short term debt shall be rated at least A-1 by Standard and Poor's (S&P), P-1 by Moody's Investor Service or F-1 by Fitch. Long term debt shall be rated at least A by Standard and Poor's, Moody's Investors Service or Fitch.

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, 2008, approximately 83% of the pooled investments was invested in "AAA" quality securities.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2008 (in thousands):

**Pooled Investments**

|                                     | <b>Rating as of Fiscal Year Ended 06-30-08</b> |                   |                 |                  |
|-------------------------------------|--|-------------------|-----------------|------------------|
|                                     | <b>Fair Value</b>                              | <b>AAA/Aaa</b>    | <b>A1/P1/F1</b> | <b>Not Rated</b> |
| U.S. Govt. Agency Securities        | \$ 186,345                                     | \$ 186,345        | \$ -            | \$ -             |
| U.S. Govt. Agency Securities (Disc) | 154,048  | 154,048           | -               | -                |
| Money Market Funds                  | 80,047   | 80,047            | -               | -                |
| Local Agency Investment Fund (LAIF) | 76,910   | -                 | -               | 76,910           |
| Commercial Paper                    | 2,989  | -                 | 2,989           | -                |
| Negotiable Certificates of Deposit  | 6,000  | -                 | 6,000           | -                |
| <b>Total Investment Pool</b>        | <b>\$ 506,339</b>                              | <b>\$ 420,440</b> | <b>\$ 8,989</b> | <b>\$ 76,910</b> |

**Restricted Investments**

|                                     | <b>Rating as of Fiscal Year Ended 06-30-08</b> |                   |                 |                 |                   |
|-------------------------------------|--|-------------------|-----------------|-----------------|-------------------|
|                                     | <b>Fair Value</b>                              | <b>AAA/Aaa</b>    | <b>A1/P1/F1</b> | <b>Baa3</b>     | <b>Not Rated</b>  |
| U.S. Treasury Strips                | \$ 22,702                                      | \$ -              | \$ -            | \$ -            | \$ 22,702         |
| Money Market Funds                  | 342,464  | 342,464           | -               | -               | -                 |
| Local Agency Investment Fund (LAIF) | 9,736  | -                 | -               | -               | 9,736             |
| Commercial Paper                    | 5,927  | -                 | 5,927           | -               | -                 |
| Corporate Bonds                     | 2,535  | -                 | -               | 2,535           | -                 |
| Investment Agreements               | 101,111  | -                 | -               | -               | 101,111           |
| Local Government Bond               | 106,533  | -                 | -               | -               | 106,533           |
| Annuity                             | 105,000  | -                 | -               | -               | 105,000           |
| <b>Total</b>                        | <b>\$ 696,008</b>                              | <b>\$ 342,464</b> | <b>\$ 5,927</b> | <b>\$ 2,535</b> | <b>\$ 345,082</b> |

**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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

Certain other investments are governed by bond covenants which do not restrict the amount of investment in any one issuer. Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2008 are as follows (in thousands):

| <b>Issuer</b>                            | <b>Investment Type</b>     | <b>Amount</b> | <b>Percent of City's Investment Portfolio</b> |
|--|----------------------------|---------------|---|
| Federal National Mortgage Association    | U.S. Government Securities | \$ 158,356    | 13.17%  |
| Federal Home Loan Bank                   | U.S. Government Securities | 135,122       | 11.24%  |
| FSA Capital Management                   | Investment Agreement       | 63,309        | 5.27%   |
| Oakland Joint Powers Financing Authority | Local Government Bond      | 106,533       | 8.86%   |
| New York Life Insurance Company          | Annuity                    | 105,000       | 8.73%   |

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

| <b>Pooled Investments</b>           |                   |                       | <b>Restricted Investments</b> |                   |                       |
|-------------------------------------|-------------------|-----------------------|-------------------------------|-------------------|-----------------------|
|                                     | <b>Fair Value</b> | <b>% of Portfolio</b> |                               | <b>Fair Value</b> | <b>% of Portfolio</b> |
| U.S. Govt. Agency Securities        | \$ 186,345        | 36.80%                | U.S. Treasury Strips          | \$ 22,702         | 3.26%                 |
| U.S. Govt. Agency Securities (Disc) | 154,048           | 30.42%                | Money Market Funds            | 342,464           | 49.20%                |
| Money Market Funds                  | 80,047            | 15.81%                | LAIF                          | 9,736             | 1.40%                 |
| LAIF                                | 76,910            | 15.19%                | Commercial Paper              | 5,927             | 0.85%                 |
| Commercial Paper                    | 2,989             | 0.59%                 | Corporate Bond                | 2,535             | 0.36%                 |
| Negotiable Certificates of Deposit  | 6,000             | 1.19%                 | Investment Agreements         | 101,111           | 14.53%                |
|                                     |                   |                       | Local Government Bonds        | 106,533           | 15.31%                |
|                                     |                   |                       | Annuity                       | 105,000           | 15.09%                |
| <b>TOTAL</b>                        | <b>\$ 506,339</b> | <b>100.00%</b>        | <b>TOTAL</b>                  | <b>\$ 696,008</b> | <b>100.00%</b>        |

**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 or authorized by bond covenants.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2008, the City's pooled portfolio had an average day to maturity of 342 days and had the following investments and original maturities (in thousands):

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**Pooled Investments**

|                                     | Fair Value        | Interest Rates<br>(%) | Maturity             |                  |                  |
|-------------------------------------|-------------------|-----------------------|----------------------|------------------|------------------|
|                                     |                   |                       | 12 Months<br>or Less | 1 - 3 Years      | 3 - 5 Years      |
| U.S. Govt. Agency Securities        | \$ 186,345        | 2.72 - 5.52           | \$ 55,362            | \$ 87,037        | \$ 43,946        |
| U.S. Govt. Agency Securities (Disc) | 154,048           | 2.00 - 2.67           | 154,048              | -                | -                |
| Money Market Funds                  | 80,047            | 2.57 - 5.13           | 80,047               | -                | -                |
| Local Agency Investment Fund (LAIF) | 76,910            | 2.89                  | 76,910               | -                | -                |
| Commercial Paper                    | 2,989             | 2.17                  | 2,989                | -                | -                |
| Negotiable Certificates of Deposit  | 6,000             | 2.73 - 2.84           | 6,000                | -                | -                |
| <b>Total Investment Pool</b>        | <b>\$ 506,339</b> |                       | <b>\$ 375,356</b>    | <b>\$ 87,037</b> | <b>\$ 43,946</b> |

**Restricted Investments**

|                              | Fair Value        | Interest<br>Rates (%) | Maturity             |                  |                  |                   |
|------------------------------|-------------------|-----------------------|----------------------|------------------|------------------|-------------------|
|                              |                   |                       | 12 Months<br>or Less | 1 - 3 Years      | 3 - 5 Years      | 5 Years +         |
| U.S. Treasury Strips         | \$ 22,702         | 1.85 - 4.86           | \$ 2,133             | \$ 4,105         | \$ 3,855         | \$ 12,609         |
| Money Market Funds           | 342,464           | 1.20 - 5.00           | 342,464              | -                | -                | -                 |
| Local Agency Investment Fund | 9,736             | 2.89                  | 9,736                | -                | -                | -                 |
| Commercial Paper             | 5,927             | 2.41 - 2.80           | 5,927                | -                | -                | -                 |
| Corporate Bonds              | 2,535             | 9.27                  | -                    | -                | -                | 2,535             |
| Investment Agreements        | 101,111           | 3.90 - 5.02           | 101,111              | -                | -                | -                 |
| Local Government Bond        | 106,533           | 4.86                  | 5,859                | 12,663           | 14,054           | 73,957            |
| Annuity                      | 105,000           | 5.45                  | -                    | -                | -                | 105,000           |
| <b>Total</b>                 | <b>\$ 696,008</b> |                       | <b>\$ 467,230</b>    | <b>\$ 16,768</b> | <b>\$ 17,909</b> | <b>\$ 194,101</b> |

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

**Other Disclosures:** As of June 30, 2008, the City's investment in LAIF is \$86.6 million (\$76.9 million in pooled investments and \$9.7 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$25.1 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$70 billion, 85.28% is invested in non-derivative financial products and 14.72% 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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. As of June 30, 2008, the OMERS share of the City's investment pool totaled \$647,326.

**Investments**

OMERS investment policy authorizes investment in domestic common stocks and bonds and mutual funds comprised of these investments. During the year ended June 30, 2008, OMERS investment portfolio was managed by one external investment manager.

OMERS investment policy states that the asset allocation of the investment portfolio target shall be 70% Domestic Equity and 30% Domestic Fixed Income. As of June 30, 2008, OMERS investment portfolio consists of shares of two commingled fund investments (Funds). OMERS invests in the Western Asset Core Bond Fund and the American Century Equity Fund. Specific guidelines for the Funds are detailed in the prospectus, or declaration of Trust, for each individual fund.

The following summarizes OMERS investment allocation at June 30, 2008 (in thousands):

| <b>Investments</b>                  | <b>Fair Value</b> | <b>Fund Allocation</b> |
|-------------------------------------|-------------------|------------------------|
| <b>Equity Investments</b>           |                   |                        |
| American Century Equity Mutual Fund | \$ 4,616          | 67%                    |
| <b>Fixed Investments</b>            |                   |                        |
| Western Asset Core Bond Mutual Fund | 2,232             | 33%                    |
| <b>Total Investment</b>             | <b>\$ 6,848</b>   | <b>100%</b>            |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS investment policy states that the fixed income portfolio shall not exceed 8% below investment grade securities (rated Ba/BB) or below by at least one Nationally Recognized Statistical Rating Organization (NRSRO) at the fair market value. OMERS fixed income portfolio consists of shares of the Western Asset Core Bond Fund. The Western Asset Core Bond Fund has an average credit quality rating of AA+.

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

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

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

## **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. It is not possible to disclose relevant information about PFRS separate portion of the investment pool. As of June 30, 2008, the PFRS share of the City's investment pool totaled \$4,068,080.

### **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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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, 2008, the number of external investment managers was eleven.

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

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

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

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

**Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. As of June 30, 2008 the average duration for PFRS fixed income investment portfolio was 4.61 years, excluding the fixed income short-term investments and securities lending investments.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

As of June 30, 2008, PFRS had the following fixed income investments and maturities (in thousands):

| <b>Fixed Investments</b>       | <b>Fair Value</b> | <b>Modified Duration<br/>(Year)</b> |
|--------------------------------|-------------------|-------------------------------------|
| U.S. Government Bonds          | \$ 72,540         | 4.93                                |
| Corporate Bonds                | 75,488            | 4.30                                |
| Total Fixed Income Investments | <u>\$ 148,028</u> | <u>4.61</u>                         |

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2008 concerning credit risk of fixed and short-term income securities (in thousands):

| <b>S &amp; P or Moody's Rating</b> | <b>Fair Value</b> | <b>Fair Value as a<br/>Percentage of Total<br/>Fixed Maturity Fair<br/>Value</b> |
|------------------------------------|-------------------|--|
| AAA                                | \$ 103,275        | 69.77%   |
| AA                                 | 5,471             | 3.70%  |
| A                                  | 14,408            | 9.73%  |
| BBB                                | 15,897            | 10.74%   |
| BB                                 | 2,641             | 1.78%  |
| B                                  | 6,102             | 4.12%  |
| C                                  | 234               | 0.16%  |
| Total Fixed Investments            | <u>\$ 148,028</u> | <u>100.0%</u>  |

PFRS has \$233,792 of fixed income that does not meet the minimum rating of B or higher.

| <b>Short-Term Investment Type</b> | <b>S &amp; P or Moody's<br/>Rating</b> | <b>Fair Value</b> |
|-----------------------------------|--|-------------------|
| Government Agencies               | AAA                                    | \$ 9,029          |
| Commercial Paper                  | AAA                                    | 3,315             |
| Pooled Funds and Mutual Funds     | Not Rated                              | 25,996            |
| Money Market Bank Accounts *      | Not Rated                              | 1,525             |
| Total Short-Term Investments      |  | <u>\$ 39,865</u>  |

\* The Money Market Bank Account is collateralized with AAA rated government agency securities.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2008, with the exception of mutual funds and United States Government securities, no investment exceeded 5% of PFRS investments.

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of a failure of 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.

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

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

**Foreign Currency Risk:** This risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. The following summarizes PFRS investments that are denominated in foreign currencies as of June 30, 2008:

| <u>Foreign Currency</u>       | <u>Total</u>            |
|-------------------------------|-------------------------|
| Australian Dollar             | \$ 3,435                |
| Brazilian Real                | 146                     |
| British Pound                 | 6,844                   |
| Canadian Dollar               | 3,579                   |
| Danish Krone                  | 777                     |
| Euro                          | 15,323                  |
| Hong Kong Dollar              | 2,829                   |
| Japanese Yen                  | 7,782                   |
| Norwegian Krone               | 370                     |
| Philippines Peso              | 1                       |
| Singapore Dollar              | 879                     |
| South African Rand            | 280                     |
| Swedish Krona                 | 169                     |
| Swiss Franc                   | 4,172                   |
| <b>Total Foreign Currency</b> | <b><u>\$ 46,586</u></b> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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% 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.

As of June 30, 2008, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with 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.

The following table provides information as of June 30, 2008 concerning securities lending investments and collateral received (in thousands):

| <b>Securities Lending</b>                                  |           |
|--|-----------|
| <b>Investments and Collateral Received (At Fair Value)</b> |           |
| Type of Investment   | Amount    |
| Cash Collateral  |           |
| U.S. Government and Agencies                               | \$ 14,813 |
| U.S. Equity  | 70,392    |
| Non - U.S. Equity  | 3,036     |
| U.S. Corporate bonds                                       | 906       |
| Total Securities Lent                                      | \$ 89,147 |
|  |           |
| Type of Collateral Received                                |           |
| Money market   | 75,942    |
| U.S. corporate floating rate                               | 9,048     |
| Asset backed securities                                    | 3,933     |
| Certificates of deposit floating rate                      | 3,019     |
| Total Collateral Received                                  | \$ 91,942 |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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. The fair value Collateralized Mortgage Obligation (CMO) are considered sensitive to interest rate changes because they have embedded options.

The following table shows sensitive interest rate analysis as of June 30, 2008:

| <u>Securities Name</u>   | <u>Coupon Rate</u> | <u>Fair Value (in millions)</u> | <u>Percent of account Market value</u> |
|--|--------------------|---------------------------------|--|
| Commercial Mortgage Pass-Through, reported as part of U.S. Government Agencies | 4.93%              | \$3.91                          | 0.76%                                  |

**Discretely Presented Component Unit**

**Port of Oakland**

The Port's cash, cash equivalents, investments and deposits consisted of the following at June 30, 2008 (in thousands):

|   |                   |
|---|-------------------|
| Cash on hand                                | \$ 83             |
| Bank deposit - escrow in-lieu of retentions | 12,650            |
| Investments                                 | 195,296           |
| Total Cash and Investments                  | <u>\$ 208,029</u> |

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. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dated as of April 1, 2006, as it may be amended from time to time (the Restated Indenture). Escrow funds are on deposit with an escrow agent.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

At June 30, 2008 the Port had the following investments (in thousands):

|                                 | <b>Fair Value</b> | <b>Credit Rating</b> | <b>Maturity</b>         |                    |                  |
|---------------------------------|-------------------|----------------------|-------------------------|--------------------|------------------|
|                                 |                   |                      | <b>Less than 1 Year</b> | <b>1 - 5 Years</b> | <b>5 Years +</b> |
| U.S Treasury Notes              | \$ 35,823         | N/A                  | \$ 35,823               | \$ -               | \$ -             |
| Federal Agency Securities       | 114               | AAA                  | -                       | 114                | -                |
| Government Securities Money     |                   |                      |                         |                    |                  |
| Market Mutual Funds             | 14,961            | AAA                  | 14,961                  | -                  | -                |
| Guaranteed Investment Contracts | 17,058            | Not Rated            | -                       | 7,551              | 9,507            |
| Bank Investment Contract        | 28,996            | Not Rated            | -                       | -                  | 28,996           |
| City Investment Pool            | 98,344            | AAA                  | 98,344                  | -                  | -                |
| <b>Total Investment</b>         | <b>\$ 195,296</b> |                      | <b>\$ 149,128</b>       | <b>\$ 7,665</b>    | <b>\$ 38,503</b> |

**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.

| <u>Authorized Investment Type</u>             | <u>Maximum Maturity</u> |
|---|-------------------------|
| U.S Government Securities                     | None                    |
| U.S. Agency Obligations                       | None                    |
| Obligations of any State in the U.S           | None                    |
| Prime Commercial Paper                        | 270 days                |
| FDIC Insured Deposits                         | None                    |
| Certificates of Deposits/Banker's Acceptances | 365 days                |
| Money Market Mutual Funds                     | None                    |
| State-sponsored Investment pools              | None                    |
| Investment Contracts                          | None                    |
| Forward Delivery Agreement                    | None                    |

**Interest Rate Risk**

Most bond proceeds are invested in investment contracts 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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          | Percent of Investment |
|-------------------------------------|--------------------------|-----------------------|
| U.S. Treasury Notes                 | U.S. Treasury Obligation | 18.34%                |
| First American Treasury Obligations | Government Securities    | 7.66%                 |
| Bayerische Landesbank               | Bank Investment Contract | 14.85%                |
| City Investment Pool                | City Pool                | 50.36%                |

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 weighted average maturity of the City's investment pool as of June 30, 2008 is 342. The maximum maturity for any one investment may not exceed 5 years.

**Custodial Credit Risk**

For investments, custodial credit 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 may be doubtful. The carrying amount of Port bank investment contracts and deposits with banks was \$41,646,000 at June 30, 2008. Bank balances and escrow deposits of \$555,000 at June 30, 2008 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of \$41,091,000 as of June 30, 2008, was exposed to custodial credit risk by not being insured or collateralized.

**Cash and Investments with the City of Oakland**

Pursuant to the City Charter, Port operating revenues are deposited in the City Treasury. These funds are commingled in the City's investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments.

**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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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agreements, certain money market mutual funds, and certain guaranteed investment contracts.

**(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, 2008, is as follows (in thousands):

**DUE FROM/DUE TO OTHER FUNDS:**

| <b>Receivables</b>           | <b>Payable Fund</b>          | <b>Amount</b>     |
|------------------------------|------------------------------|-------------------|
| General Fund                 | Federal/State Grant Fund     | \$ 3,074          |
|                              | Oakland Redevelopment Agency | 8,331             |
|                              | Other Governmental Funds     | 19,481            |
|                              | Sewer Service Fund           | 1,177             |
|                              | Internal Service Funds       | 49,107            |
| TOTAL                        |                              | <u>81,170</u>     |
| Federal/State Grant Fund     | Oakland Redevelopment Agency | <u>174</u>        |
| Oakland Redevelopment Agency | General Fund                 | 8,431             |
|                              | Federal/State Grant Fund     | 3,258             |
|                              | Other Governmental Funds     | 3,083             |
| TOTAL                        |                              | <u>14,772</u>     |
| Other Governmental Funds     | Oakland Redevelopment Agency | <u>4,000</u>      |
| TOTAL GOVERNMENTAL           |                              | 100,116           |
| Internal Service Funds       | Oakland Redevelopment Agency | 74                |
| TOTAL                        |                              | <u>\$ 100,190</u> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**INTERFUND TRANSFERS:**

| <u>TRANSFERS OUT</u>     | <u>TRANSFERS IN</u> |                                 |                               |                           |
|--------------------------|---------------------|---------------------------------|-------------------------------|---------------------------|
|                          | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Internal Service Funds</u> | <u>Total Governmental</u> |
| General Fund             | \$ -                | \$ 95,091                       | \$ -                          | \$ 95,091                 |
| Other Governmental Funds | 3,000               | -                               | -                             | 3,000                     |
| Sewer Service Funds      | 600                 | -                               | -                             | 600                       |
| Internal Service Funds   | -                   | -                               | 1,278                         | 1,278                     |
| <b>Total</b>             | <b>\$ 3,600</b>     | <b>\$ 95,091</b>                | <b>\$ 1,278</b>               | <b>\$ 99,969</b>          |

The \$95.0 million transferred from the General Fund consists of transfers made to provide funding for the following:

- \$12.0 million for the Kids' First Children's Program
- \$3.5 million for Landscaping & Lighting Assessment District
- \$78.8 million for debt service payments
- \$0.6 million for contract compliance administration fee
- \$0.1 million for City-owned parcels of land in the Wildfire Prevention Assessment District

The \$3.0 million transferred from Other Governmental Funds to the General Fund are reimbursements from the Development Service Fund to General Fund for administrative and overhead costs incurred prior to the establishment of the new Development Services Fund.

The \$0.6 million transfer from the Sewer Service Fund is to provide funds for City-wide lease payments.

The \$1.3 million transfer from the Central Stores to the Purchasing Fund is to form Purchasing Section under the newly created Department of Contracting and Purchasing from Finance and Management Agency.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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 (in thousands):

|                                     |                         |
|-------------------------------------|-------------------------|
| City Center Garage/Central District | \$ 16,533               |
| Oakland Center Project              | <u>13,737</u>           |
| Total                               | <u><u>\$ 30,270</u></u> |

**(5) MEMORANDUMS OF UNDERSTANDING**

The City and the Port have Memorandums of Understanding (MOUs) relating to: general obligation bonds issued by the City for the benefit of the Port; various administrative, personnel, south airport police security, aircraft rescue and fire fighters, and financial services (Special Services); police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port; and Lake Merritt payments. Payments are made upon execution of appropriate agreements and for some payments periodic findings and authorizations from the Board.

**Special Services**

Payments for Special Services are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services totaled \$7,723,000 and are included in "Operating Expenses." At June 30, 2008, \$9,390,000 was accrued as a current liability by the Port and as a receivable by the City.

**General Services and Lake Merritt**

Payments for General Services from the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2008, the Port accrued approximately \$1,150,000 of payments for General Services as current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately \$881,000 to reimburse the City for General Services for net City expenditures for Lake Merritt tideland trust properties in 2008. Subject to adequate documentation from the City, and subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust purpose costs.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Lease with the Port**

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site.

**(6) NOTES AND LOANS RECEIVABLE**

The composition of the City's notes and loans receivable as of June 30, 2008, is as follows (in thousands):

| Type of Loan                                  | General Fund     | Federal/State<br>Grant Fund | Oakland<br>Redevelopment<br>Agency | Other<br>Governmental<br>Funds | Total Governmental<br>Funds/<br>Governmental<br>Activities |
|---|------------------|-----------------------------|------------------------------------|--------------------------------|--|
| Pass-through loans                            | \$ 8,012         | \$ 3,258                    | \$ -                               | \$ 692                         | \$ 11,962  |
| Loans to Oakland Hotel<br>Association, LTD    | 12,038           | -                           | -                                  | -                              | 12,038   |
| HUD Loans                                     | -                | 63,243                      | -                                  | -                              | 63,243   |
| Economic Development<br>Loans and Other       | 1,932            | 32,835                      | 163,157                            | 22,515                         | 220,439  |
| Less: Allowance for<br>uncollectable accounts | (107)            | (3,045)                     | (46,728)                           | (61)                           | (49,941)   |
| <b>TOTAL LOANS, NET</b>                       | <b>\$ 21,875</b> | <b>\$ 96,291</b>            | <b>\$ 116,429</b>                  | <b>\$ 23,146</b>               | <b>\$ 257,741</b>  |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**(7) CAPITAL ASSETS**

**Primary Government**

Capital assets activity of the primary government for the year ended June 30, 2008, is as follows (in thousands):

|   | <u>Balance</u><br><u>July 1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance</u><br><u>June 30, 2008</u> |
|---|---------------------------------------|------------------|------------------|------------------|--|
| <b>Governmental activities:</b>   |                                       |                  |                  |                  |  |
| Capital assets, not being depreciated:                                      |                                       |                  |                  |                  |  |
| Land  | \$ 77,408                             | \$ 4,155         | \$ -             | \$ 233           | \$ 81,796                              |
| Museum collections  | 293                                   | 99               | -                | -                | 392                                    |
| Construction in progress  | 41,678                                | 72,733           | 1                | (64,902)         | 49,508                                 |
| <b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>                          | <u>119,379</u>                        | <u>76,987</u>    | <u>1</u>         | <u>(64,669)</u>  | <u>131,696</u>                         |
| Capital assets, being depreciated:  |                                       |                  |                  |                  |  |
| Facilities and improvements   | 691,076                               | 4,748            | -                | 15,712           | 711,536                                |
| Furniture, machinery and equipment  | 158,026                               | 10,113           | 476              | 511              | 168,174                                |
| Infrastructure  | 420,786                               | 302              | -                | 48,446           | 469,534                                |
| <b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>                              | <u>1,269,888</u>                      | <u>15,163</u>    | <u>476</u>       | <u>64,669</u>    | <u>1,349,244</u>                       |
| Less accumulated depreciation:  |                                       |                  |                  |                  |  |
| Facilities and improvements   | 266,852                               | 21,653           | -                | -                | 288,505                                |
| Furniture, machinery and equipment  | 122,535                               | 10,712           | 450              | -                | 132,797                                |
| Infrastructure  | 145,507                               | 14,814           | -                | -                | 160,321                                |
| <b>TOTAL ACCUMULATED DEPRECIATION</b>                                       | <u>534,894</u>                        | <u>47,179</u>    | <u>450</u>       | <u>-</u>         | <u>581,623</u>                         |
| <b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET GOVERNMENTAL ACTIVITIES</b> | <u>734,994</u>                        | <u>(32,016)</u>  | <u>26</u>        | <u>64,669</u>    | <u>767,621</u>                         |
| <b>CAPITAL ASSETS, NET</b>  | <u>\$ 854,373</u>                     | <u>\$ 44,971</u> | <u>\$ 27</u>     | <u>\$ -</u>      | <u>\$ 899,317</u>                      |

(continued)

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

|  | <u>Balance July</u><br><u>1, 2007</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance</u><br><u>June 30, 2008</u> |
|--|---------------------------------------|------------------|------------------|------------------|--|
| <b>Business-type activities:</b>                   |                                       |                  |                  |                  |  |
| <b>Sewer fund:</b>                                 |                                       |                  |                  |                  |  |
| Capital assets, not being depreciated:             |                                       |                  |                  |                  |  |
| Land   | \$ 4                                  | \$ -             | \$ -             | \$ -             | \$ 4                                   |
| Construction in progress                           | 6,616                                 | 13,194           | -                | (10,029)         | 9,781                                  |
| TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED        | <u>6,620</u>                          | <u>13,194</u>    | <u>-</u>         | <u>(10,029)</u>  | <u>9,785</u>                           |
| Capital assets, being depreciated:                 |                                       |                  |                  |                  |  |
| Facilities and improvements                        | 306                                   | -                | -                | -                | 306                                    |
| Furniture, machinery and equipment                 | 755                                   | -                | -                | -                | 755                                    |
| Sewer and storm drains                             | 196,680                               | 108              | -                | 10,029           | 206,817                                |
| TOTAL CAPITAL ASSETS, BEING DEPRECIATED            | <u>197,741</u>                        | <u>108</u>       | <u>-</u>         | <u>10,029</u>    | <u>207,878</u>                         |
| Less accumulated depreciation:                     |                                       |                  |                  |                  |  |
| Facilities and improvements                        | 91                                    | 21               | -                | -                | 112                                    |
| Furniture, machinery and equipment                 | 712                                   | 12               | -                | -                | 724                                    |
| Sewer and storm drains                             | 69,475                                | 4,035            | -                | -                | 73,510                                 |
| TOTAL ACCUMULATED DEPRECIATION                     | <u>70,278</u>                         | <u>4,068</u>     | <u>-</u>         | <u>-</u>         | <u>74,346</u>                          |
| TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET       | <u>127,463</u>                        | <u>(3,960)</u>   | <u>-</u>         | <u>10,029</u>    | <u>133,532</u>                         |
| SEWER FUND CAPITAL ASSETS, NET                     | <u>134,083</u>                        | <u>9,234</u>     | <u>-</u>         | <u>-</u>         | <u>143,317</u>                         |
| <b>Other Proprietary Funds:</b>                    |                                       |                  |                  |                  |  |
| Capital assets, not being depreciated:             |                                       |                  |                  |                  |  |
| Land   | 218                                   | -                | -                | -                | 218                                    |
| Construction in progress                           | 81                                    | 458              | -                | -                | 539                                    |
| TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED        | <u>299</u>                            | <u>458</u>       | <u>-</u>         | <u>-</u>         | <u>757</u>                             |
| Capital assets, not being depreciated:             |                                       |                  |                  |                  |  |
| Facilities and improvements                        | 2,264                                 | -                | -                | -                | 2,264                                  |
| Furniture, machinery & equipment                   | 341                                   | 35               | 7                | -                | 369                                    |
| Infrastructure                                     | -                                     | 85               | -                | -                | 85                                     |
| TOTAL CAPITAL ASSETS, BEING DEPRECIATED            | <u>2,605</u>                          | <u>120</u>       | <u>7</u>         | <u>-</u>         | <u>2,718</u>                           |
| Less accumulated depreciation:                     |                                       |                  |                  |                  |  |
| Facilities and improvements                        | 627                                   | 154              | -                | -                | 781                                    |
| Furniture, machinery & equipment                   | 267                                   | 17               | 7                | -                | 277                                    |
| Infrastructure                                     | -                                     | 3                | -                | -                | 3                                      |
| TOTAL ACCUMULATED DEPRECIATION                     | <u>894</u>                            | <u>174</u>       | <u>7</u>         | <u>-</u>         | <u>1,061</u>                           |
| TOTAL CAPITAL ASSETS, BEING DEPRECIATED            | <u>1,711</u>                          | <u>(54)</u>      | <u>-</u>         | <u>-</u>         | <u>1,657</u>                           |
| OTHER PROPRIETARY FUNDS CAPITAL ASSETS, NET        | <u>2,010</u>                          | <u>404</u>       | <u>-</u>         | <u>-</u>         | <u>2,414</u>                           |
| TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET | <u>\$ 136,093</u>                     | <u>\$ 9,638</u>  | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ 145,731</u>                      |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

|  |                         |
|--|-------------------------|
| <b>Governmental Activities:</b>  |                         |
| General Government   | \$ 5,372                |
| Public Safety  | 3,110                   |
| Life Enrichment  | 12,191                  |
| Community and Economic Development   | 7,879                   |
| Public Works   | 14,290                  |
| Capital assets held by internal service funds that are charged to various functions based on their usage of the assets | 4,337                   |
| <b>TOTAL</b>   | <u><u>\$ 47,179</u></u> |
| <br><b>Business-Type Activities:</b>   |                         |
| Sewer  | \$ 4,068                |
| Parks and Recreation   | 174                     |
|  | <u><u>\$ 4,242</u></u>  |

### **Construction Commitments**

The City has active construction projects as of June 30, 2008 totaling \$297,462,436. The projects include street construction, park construction, building improvements and sewer and storm drain improvements.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**Discretely Presented Component Units**

**Port of Oakland**

Capital assets activity for the Port for the year ended June 30, 2008, is as follows (in thousands):

|   | <b>Balance July<br/>1, 2007</b> | <b>Additions</b> | <b>Adjustments<br/>&amp;<br/>Retirements</b> | <b>Transfers of<br/>Completed<br/>Construction</b> | <b>Balance<br/>June 30, 2008</b> |
|---|---------------------------------|------------------|--|--|----------------------------------|
| Capital assets, not being depreciated:                  |                                 |                  |  |  |                                  |
| Land  | \$ 393,887                      | \$ 100,980       | \$ (62)                                      | \$ -   | \$ 494,805                       |
| Construction in progress                                | 360,687                         | 60,936           | (14,638)                                     | (285,009)  | 121,976                          |
| <b>TOTAL CAPITAL ASSETS, NOT<br/>BEING DEPRECIATED</b>  | <b>754,574</b>                  | <b>161,916</b>   | <b>(14,700)</b>                              | <b>(285,009)</b>                                   | <b>616,781</b>                   |
| Capital assets, being depreciated:                      |                                 |                  |  |  |                                  |
| Building and improvements                               | 766,591                         | -                | (5,430)                                      | 26,614   | 787,775                          |
| Container cranes  | 171,362                         | -                | 6,494  | 124  | 177,980                          |
| Systems and structures                                  | 1,265,300                       | -                | (1,693)                                      | 252,380  | 1,515,987                        |
| Other equipment   | 60,077                          | 4,046            | 2,746  | 5,891  | 72,760                           |
| <b>TOTAL CAPITAL ASSETS, BEING<br/>DEPRECIATED</b>      | <b>2,263,330</b>                | <b>4,046</b>     | <b>2,117</b>                                 | <b>285,009</b>                                     | <b>2,554,502</b>                 |
| Less accumulated depreciation:                          |                                 |                  |  |  |                                  |
| Building and improvements                               | 311,044                         | 31,084           | 1,941  | -  | 340,187                          |
| Container cranes  | 65,278                          | 6,394            | (6,495)                                      | -  | 78,167                           |
| Systems and structures                                  | 335,801                         | 45,589           | 191  | -  | 381,199                          |
| Other equipment   | 25,379                          | 5,840            | (198)  | -  | 31,417                           |
| <b>TOTAL ACCUMULATED<br/>DEPRECIATION</b>               | <b>737,502</b>                  | <b>88,907</b>    | <b>(4,561)</b>                               | <b>-</b>   | <b>830,970</b>                   |
| <b>TOTAL CAPITAL ASSETS, BEING<br/>DEPRECIATED, NET</b> | <b>1,525,828</b>                | <b>84,861</b>    | <b>(2,444)</b>                               | <b>285,009</b>                                     | <b>1,723,532</b>                 |
| <b>CAPITAL ASSETS, NET</b>                              | <b>\$ 2,280,402</b>             | <b>\$ 77,055</b> | <b>\$ (17,144)</b>                           | <b>\$ -</b>  | <b>\$ 2,340,313</b>              |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Capital Leases**

The capital assets leased to others at June 30, 2008, consist of the following (in thousands):

|                               |                            |
|-------------------------------|----------------------------|
| Land                          | \$ 311,168                 |
| Container cranes              | 177,980                    |
| Building and other facilities | <u>1,196,339</u>           |
| Total                         | 1,685,487                  |
| Less accumulated depreciation | <u>(378,688)</u>           |
| Capital assets, net, on lease | <u><u>\$ 1,306,799</u></u> |

**Operating Leases**

A major portion of the Port's capital assets is held for lease. Leased assets include maritime facilities, aviation facilities, office and commercial space, and land. The majority of the leases are classified as operating leases.

Certain maritime facilities are leased under agreements, which provide the tenants with preferential, but nonexclusive, use of the facilities. Certain leases provide for rentals based on gross revenues of the leased premises or, in the case of marine terminal facilities, on annual usage of the facilities. Such leases generally provide for minimum rentals, and certain preferential assignments provide for both minimum and maximum rentals.

A summary of revenues from long-term leases for the year ended June 30, 2008, is as follows (in thousands):

|  |                          |
|--|--------------------------|
| Minimum non-cancelable rentals, including preferential assignments | \$ 142,126               |
| Contingent rentals in excess of minimums                           | 19,004                   |
| Secondary use of facilities leased under preferential assignments  | <u>493</u>               |
| Total  | <u><u>\$ 161,623</u></u> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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<br>Revenues  |
|-------------------------|---------------------|
| 2009                    | \$ 137,687          |
| 2010                    | 130,540             |
| 2011                    | 126,485             |
| 2012                    | 121,737             |
| 2013                    | 105,495             |
| 2014 - 2018             | 351,140             |
| 2019 - 2023             | 68,105              |
| 2024 - 2028             | 37,173              |
| 2029 - 2033             | 19,582              |
| 2034 - 2038             | 15,469              |
| 2039 - 2043             | 13,657              |
| 2044 - 2048             | 8,846               |
| Thereafter through 2071 | 24,379              |
| Total                   | <u>\$ 1,160,295</u> |

The Port turned over the operation of its Marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received for the succeeding years ending June 30 are as follows:

| Year                    | Lease<br>Revenues |
|-------------------------|-------------------|
| 2009                    | \$ 336            |
| 2010                    | 346               |
| 2011                    | 356               |
| 2012                    | 367               |
| 2013                    | 378               |
| 2014 - 2018             | 2,068             |
| 2019 - 2023             | 2,397             |
| 2024 - 2028             | 2,779             |
| 2029 - 2033             | 3,222             |
| 2034 - 2038             | 3,735             |
| 2039 - 2043             | 4,330             |
| 2044 - 2048             | 5,020             |
| Thereafter through 2054 | 12,712            |
| Total                   | <u>\$ 38,046</u>  |



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**(8) PROPERTY HELD FOR RESALE**

A summary of changes in Property Held for Resale follows (in thousands):

|                          | <u>Balance</u><br><u>July 1, 2007</u> | <u>Increases</u> | <u>Decreases</u> | <u>Transfers out</u> | <u>Balance</u><br><u>June 30, 2008</u> |
|--------------------------|---------------------------------------|------------------|------------------|----------------------|--|
| Property held for resale | \$ 120,586                            | \$ 10,010        | \$ 761           | \$ 8,100             | \$ 121,735                             |

The increase in Property Held for Resale represents the purchases of land in the amount of \$8,013,000 for Wood Street Parcel-D, \$602,000 for 9418 Edes Avenue, \$10,000 for Sunshine Court and \$1,058,000 for 2777 Foothill Blvd. The Agency capitalized remediation expenses of \$327,000. Decreases included the \$371,000 sale of the Fox parking lot and a \$390,000 transfer to the City for street improvements from other projects.

The Henry J. Robinson Multi-Service Center provides services to disadvantaged persons living within or near the Central District Redevelopment Project Area by operating major transitional housing, emergency shelter and drop-in programs for the homeless population in Oakland. The Agency's Management has determined that beginning with fiscal year 2007-08, the Agency intends to continue the use of the Henry Robinson Multi-Service Center for such services into the foreseeable future and therefore has decided to transfer this facility from its list of "Property Held for Resale" and report it as a long-term depreciable capital asset in its government-wide financial statements. The total amount transferred is \$5,100,000 and reflected in the above column.

The Fox Theater property was leased to Fox Oakland Theater, Inc. through a long-term (60 years) lease and a Disposition and Development Agreement. The \$3,000,000 value of the land was therefore transferred from property held for resale to capital assets.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE**

Accounts payable and accrued liabilities payable as of June 30, 2008, 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<br>Payable | Checks<br>Payable | Accrued<br>Payroll/Employee<br>Benefits | Total             |
|---|---------------------|-------------------|---|-------------------|
| <b>Governmental funds:</b>                          |                     |                   |   |                   |
| General   | \$ 20,041           | \$ 6,973          | \$ 97,270                               | \$ 124,284        |
| Federal/State grant fund                            | 5,540               | -                 | 921                                     | 6,461             |
| Oakland Redevelopment Agency                        | 3,938               | -                 | -                                       | 3,938             |
| Municipal Capital Improvement Fund                  | 975                 | -                 | 87                                      | 1,062             |
| Other governmental funds                            | 7,661               | -                 | 36                                      | 7,697             |
| <b>TOTAL</b>  | <b>38,155</b>       | <b>6,973</b>      | <b>98,314</b>                           | <b>143,442</b>    |
|   |                     |                   |   |                   |
| Governmental activities -<br>Internal service funds | 1,680               | -                 | -                                       | 1,680             |
| <b>TOTAL</b>  | <b>\$ 39,835</b>    | <b>\$ 6,973</b>   | <b>\$ 98,314</b>                        | <b>\$ 145,122</b> |
| <b>Business-type activities - Enterprise Funds:</b> |                     |                   |   |                   |
| Parks and Recreation                                | \$ 257              | \$ -              | \$ -                                    | \$ 257            |
| Sewer Service                                       | 2,346               | -                 | 575                                     | 2,921             |
| <b>TOTAL</b>  | <b>\$ 2,603</b>     | <b>\$ -</b>       | <b>\$ 575</b>                           | <b>\$ 3,178</b>   |

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2008, are as follows (in thousands):

|   |                  |
|---|------------------|
| Accounts payable  | \$ 15            |
| Investments payable   | 61,198           |
| Retro payments  | 4,115            |
| Accrued investment management fees  | 627              |
| Member benefits payable   | 5,880            |
| <b>Total Pension Trust Funds Accounts Payable<br/>and Accrued Liabilities</b> | <b>71,835</b>    |
| Private Purpose Trust Fund Accounts Payable                                   | 22               |
| <b>Total Accounts Payable and Accrued Liabilities</b>                         | <b>\$ 71,857</b> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**(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, 2008, the various components of deferred revenue and unearned revenue reported were as follows (in thousands):

|                                      | <u>Unavailable</u>       | <u>Unearned</u>        |
|--------------------------------------|--------------------------|------------------------|
| Major Funds:                         |                          |                        |
| General Fund                         | \$ 25,513                | \$ 5,954               |
| Federal and State Grants Fund        | 95,234                   | 488                    |
| Oakland Redevelopment Agency         | 134,650                  | -                      |
| Non-major Funds:                     |                          |                        |
| Other Governmental Funds             | 28,540                   | -                      |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b> | <u><u>\$ 283,937</u></u> | <u><u>\$ 6,442</u></u> |

**(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 4.50% for series A notes and 5.38% for series B notes (federally taxable). Principal and interest were paid on June 30, 2008.

The short-term debt activity for the year ended June 30, 2008, is as follows (in thousands):

| <u>2007 - 2008 Tax &amp; Revenue<br/>Anticipation Notes</u> | <u>Beginning<br/>Balance</u> | <u>Issued</u>            | <u>Redeemed</u>            | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------------|----------------------------|---------------------------|
| Series A  | \$ -                         | \$ 65,000                | \$ (65,000)                | \$ -                      |
| Series B (Federally Taxable)                                | -                            | 76,880                   | (76,880)                   | -                         |
| <b>TOTAL</b>  | <u><u>\$ -</u></u>           | <u><u>\$ 141,880</u></u> | <u><u>\$ (141,880)</u></u> | <u><u>\$ -</u></u>        |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**(12) LONG-TERM OBLIGATIONS**

**Long-term Obligations**

The following is a summary of long-term obligations as of June 30, 2008 (in thousands):

| <b>Governmental Activities</b>                        |                                |                                     |                     |
|---|--------------------------------|-------------------------------------|---------------------|
| <b>Type of Obligation</b>                             | <b>Final Maturity<br/>Year</b> | <b>Remaining Interest<br/>Rates</b> | <b>Amount</b>       |
| General obligation bonds (A)                          | 2036                           | 2.50 - 5.00%                        | \$ 331,528          |
| Tax allocation bonds (B)                              | 2037                           | 2.50 - 8.03%                        | 496,630             |
| Certificate of participation (C)                      | 2015                           | 4.00 - 6.55%                        | 40,495              |
| Lease revenue bonds (C)                               | 2026                           | 3.60 - 5.50%                        | 323,340             |
| Pension obligation bonds (D)                          | 2022                           | 6.09 - 7.31%                        | 282,705             |
| Accreted interest (C) & (D)                           |                                |                                     | 125,743             |
| City guaranteed special assessment district bonds (D) | 2024                           | 4.60 - 6.70%                        | 6,200               |
| Notes payable (C) & (E)                               | 2016                           | 1.70 - 8.27%                        | 19,045              |
| Capital leases (C) & (E)                              | 2016                           | 3.54 - 5.52%                        | 26,968              |
| Accrued vacation and sick leave (C)                   |                                |                                     | 35,646              |
| Estimated liability for self-insurance (C)            |                                |                                     | 80,382              |
| Estimated claims payable (C)                          |                                |                                     | 50,242              |
| Estimated environmental cost (B) & (C)                |                                |                                     | 8,980               |
| Pledge obligation for Coliseum Authority debt (C)     |                                |                                     | 82,450              |
| Net OPEB obligation (C)                               |                                |                                     | 43,668              |
| <b>GOVERNMENTAL ACTIVITIES TOTAL</b>                  |                                |                                     | <b>1,954,022</b>    |
| <b>LONG-TERM OBLIGATIONS</b>                          |                                |                                     | <b>1,954,022</b>    |
| <b>DEFERRED AMOUNTS:</b>                              |                                |                                     |                     |
| Bond issuance premiums                                |                                |                                     | 32,204              |
| Bond refunding loss                                   |                                |                                     | (34,658)            |
| <b>GOVERNMENTAL ACTIVITIES TOTAL</b>                  |                                |                                     |                     |
| <b>LONG-TERM OBLIGATIONS, NET</b>                     |                                |                                     | <b>\$ 1,951,568</b> |

**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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**Business-Type Activities**

| Type of Obligation  | Final Maturity<br>Year | Remaining<br>Interest Rates | Amount                  |
|---|------------------------|-----------------------------|-------------------------|
| Sewer fund - Notes payable                                | 2014                   | 3.00 - 3.50%                | \$ 3,346                |
| Sewer fund - Bonds  | 2029                   | 3.00 - 5.25%                | 57,720                  |
| Unamortized Bond Premium                                  |                        |                             | <u>2,475</u>            |
| BUSINESS-TYPE ACTIVITIES -<br>TOTAL LONG-TERM OBLIGATIONS |                        |                             | <u><u>\$ 63,541</u></u> |

**Component Unit - Port of Oakland**

| Type of Obligation                                      | Final Maturity<br>Year | Remaining<br>Interest Rates | Amount                     |
|---|------------------------|-----------------------------|----------------------------|
| Parity bonds  | 2033                   | 3.00 - 6.00%                | \$ 1,465,912               |
| Notes and Loans   | 2030                   | 1.41 - 4.50%                | 84,847                     |
| Total   |                        |                             | <u>1,550,759</u>           |
| Self - Insurance liability for workers'<br>compensation |                        |                             | 6,000                      |
| General Liability                                       |                        |                             | 3,925                      |
| Environmental Remediation & Others                      |                        |                             | 11,657                     |
| Total   |                        |                             | <u>1,572,341</u>           |
| Unamortized bond discount and premium, net              |                        |                             | 21,488                     |
| Deferred loss on refunding                              |                        |                             | <u>(19,984)</u>            |
| COMPONENT UNIT TOTAL LONG-TERM<br>OBLIGATIONS           |                        |                             | <u><u>\$ 1,573,845</u></u> |

**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, 2008, the City's debt limit (3.75% of valuation subject to taxation) was \$1,116,227,253. The total amount of debt applicable to the debt limit was \$331,528,315. The resulting legal debt margin was \$784,698,938.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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## **Interest Rate Swap**

**Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2**  
*Objective of the interest rate swap.* On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the “Swap”) with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the “Counterparty”) in connection with the \$187,500,000 Oakland Joint Powers Financing Authority (the “Authority”) Lease Revenue Bonds, 1998 Series A1/A2 (the “1998 Lease Revenue Bonds”). Under the swap agreement, which effectively changed the City’s variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of \$15 million for entering into the Swap.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate (“LIBOR”). This amendment resulted in an additional upfront payment from the Counterparty to the City of \$5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B (“Series 2005 A & B Bonds”). The Swap associated with the 1998 Lease Revenue Bonds still remains in effect.

On April 16, 2008, all of the outstanding Series 2005 A & B Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and A-2 (“Series 2008 A-1 and A-2 Bonds”). However, the Swap remains in effect and is set to terminate on July 31, 2021.

*Terms.* The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2008 of \$101,700,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of 1 – month LIBOR rate (total rate not to exceed 12%). The City’s payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

*Fair Value.* Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$16,429,065 as of June 30, 2008. 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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*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, 2008. 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**Changes in Long-term Obligations**

The changes in long-term obligations for the year ended June 30, 2008, are as follows (in thousands):

| <b>Governmental Activities</b>                                       |                                    |   |  |                                     |  |
|--|------------------------------------|---|--|-------------------------------------|--|
|  | <b>Balance at<br/>July 1, 2007</b> | <b>Additional<br/>obligations,<br/>interest<br/>accretion<br/>and net<br/>increases<br/>(decreases)</b> | <b>Current<br/>maturities,<br/>retirements<br/>and net<br/>decreases<br/>(increases)</b> | <b>Balance at<br/>June 30, 2008</b> | <b>Amounts due<br/>within one<br/>year</b> |
| <b>Bonds Payable:</b>  |                                    |   |  |                                     |  |
| General obligation bonds   | \$ 345,214                         | \$ -  | \$ 13,686  | \$ 331,528                          | \$ 14,340                                  |
| Tax allocation bonds   | 514,475                            | -   | 17,845   | 496,630                             | 17,230                                     |
| Certificate of participation   | 45,795                             | -   | 5,300  | 40,495                              | 5,620                                      |
| Lease revenue bonds  | 325,105                            | 241,410   | 243,175  | 323,340                             | 26,355                                     |
| Pension obligation bonds   | 313,625                            | -   | 30,920   | 282,705                             | 34,250                                     |
| City guaranteed special<br>assessment district bonds                 | 6,800                              | -   | 600  | 6,200                               | 275  |
| Accreted interest on<br>appreciation bonds                           | 104,356                            | 21,387  | -  | 125,743                             | -  |
| Less deferred amounts:   |                                    |   |  |                                     |  |
| Bond issuance premiums   | 22,887                             | 11,313  | 1,996  | 32,204                              | 2,777                                      |
| Bond refunding loss  | (20,035)                           | (17,667)  | (3,044)  | (34,658)                            | (3,806)                                    |
| <b>TOTAL BONDS PAYABLE</b>   | <b>1,658,222</b>                   | <b>256,443</b>  | <b>310,478</b>   | <b>1,604,187</b>                    | <b>97,041</b>                              |
| Notes payable  | 17,090                             | 2,765   | 810  | 19,045                              | 1,435                                      |
| Capital Leases   | 31,809                             | -   | 4,841  | 26,968                              | 5,213                                      |
| <b>TOTAL NOTES &amp; LEASES</b>                                      | <b>48,899</b>                      | <b>2,765</b>  | <b>5,651</b>   | <b>46,013</b>                       | <b>6,648</b>                               |
| <b>Other Long-Term Liabilities</b>                                   |                                    |   |  |                                     |  |
| Accrued vacation and sick leave                                      | 33,601                             | 57,767  | 55,722   | 35,646                              | 27,883                                     |
| Pledge obligation for  |                                    |   |  |                                     |  |
| Coliseum Authority debt  | 85,350                             | -   | 2,900  | 82,450                              | 3,100                                      |
| Estimated environmental cost   | 11,198                             | 414   | 2,632  | 8,980                               | 4,312                                      |
| Estimated liability for self-insurance                               | 98,381                             | 7,785   | 25,784   | 80,382                              | 18,094                                     |
| Estimated claims payable   | 43,598                             | 15,877  | 9,233  | 50,242                              | 16,395                                     |
| Net OPEB obligation  | -                                  | 43,668  | -  | 43,668                              | -  |
| <b>TOTAL OTHER LONG-TERM<br/>LIABILITIES</b>                         | <b>272,128</b>                     | <b>125,511</b>  | <b>96,271</b>  | <b>301,368</b>                      | <b>69,784</b>                              |
| <b>TOTAL GOVERNMENTAL<br/>ACTIVITIES - LONG-TERM<br/>OBLIGATIONS</b> | <b>\$ 1,979,249</b>                | <b>\$ 384,719</b>   | <b>\$ 412,400</b>  | <b>\$ 1,951,568</b>                 | <b>\$ 173,473</b>                          |

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, 2008, \$10,841,242 of capital leases related to the internal service funds are included in the above amounts.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

**Business-Type Activities**

|                            | <b>Balance at<br/>July 1, 2007</b> | <b>Current<br/>maturities,<br/>retirements<br/>and net<br/>decreases</b> | <b>Balance at<br/>June 30, 2008</b> | <b>Amounts due<br/>within one<br/>year</b> |
|----------------------------|------------------------------------|--|-------------------------------------|--|
| Sewer fund - Notes payable | \$ 4,126                           | \$ 780   | \$ 3,346                            | \$ 806                                     |
| Sewer fund - Bonds         | 59,305                             | 1,585  | 57,720                              | 1,630                                      |
| Unamortized bond premium   | 2,593                              | 118  | 2,475                               | 118  |
| <b>Total</b>               | <b>\$ 66,024</b>                   | <b>\$ 2,483</b>  | <b>\$ 63,541</b>                    | <b>\$ 2,554</b>                            |

**Component Unit - Port of Oakland**

|  | <b>Balance at<br/>July 1, 2007</b> | <b>Additional<br/>obligations,<br/>interest accretion<br/>and net increases</b> | <b>Current<br/>maturities,<br/>retirements<br/>and net<br/>decreases</b> | <b>Balance at<br/>June 30, 2008</b> | <b>Amounts due<br/>within one<br/>year</b> |
|--|------------------------------------|---|--|-------------------------------------|--|
| Parity bonds                               | \$ 1,370,072                       | \$ 503,090  | \$ 407,250   | \$ 1,465,912                        | \$ 19,550                                  |
| Notes and loans                            | 198,366                            | 57,445  | 170,964  | 84,847                              | 276  |
| <b>Total</b>                               | <b>1,568,438</b>                   | <b>560,535</b>  | <b>578,214</b>   | <b>1,550,759</b>                    | <b>19,826</b>                              |
| Self - insurance workers'                  |                                    |   |  |                                     |  |
| compensation                               | 6,000                              | 869   | 869  | 6,000                               | 6,000                                      |
| General liability                          | 4,747                              | 4,287   | 5,109  | 3,925                               | -  |
| Environmental remediation & others         | 11,824                             | 991   | 1,158  | 11,657                              | 1,117                                      |
| Other post employment benefits             | -                                  | 7,754   | -  | 7,754                               | 7,754                                      |
| Unamortized bond discount/<br>premium, net | (2,762)                            | 24,869  | 619  | 21,488                              | 3,175                                      |
| Deferred loss on refunding                 | (4,493)                            | (16,407)  | (916)  | (19,984)                            | (1,631)                                    |
| <b>TOTAL DEBT</b>                          | <b>\$ 1,583,754</b>                | <b>\$ 582,898</b>   | <b>\$ 585,053</b>  | <b>\$ 1,581,599</b>                 | <b>\$ 36,241</b>                           |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

## Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2008, are as follows (in thousands):

|                                      | 2009       | 2010       | 2011      | 2012       | 2013       | 2014-2018  | 2019-2023  | 2024-2028  | 2029-2033 | 2034-2038 | Total        |
|--------------------------------------|------------|------------|-----------|------------|------------|------------|------------|------------|-----------|-----------|--------------|
| <b>Governmental-type Activities:</b> |            |            |           |            |            |            |            |            |           |           |              |
| General obligation bonds:            |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | \$ 14,340  | \$ 15,006  | \$ 15,762 | \$ 16,587  | \$ 17,451  | \$ 95,515  | \$ 90,139  | \$ 29,798  | \$ 33,295 | \$ 3,635  | \$ 331,528   |
| Interest                             | 16,014     | 15,398     | 14,688    | 13,936     | 13,143     | 52,474     | 28,289     | 13,565     | 5,681     | 332       | 173,520      |
| Certificate of participation:        |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 5,620      | 5,965      | 6,415     | 7,095      | 3,500      | 11,900     | -          | -          | -         | -         | 40,495       |
| Interest                             | 1,627      | 1,377      | 1,116     | 833        | 511        | 689        | -          | -          | -         | -         | 6,153        |
| Lease revenue bonds:                 |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 26,355     | 26,315     | 27,870    | 32,270     | 33,680     | 111,175    | 32,830     | 32,845     | -         | -         | 323,340      |
| Interest                             | 11,844     | 13,600     | 12,354    | 11,095     | 9,728      | 27,690     | 12,468     | 3,387      | -         | -         | 102,166      |
| Pension obligation bonds:            |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 34,250     | 37,860     | 14,959    | 20,860     | 19,923     | 86,149     | 68,704     | -          | -         | -         | 282,705      |
| Interest                             | 3,833      | 1,321      | 25,346    | 17,515     | 19,632     | 130,426    | 182,181    | -          | -         | -         | 380,254      |
| Special assessments bonds:           |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 275        | 300        | 305       | 325        | 350        | 1,640      | 2,050      | 955        | -         | -         | 6,200        |
| Interest                             | 332        | 316        | 301       | 284        | 265        | 1,062      | 553        | 52         | -         | -         | 3,165        |
| Tax allocation bonds:                |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 17,230     | 16,865     | 18,680    | 19,665     | 20,645     | 105,225    | 135,220    | 44,775     | 58,615    | 59,710    | 496,630      |
| Interest                             | 26,602     | 25,645     | 24,667    | 23,645     | 22,585     | 95,898     | 63,001     | 38,867     | 24,582    | 6,560     | 352,052      |
| Notes payable:                       |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 1,435      | 2,015      | 2,180     | 2,355      | 2,525      | 8,535      | -          | -          | -         | -         | 19,045       |
| Interest                             | 995        | 936        | 871       | 799        | 721        | 1,051      | -          | -          | -         | -         | 5,373        |
| Capital leases                       |            |            |           |            |            |            |            |            |           |           |              |
| Principal                            | 5,213      | 4,010      | 3,184     | 3,261      | 1,956      | 7,039      | 2,305      | -          | -         | -         | 26,968       |
| Interest                             | 1,199      | 989        | 815       | 667        | 531        | 1,345      | 220        | -          | -         | -         | 5,766        |
| TOTAL PRINCIPAL                      | \$ 104,718 | \$ 108,336 | \$ 89,355 | \$ 102,418 | \$ 100,030 | \$ 427,178 | \$ 331,248 | \$ 108,373 | \$ 91,910 | \$ 63,345 | \$ 1,526,911 |
| TOTAL INTEREST                       | \$ 62,446  | \$ 59,582  | \$ 80,158 | \$ 68,774  | \$ 67,116  | \$ 310,635 | \$ 286,712 | \$ 55,871  | \$ 30,263 | \$ 6,892  | \$ 1,028,449 |

For governmental activities the specific year for payment of the pledge obligation, environmental costs, estimated accrued vacation, sick leave, estimated liability for self-insurance, estimated claims, and the net OPEB obligation are not practicable to determine.

(continued)

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

|                                  | 2009     | 2010     | 2011     | 2012     | 2013     | 2014-2018 | 2019-2023 | 2024-2028 | 2029-2033 | 2034-2038 | Total     |
|----------------------------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Business-type Activities:</b> |          |          |          |          |          |           |           |           |           |           |           |
| Sewer revenue bonds:             |          |          |          |          |          |           |           |           |           |           |           |
| Principal                        | \$ 1,630 | \$ 1,710 | \$ 1,800 | \$ 1,885 | \$ 1,985 | \$ 11,470 | \$ 14,480 | \$ 18,490 | \$ 4,270  | \$ -      | \$ 57,720 |
| Interest                         | 2,852    | 2,771    | 2,685    | 2,595    | 2,499    | 10,943    | 7,933     | 3,931     | 214       | -         | 36,423    |
| Sewer notes payable:             |          |          |          |          |          |           |           |           |           |           |           |
| Principal                        | 806      | 833      | 860      | 274      | 282      | 291       | -         | -         | -         | -         | 3,346     |
| Interest                         | 109      | 82       | 54       | 25       | 17       | 9         | -         | -         | -         | -         | 296       |
| TOTAL PRINCIPAL                  | \$ 2,436 | \$ 2,543 | \$ 2,660 | \$ 2,159 | \$ 2,267 | \$ 11,761 | \$ 14,480 | \$ 18,490 | \$ 4,270  | \$ -      | \$ 61,066 |
| TOTAL INTEREST                   | \$ 2,961 | \$ 2,853 | \$ 2,739 | \$ 2,620 | \$ 2,516 | \$ 10,952 | \$ 7,933  | \$ 3,931  | \$ 214    | \$ -      | \$ 36,719 |

### Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2008, are as follows (in thousands):

| Year Ending June 30                      | Principal    | Interest     | Total        |
|--|--------------|--------------|--------------|
| 2009                                     | \$ 19,724    | \$ 74,656    | \$ 94,380    |
| 2010                                     | 37,508       | 79,551       | 117,059      |
| 2011                                     | 45,125       | 76,064       | 121,189      |
| 2012                                     | 47,243       | 75,318       | 122,561      |
| 2013                                     | 73,813       | 72,284       | 146,097      |
| 2014 - 2018                              | 328,604      | 302,476      | 631,080      |
| 2019 - 2023                              | 307,486      | 222,491      | 529,977      |
| 2024 - 2028                              | 381,229      | 132,456      | 513,685      |
| 2029 - 2033                              | 310,027      | 34,191       | 344,218      |
| SUB TOTAL                                | 1,550,759    | 1,069,487    | 2,620,246    |
| Unamortized bond (discount) premium, net | 21,488       | -            | 21,488       |
| Self-insurance workers' compensation     | 6,000        | -            | 6,000        |
| General Liability                        | 3,925        | -            | 3,925        |
| Environmental Remediation & Others       | 11,657       | -            | 11,657       |
| Deferred loss on refunding               | (19,984)     | -            | (19,984)     |
| TOTAL                                    | \$ 1,573,845 | \$ 1,069,487 | \$ 2,643,332 |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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In August 2007, the Port defeased \$10,000,000 of 2002 Series M Bonds, due on November 1, 2008. Sufficient funds were deposited with the trustee and invested in State and Local Government Series (SLGS) securities to pay both interest and principal on their respective due dates.

In October 2007, the Port issued \$503,090,000 of Intermediate Lien Refunding Revenue Bonds; 2007 Series A, 2007 Series B and 2007 Series C, collectively the 2007 Bonds. The bonds were issued to (i) refund the 1997 Series G, H, I, and J bonds, \$240,965,000 and \$131,375,000 of 2002 Series M bonds and converted the Senior Lien debt to Intermediate Lien debt (ii) refinance a portion of the outstanding Commercial Paper Notes amounting to \$146,693,000 (iii) satisfy the 2007 Common Reserve Fund Requirement applicable to the 2007 Bonds; and (iv) pay costs of issuance of the 2007 Bonds. The 2007 Bonds bear interest rates ranging from 4% to 5%, and have a final maturity date of November 2029.

The refunding of 1997 Series G, H, I, J and 2002 Series M resulted in the accounting recognition of a deferred loss of \$16,407,000 for the fiscal year ended June 30, 2008. The refunding, however, generated approximately \$17,798,000 of net present value debt service savings.

In June 2008, the Port defeased principal and interest on \$9,784,000 of 1993 Series F bonds including interest, and \$1,132,000 plus interest of 2002 Series M bonds, both due in November 2008, with taxable commercial paper. The defeasance resulted in the accounting recognition of a deferred loss of \$16,000, and a net present value debt service savings of \$15,000, representing a 2.45% net present value reduction in debt service payments.

Net interest costs of \$5,895,000 were capitalized in fiscal 2008. These amounts represented capitalized interest expense of \$7,419,000, net of interest revenue of \$1,524,000 for fiscal 2008.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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## **Current Year Long-Term Debt Financings**

### **Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 and A-2**

On April 3, 2008, the Oakland Joint Powers Financing Authority (the “JPFA”) issued its Refunding Revenue Bonds in an aggregate principal amount of \$127,960,000. This issue is comprised of a tax-exempt portion in an aggregate amount of \$107,630,000 (the “2008 Series A-1”) and a taxable portion in an aggregate amount of \$20,330,000 (the “2008 Series A-2”), (collectively, the “2008 Bonds”). The 2008 Bonds are fixed rate bonds. The 2008 Bonds were issued to (i) refund and defease all of the outstanding JPFA’s Refunding Revenue Bonds, 2005 Series A and Series B (Auction Rates Securities) and (ii) to convert the auction rates securities to Fixed rate bonds. The proceeds associated with the 2008 Series A-2 were used to fund a portion of the City’s obligation to make payments to its Police and Fire Retirement System.

The 2008 Bonds are insured by Assured Guaranty Corp., and are rated Aaa/AAA/AAA by Moody’s, S&P and Fitch, respectively, and are limited obligations of the Authority payable solely from lease revenues from the City, as lessee, to the Authority, as lessor.

The refunding resulted in a negative cash flow in the amount of \$2,629,776. In addition, the City obtained a net economic loss on this financing of \$9,777,180. However, given the penalty rates the City was experiencing from the downgrade of the bond insurance agency, XL Capital Assurance Inc., and the failed auction rate market, the City would have had to pay more in debt service. If the current market persists or worsens the bonds would not be remarketable. In addition, the deferred loss on refunding, difference between the reacquisition price and the carrying value of the old debt, was \$1,550,738.

### **Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2008 Series B**

On April 16, 2008, the Oakland Joint Powers Financing Authority (the “JPFA”) issued its Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B in an aggregate principal amount of \$113,450,000 (the “2008 Series B Bonds”). The 2008 Series B Bonds are tax-exempt, and fixed rate bonds. The 2008 Series Bonds were issued to (i) refund and defease all of the outstanding JPFA’s Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2004 Series A-1 and A-2 (Auction Rates Securities) (the “2004 Bonds”), (ii) to convert the auction rates securities to Fixed rate bonds and (iii) to terminate two interest rate swaps associated with the 2004 Bonds. The proceeds from the sale of the 2008 Series B Bonds included bond termination payment of \$5,674,000.

The 2008 Series B Bonds are insured by Assured Guaranty Corp., and are rated Aaa/AAA/AAA by Moody’s, S&P and Fitch, respectively, and are limited obligations of

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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the Authority payable solely from lease revenues from the City, as lessee, to the Authority, as lessor.

The refunding resulted in a negative cash flow in the amount of \$27,601,281. In addition, the City obtained a net economic loss on this financing of \$16,715,869. However, at the time of issuance of the 2004 Bonds, the City had taken out approximately \$8,691,291 of new monies to finance certain public capital projects and expenditures.

In addition, the deferred loss on refunding, difference between the reacquisition price and the carrying value of the old debt, was \$16,116,400.

### **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, 2008, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to \$88.2 million.

### **Authorized and Unissued Debt**

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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, 2008, is (in thousands):

|   | <u>Authorized<br/>and Issued</u> | <u>Maturity</u> | <u>Outstanding at<br/>June 30, 2008</u> |
|---|----------------------------------|-----------------|---|
| 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<br>(Association of Bay Area Governments), Series 1984                      | 3,300                            | 12/01/09        | 470                                     |
| Oakland JPFA Revenue Bond 2001 Series A Fruitvale<br>Transit Village (Fruitvale Development Corporation)                    | 19,800                           | 07/01/33        | 17,305                                  |
| Oakland JPFA Revenue Bond 2001 Series B Fruitvale<br>Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc)  | 5,800                            | 07/01/33        | 5,500                                   |
| Redevelopment Agency of the City of Oakland, Multifamily Housing<br>Revenue Bonds (Uptown Apartment Project), 2005 Series A | 160,000                          | 10/01/50        | 160,000                                 |
| TOTAL   |                                  |                 | <u>\$ 262,420</u>                       |

**(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                 | \$ 69,906         |
| Carryforward for continuing projects       | <u>13,709</u>     |
| Total designations                         | 83,615            |
| Unreserved/undesignated fund balance       | <u>37,494</u>     |
| Total General Fund unreserved fund balance | <u>\$ 121,109</u> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**(14) SELF-INSURANCE**

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2008 and 2007 are as follows (in thousands):

**Workers' Compensation**

|  | <u>2008</u>      | <u>2007</u>      |
|--|------------------|------------------|
| Unpaid claims, beginning of fiscal year      | \$ 98,381        | \$ 100,493       |
| Current year claims and changes in estimates | 7,785            | 18,071           |
| Claims payments                              | <u>(25,784)</u>  | <u>(20,183)</u>  |
| Unpaid claims, end of fiscal year (Note 12)  | <u>\$ 80,382</u> | <u>\$ 98,381</u> |

**General Liability**

|  | <u>2008</u>      | <u>2007</u>      |
|--|------------------|------------------|
| Unpaid claims, beginning of fiscal year      | \$ 43,598        | \$ 44,945        |
| Current year claims and changes in estimates | 15,877           | 9,663            |
| Claims payments                              | <u>(9,233)</u>   | <u>(11,010)</u>  |
| Unpaid claims, end of fiscal year (Note 12)  | <u>\$ 50,242</u> | <u>\$ 43,598</u> |

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; employee's 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.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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### **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, 2008, the amount of liability determined to be probable of occurrence is approximately \$50,242,000. Of this amount, claims and litigation approximating \$16,395,000 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 or changes in financial position of the City and the Agency.

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 \$80,382,000 in claims liabilities as of June 30, 2008, approximately \$18,094,000 is estimated to be due within one year. Effective July 1, 2008, the City reduced its self-insured retention to \$750,000 per occurrence.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**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:

| <u>Type of Coverage</u>                  | <u>Self-Insurance Retention</u> | <u>Insurance Authority/Purchase Insurance</u>                         |
|--|---------------------------------|---|
| 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<br>and Omissions | up to \$2,000,000               | \$2,000,000 to \$25,000,000 per occurrence/annual<br>annual aggregate |
| Products & Completed<br>Operations       | up to \$2,000,000               | \$2,000,000 to \$25,000,000 per occurrence/annual<br>annual aggregate |
| Employment Practices<br>Liability        | up to \$2,000,000               | \$2,000,000 to \$25,000,000 per occurrence/annual<br>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 \$750,000 per accident. The Port carries commercial insurance for claims in excess of \$750,000 per accident up to a maximum limit per accident of \$1,000,000. There were no workers' compensation claims paid in fiscal years 2008, 2007, and 2006 above the \$1,000,000 per accident limit. 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, 2008 and include an estimate of claims that have been incurred but not reported.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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Changes in the reported liability resulted from the following (in thousands):

|   | <u>2008</u>     | <u>2007</u>     |
|---|-----------------|-----------------|
| Workers' compensation liability at beginning of fiscal year | \$ 6,000        | \$ 5,829        |
| Current year claims and changes in estimates                | 869             | 1,652           |
| Claims payments   | (869)           | (1,481)         |
| Workers' compensation liability at end of fiscal year       | <u>\$ 6,000</u> | <u>\$ 6,000</u> |

**General Liability**

The Port maintains general liability insurance in excess of specified deductibles. For the Airport, coverage is provided in excess of \$200,000 in the aggregate up to a maximum of \$200,000,000. For the harbor area and the Port's real estate holdings, coverage is provided in excess of \$1,000,000 per occurrence up to an aggregate amount of \$150,000,000 per occurrence. Additionally, the Port maintains a Public Officials Errors & Omissions and Employment Practices policy. The policy limits are \$25,000,000 with a \$500,000 per claim deductible. Defense costs are in addition to the policy limits, but are included in the deductible. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable.

As of June 30, 2008, the Port was a defendant in various lawsuits arising in the normal course of constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known. The Port's insurance may cover a portion of any losses. For additional information, please contact the Port of Oakland, 530 Water Street, Oakland, California 94607.

Changes in the reported liabilities, which is included as part of accounts payable and accrued liabilities, follows:

|   | <u>2008</u>     | <u>2007</u>     |
|---|-----------------|-----------------|
| General liability at beginning of fiscal year | \$ 4,747        | \$ 3,986        |
| Current year claims and changes in estimates  | 4,287           | 4,620           |
| Vendor payments                               | (5,109)         | (3,859)         |
| General liability at end of fiscal year       | <u>\$ 3,925</u> | <u>\$ 4,747</u> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**(15) JOINT VENTURE**

**Oakland-Alameda County Coliseum**

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (the Corporation) is reported as a blended component unit of the Authority. The eight-member Board of Commissioners of the Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Corporation consists of the City Administrator and the County Administrator.

In August 1995, the Authority issued \$9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and \$188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City.

On May 25, 2000, the Authority issued \$201,300,000 in series 2000 C and D Refunding Bonds to retire \$181,900,000 of the 1995 Variable Rate Lease Revenue Stadium Bonds (\$188,500,000 less \$6,600,000 principal payment). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid from the escrow established in 1995 at the time the Coliseum Authority issued the Stadium Bonds.

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of club dues, concession and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate \$11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$22 million annually in the event of default by the County.

On August 2, 1996, the Authority issued \$70,000,000 Series A-1 and \$70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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(the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc. and the Authority.

Under the Warriors Agreements, the Arena Bonds were limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to \$7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to \$9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to \$19,000,000 annually in the event of default by the County.

The 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 the Oakland Coliseum Joint Venture. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Authority entered into a Termination Agreement whereby, in return for certain consideration, the Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006.

Debt service requirements for the Coliseum Authority debt are as follows (in thousands):

| <b>For the Period</b>         | <b><u>Stadium Debt</u></b> |                        | <b><u>Arena Debt</u></b> |                        |
|-------------------------------|----------------------------|------------------------|--------------------------|------------------------|
|                               | <b><u>Principal</u></b>    | <b><u>Interest</u></b> | <b><u>Principal</u></b>  | <b><u>Interest</u></b> |
| <b><u>Ending June 30,</u></b> |                            |                        |                          |                        |
| 2009                          | \$ 6,200                   | \$ 5,924               | 3,250                    | 7,146                  |
| 2010                          | 6,700                      | 5,563                  | 3,600                    | 6,944                  |
| 2011                          | 7,100                      | 5,212                  | 3,950                    | 6,720                  |
| 2012                          | 7,500                      | 4,951                  | 4,050                    | 6,474                  |
| 2013                          | 7,900                      | 4,669                  | 4,400                    | 6,221                  |
| 2014-2018                     | 45,400                     | 18,938                 | 27,300                   | 26,563                 |
| 2019-2023                     | 57,200                     | 10,167                 | 38,200                   | 16,837                 |
| 2024-2026                     | 26,900                     | 1,105                  | 30,050                   | 3,838                  |
| Total                         | <u>\$ 164,900</u>          | <u>\$ 56,529</u>       | <u>\$ 114,800</u>        | <u>\$ 80,743</u>       |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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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, 2008, the City made contributions of \$10,946,000 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 \$20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute \$10,925,000 for the 2008-09 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 \$82,450,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**(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.

|                               | <u>PFRS</u>     | <u>OMERS</u>    | <u>PERS</u>          |
|-------------------------------|-----------------|-----------------|----------------------|
| Type of plan                  | Single employer | Single employer | Agent multi-employer |
| Reporting entity              | City            | City            | State                |
| Last complete actuarial study | July 01, 2007   | July 01, 2007   | June 30, 2007        |

**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, 2007, 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 year ended June 30, 2008, these contributions ranged from 5.47% to 6.05%. By statute,

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits. The City issued pension obligation bonds in February 1997 to fund PFRS through 2011. Bond proceeds in the amount of \$417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are contractually required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of \$17,709,888 to PFRS.

The City's 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, 2008, were as follows:

|  |                              |
|--|------------------------------|
| Annual Required Contribution (ARC)             | \$ (28,600,000)              |
| Interest on pension asset                      | 24,546,590                   |
| Adjustment to the annual required contribution | <u>(27,497,868)</u>          |
| Annual Pension Cost                            | (31,551,278)                 |
| Pension contribution                           | -                            |
| Pension assets, beginning of year              | <u>306,832,370</u> *         |
| Pension assets, end of year                    | <u><u>\$ 275,281,092</u></u> |

\* The beginning pension assets as of July 1, 2007 were restated to reflect prior year required annual contributions.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2008 and each of the two preceding years:

| Fiscal Year<br>Ended June 30 | Annual Pension<br>Cost | Percentage (%)<br>Contributed | Net Pension Asset as<br>Restated * |
|------------------------------|------------------------|-------------------------------|------------------------------------|
| 2006                         | \$ 26,517,755          | -                             | \$ 333,375,218                     |
| 2007                         | 26,542,848             | -                             | 306,832,370                        |
| 2008                         | 31,551,278             | -                             | 275,281,092                        |

\* The ending pension assets were restated to reflect prior required annual contributions.

Annual contribution requirement, subsequent to receipt of pension obligation bond proceeds, is zero through the year 2011.

**Actuarial Assumptions and Funded Status**

PFRS adopted GASB Statement No. 50, Pension Disclosure – an amendment to GASB Statements No. 25 and No. 27, effective for periods beginning after June 15, 2007. GASB Statement No. 50 is designed to inform financial statement users further about PFRS funded status and actuarial assumptions. Information regarding the funded status of the plan as of the most recent valuation date is shown below (in millions).

| Actuarial<br>Valuation<br>Date | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(a) | Actuarial<br>Value of<br>Assets<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(a-b) | Funded<br>Ratio<br>(b/a) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>((a-b)/c) |
|--------------------------------|---|--|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2007                       | \$ 888.1  | \$ 566.0                               | \$ 322.1                           | 63.7%                    | \$ 0.4                    | 80525%  |

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and that the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Multiyear trend actuarial information is presented in the Required Supplementary Information immediately following the notes to the financial statements.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan for the current year are as follows:

|                                   |                              |
|-----------------------------------|------------------------------|
| Valuation Date                    | 7/1/07                       |
| Actuarial Cost Method             | Entry Age Normal Cost Method |
| Investment Rate of Return         | 8.0%                         |
| Inflation Rate, US                | 3.25%                        |
| Inflation Rate, Bay Area          | 3.50%                        |
| General Pay increases             | 4.75%                        |
| Post-retirement benefit increases | 4.75%                        |
| Amortization Method               | Level Dollar                 |
| Amortization Period               | 29 Years, Closed             |

**Oakland Municipal Employees Retirement System (OMERS)**

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2008, stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to CalPERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2008, and will not receive any employee contributions in the future. Because of the Retirement System 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.

**Actuarial Assumptions and Funded Status**

OMERS adopted GASB Statement No. 50, Pension Disclosure – an amendment to GASB Statements No. 25 and No. 27, for periods beginning after June 15, 2007. GASB Statement No. 50 is designed to inform financial statement users further about OMERS funded status and actuarial assumptions.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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Information regarding the funded status of OMERS as of the most recent valuation date is shown below (in thousands).

| Actuarial<br>Valuation<br>Date | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(a) | Actuarial<br>Value of<br>Assets<br>(b) | Over<br>funded<br>AAL<br>(a-b) | Funded<br>Ratio<br>(b/a) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage of<br>Covered<br>Payroll<br>((a-b)/c) |
|--------------------------------|---|--|--------------------------------|--------------------------|---------------------------|---|
| 7/1/2007                       | \$ 7,516  | \$ 9,371                               | \$ (1,855)                     | 124.7%                   | -                         | n/a   |

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and that the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

OMERS is not required to make any payments due to its funded status. Multiyear trend actuarial information is presented in the Required Supplementary Information immediately following the notes to the financial statements.

A summary of the actuarial methods and assumptions used to calculate the funded status of the plan for the current year follows:

|                            |                              |
|----------------------------|------------------------------|
| Valuation Date             | July 1, 2007                 |
| Actuarial Cost Method      | Entry Age Normal Cost Method |
| Asset Valuation Method     | Market Value                 |
| Investment Rate of Return  | 8.0%                         |
| Inflation Rate             | 3.25%                        |
| Cost-of-living Adjustments | 3.0%                         |
| Amortization Method        | NA*                          |
| Amortization Period        | NA*                          |

\*Not Applicable because OMERS is in a surplus position.

## **California Public Employees Retirement Systems (PERS)**

### **Plan Description**

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available.

**Funding Policy**

Participants are required to contribute 8% (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 19.199% for non-safety employees and 27.077% 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 2007-08, the City's annual pension cost of \$97,863,350 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.25% to 14.45%), and (c) payroll growth of 3.25%. Both (a) and (b) included an inflation component of 3.00%. 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)**

| <b>Fiscal Year<br/>Ended June 30,</b> | <b>Annual Pension<br/>Cost (APC)</b> | <b>Percentage of<br/>APC Contributed</b> | <b>Net Pension<br/>Obligation</b> |
|---------------------------------------|--------------------------------------|--|-----------------------------------|
| 2006                                  | \$ 95.0                              | 100%                                     | \$ -                              |
| 2007                                  | 89.3                                 | 100                                      | -                                 |
| 2008                                  | 97.9                                 | 100                                      | -                                 |

**Funded Status and Funding Progress for Pension Plans**

**Safety Plan**

As of June 30, 2007, the most recent actuarial valuation date, the Public Safety plan was 76.6% funded. The actuarial accrued liability for benefits was \$989,095,209, and the actuarial value assets was \$757,340,889, resulting in an unfunded actuarial accrued liability (UAAL) of \$231,754,320. The annual covered payroll was \$127,434,797, and the ratio of the UAAL to the annual covered payroll was 181.9%.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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A summary of principal assumptions and methods used to determine the funded status is shown below:

| <b><u>Method/Assumptions</u></b> | <b><u>Retirement Program</u></b>  |
|----------------------------------|---|
| Valuation Date                   | June 30, 2007   |
| Actuarial Cost Method            | Entry Age Actuarial Cost Method   |
| Amortization Method              | Level Percent of Payroll  |
| Average Remaining Period         | 32 Years as of the Valuation Date   |
| Asset Valuation Method           | 15 Years Smoothed Market  |
| Actuarial Assumptions            |   |
| Investment Rate of Return        | 7.75% (net of administrative expenses)  |
| Projected Salary Increases       | 3.25% to 13.15% depending on Age, Service, and type of employment   |
| Inflation                        | 3.00%   |
| Payroll Growth                   | 3.25%   |
| Individual Salary Growth         | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% |

**Miscellaneous Plan**

As of June 30, 2007, the most recent actuarial valuation date, the Miscellaneous Plan was 83.7% funded. The actuarial accrued liability for benefits was \$1,617,214,275, and the actuarial value assets was \$1,353,435,664, resulting in an unfunded actuarial accrued liability (UAAL) of \$263,778,611. The annual covered payroll was \$225,726,055, and the ratio of the UAAL to the annual covered payroll was 116.9%.

A summary of principal assumptions and methods used to determine the funded status is shown below:

| <b><u>Method/Assumptions</u></b> | <b><u>Retirement Program</u></b>  |
|----------------------------------|---|
| Valuation Date                   | June 30, 2007   |
| Actuarial Cost Method            | Entry Age Actuarial Cost Method   |
| Amortization Method              | Level Percent of Payroll  |
| Average Remaining Period         | 20 Years as of the Valuation Date   |
| Asset Valuation Method           | 15 Years Smoothed Market  |
| Actuarial Assumptions            |   |
| Investment Rate of Return        | 7.75% (net of administrative expenses)  |
| Projected Salary Increases       | 3.25% to 14.45% depending on Age, Service, and type of employment   |
| Inflation                        | 3.00%   |
| Payroll Growth                   | 3.25%   |
| Individual Salary Growth         | A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25% |

The schedule of funding progress for Public Safety and Miscellaneous Plans are presented as RSI following the notes to the financial statements, presents multi-year trend

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**(17) POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Primary Government**

**Plan Description**

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment.

**Funding Policy**

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City approximately paid \$10,966,605 for retirees under this program for the year ended June 30, 2008.

**Annual OPEB Cost and Net OPEB Obligation**

The City implemented GASB 45 in fiscal year 2008 and elected to report a zero net OPEB obligation at the beginning of the transition year. The City's annual post employment benefit cost and net OPEB obligation for the plan as of and for the fiscal year ended June 30, 2008 using a 4.00% interest rate scenario, were as follows (in thousands):

|   |                         |
|---|-------------------------|
| Annual Required Contribution (ARC)      | \$ 54,635               |
| Contribution made                       | <u>(10,967)</u>         |
| Increase in net OPEB obligation         | 43,668                  |
| Net OPEB obligation - beginning of year | <u>-</u>                |
| Net OPEB obligation - end of year       | <u><u>\$ 43,668</u></u> |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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The City annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the transition year for the City's single employer healthcare plan were as follows (in thousands).

| <u>Fiscal Year<br/>Ended</u> | <u>Annual<br/>OPEB Cost</u> | <u>Percentage of<br/>Annual OPEB<br/>Cost Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|------------------------------|-----------------------------|---|--------------------------------|
| June 30, 2008                | \$ 54,635                   | 20.07%  | \$ 43,668                      |

**Funded Status and Funding Progress**

As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$591,575,250 and the actuarial value assets was zero, resulting in an unfunded actuarial accrued liabilities (UAAL) of \$591,575,250.

**Actuarial Methods and Assumptions for OPEB Plans**

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost, the annual required contribution, and the funded status and funding progress for the fiscal year ended June 30, 2008 as follows:

| <u>Method/Assumptions</u>    | <u>Retirement Program</u>   |
|------------------------------|---|
| Valuation Date               | July 1, 2007  |
| Actuarial Cost Method        | Entry Age Actuarial Cost Method   |
| Amortization Method          | Level Percent of Payroll  |
| Average Remaining Period     | 30 Years as of the Valuation Date   |
| Asset Valuation Method       | 5 Years Smoothed Market   |
| Discount rate                | 4.00%   |
| Salary Increases             | 2.50% per year growth   |
| Inflation                    | 3.00%   |
| Demographic rate             | Retirement benefit @ 3% 50 formula for Safety employees and @ 2.7% 55 formula for Miscellaneous employees   |
| Health Care cost trends rate | 8% from 2009-10, graded down 0.5% each year to an ultimate of 5.0% in 2015 premiums. Assume the flat dollar co-payment and additional reimbursement maximum for Miscellaneous employee's increases 5.0% annually. |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Component Unit – Port of Oakland OPEB**

**Plan Description**

The Port administers a single-employer defined benefit post-employment healthcare plan (Retiree Health Plan). The Retiree Health Plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CALPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO Family Plan rate. The Retiree Health Plan also includes dental, and vision benefits and reimbursement of Medicare Part B monthly insurance premium. The Retiree Health plan does not issue a separate financial report.

**Funding Policy**

Benefit provisions are established and may be amended through negotiations between the Port and the various bargaining units during each bargaining period.

As of June 30, 2008, there were approximately 408 employees who had retired from the Port and were in the Port's retiree benefit plan. The Port finances the plan on a pay-as-you-go basis. For the years ended June 30, 2008 the retiree benefit expense was \$3,929 , or 34% of the actuarially required contributions to the Retiree Health Plan. The retiree benefit expense in fiscal year 2007 was \$3,387.

Beginning in fiscal year 2008-2009, the Port intends to deposit funds into an Irrevocable Trust (California Employer's Retiree Benefit Trust Fund (CERBT)). CERBT was setup by the California Public Employee's Retirement System (CALPERS) for the purpose of receiving employer contributions to pre-fund health and other post-employment benefit costs for retirees and beneficiary. At June 30, 2008 the Port's CERBT was not established. Documents have been forward to CALPERS and proceeding through the approval process.

**Eligible Retirees Defined**

Employees must have attained the age of fifty or over at the time of retirement, have five or more years of CALPERS service, and must be eligible to receive PERS retirement benefits in order to be classified as an Eligible Retiree.

**Annual OPEB Cost and Net OPEB Obligation**

The Port's annual other post employment benefit (OPEB) expense was calculated based on the annual required contribution (ARC) of the Port. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.



**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Annual OPEB Cost and Net OPEB Obligation (continued)**

The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed, and changes in the Port's net OPEB obligation:

|  |                        |
|--|------------------------|
| Annual required contribution               | \$ 11,683              |
| Interest on net OPEB obligation            | -                      |
| Adjustment to annual required contribution | -                      |
| Annual OPEB cost (expense)                 | <u>11,683</u>          |
| Contribution made                          | <u>(3,929)</u>         |
| Increase in net OPEB obligation            | 7,754                  |
| Net OPEB obligation - beginning of year    | -                      |
| Net OPEB obligation - end of year          | <u><u>\$ 7,754</u></u> |

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

| Fiscal<br>Year End | Annual<br>OPEB Cost | Percentage of<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation |
|--------------------|---------------------|---|------------------------|
| 06/30/2006         | n/a                 | n/a                                       | n/a                    |
| 06/30/2007         | n/a                 | n/a                                       | n/a                    |
| 06/30/2008         | \$11,683            | 34%                                       | \$7,754                |

**Funding Status and Funding Progress**

As of January 1, 2007, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$143,594, and the actuarial value of assets was \$0, resulting in an unfunded accrued liability of \$143,594.

|   |                          |
|---|--------------------------|
| Actuarial accrued liability (AAL)                 | \$ 143,594               |
| Actuarial value of plan assets                    | -                        |
| Unfunded actuarial accrued liability (UAAL)       | <u><u>\$ 143,594</u></u> |
|   |                          |
| Funded ratio (actuarial value of plan assets/AAL) | 0%                       |
| Annual covered payroll (active plan members)      | \$ 49,400                |
| UAAL as a percentage of annual covered payroll    | 186%                     |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Actuarial Methods and Assumptions**

The actuarial cost method used for determining the benefit obligations of the Port is the Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

The actuarial assumptions included a discount rate of 7.75%, effective annual rate, if the OPEB liability was funded through CALPERS; and a rate of 4.50% if the liability was unfunded; an annual health cost trend rate of 9% in health premiums from 2007 to 2008; reduced to 8% the second year; and reduced by 1% per year to 5% per year in the fifth year and beyond. Annual salary increases were assumed at 3.25%. The demographic assumptions regarding turnover and retirement are based on statistics from reports for California PERS under a "2.7% @ 55" benefit schedule.

**(18) COMMITMENTS AND CONTINGENT LIABILITIES**

**Construction Commitments**

**Primary Government**

The City has committed to funding in the amount of \$180,320,388 to a number of capital improvement projects for fiscal year 2009 through fiscal year 2012.

**Discretely Presented Component Unit**

The Port anticipates spending \$470,829,000 commencing fiscal year 2008 through June 2010 for its capital improvement program. The most significant Aviation projects are the terminal renovation and retrofit; paving/reconstruction of parking, roadway, ground access, aprons and taxiways; installation of passenger boarding bridges,; and air cargo relocation. The most significant Maritime projects are the 50-foot channel deepening; Berth 30-32 improvements, 7<sup>th</sup> Street upgrade separation and relocation; 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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As of June 30, 2008, the Port had contracts for the acquisition and construction of assets as follows (in thousands):

|                        |                  |
|------------------------|------------------|
| Maritime               | \$ 39,682        |
| Aviation               | 52,811           |
| Commercial real estate | 502              |
| Total                  | <u>\$ 92,995</u> |

The most significant projects for which the Port has contractual commitments are airport terminal expansion of \$34,488,000; and modernization of maritime wharfs and terminals and new cranes of \$20,132,000.

**Power Purchases**

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are determined, the Port commits and enters into purchase contracts, in advance, with power providers. The price is fixed at the time the Port enters into the contract. At June 30, 2008, the total purchase commitment was approximately \$7,761,000 for 182 megawatts.

**Other Commitments and Contingencies**

**Primary Government**

As of June 30, 2008, the Agency has entered into contractual commitments of approximately \$65,884,000 for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2008, the Agency was committed to fund \$60,011,000 in loans and had issued \$1,648,000 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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**Uptown Project Environmental Remediation**

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2008, the total liability outstanding in connection with the Agency's environmental remediation activities was \$433,000.

**Fox Court Environmental Remediation**

The Fox Court demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2008, the total liability outstanding in connection with the Agency's environmental remediation activities was \$380,000.

**Oakland Base Reuse Authority (OBRA) Environmental Remediation**

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 then, and subsequently the Agency and the Port are 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 including \$3.5 million insurance premium. Of the \$13.0 million grant, \$11.0 million has been spent of which \$10.3 million has been reimbursed and received as of June 30, 2008. The remaining \$2.0 million of grant expenditures will be shared equally between the Agency and the Port.

The next \$11.5 million of environmental remediation costs are to be shared equally by Agency and the Port. As a result, the Agency will have as its share in the remaining Oakland Army Base remediation costs, a total of \$6.7 million. The next \$9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to \$30 million in additional environmental remediation-related costs. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above \$21 million that are not covered by insurance.

The Agency management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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estimated net realizable values. Accordingly, no provisions have been made in the financial statements for any related environmental remediation liabilities.

**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, 2008, is as follows (in thousands):

|                                 |                  |
|---------------------------------|------------------|
| Environmental remediation       | \$ 11,534        |
| Miscellaneous compliance        | 123              |
| Total environmental liabilities | <u>\$ 11,657</u> |

**(19) RELATED PARTY TRANSACTIONS**

The Fox Oakland Theater, Inc. ("FOT") is a 501(C)(3) organization set up by and for the benefit of the Agency and the City. FOT was set up to renovate the Fox Theater. The Agency transferred the Fox Theater property to FOT in August 2006 through a long-term lease and a Disposition and Development Agreement ("DDA") which included a \$25,500,000 loan. The Fox Theater property was held by the Agency as property held for resale. It was transferred to a capital asset due to the long-term lease which was valued at \$6,500,000 in the lease and DDA. All FOT board members are City employees and there is no direct staff for FOT. FOT set up a for profit entity, Fox Theater Manager, Inc ("FT Manager"), and then two LLCs managed by FT Manager, Fox Theater Landlord LLC and

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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Fox Theater Master Tenant LLC. These new entities were used to syndicate Historic and New Markets Tax Credits. The Fox Theater property was transferred to the LLCs in December 2006, but the loan remains with FOT and is unsecured.

**(20) DEFICIT FUND BALANCES/NET ASSETS & EXPENDITURE OVER BUDGET**

As of June 30, 2008, the following funds reported deficits in fund balance/net assets (in thousands):

|  |            |
|--|------------|
| Special Revenue:                         |            |
| ORA Projects                             | \$ (3,630) |
| State Gas Tax                            | (13)       |
| Landscape & Lighting Assessment District | (4,033)    |
| Debt Service:                            |            |
| Lease Financing                          | (504)      |

The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The State Gas Tax and the Landscape & Lighting Assessment District will be cleared by transferring sufficient funds from the General Fund. The Lease Financing deficit will be cleared by transferring in sufficient funds to cover debt service payments.

|                   |             |
|-------------------|-------------|
| Internal Service: |             |
| Facilities        | \$ (26,610) |
| Equipment         | (4,557)     |
| Central Stores    | (3,650)     |
| Purchasing        | (1,477)     |
| Radio             | (440)       |

The City's facilities, equipment, central stores and radio funds deficits are expected to be funded through increased user charges for future years.

As of June 30, 2008, the following funds reported expenditures in excess of budgets (in thousands):

|  |          |
|--|----------|
| Special Revenue:                         |          |
| Landscape & Lighting Assessment District | \$ (784) |

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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The excess of expenditures of budget in Landscape & Lighting Assessment District is attributed to ongoing project costs that will eventually be distributed to their appropriate funding sources.

**(21) SUBSEQUENT EVENTS**

**Tax and Revenue Anticipation Notes**

On July 9, 2008, the City issued the 2008-2009 Tax and Revenue Anticipation Notes in the principal amount of \$105,705,000. These notes were issued in two series. The Series A Notes, in the principal amount of \$70,000,000, were issued to finance General Fund expenditures; Series A Notes are tax-exempt with an interest rate of 3.00%. The Series B Notes, in the principal amount of \$35,705,000, were issued to prepay the City's annual contribution to the California Public Employees Retirement System for fiscal year 2008-2009; Series B Notes are taxable with an interest rate of 3.75%. Both series of notes will mature on July 17, 2009.

**Educational Revenue Augmentation Funds (ERAF)**

On September 23, 2008, AB 1389 was signed into law requiring redevelopment agencies statewide to shift a one-time \$350,000,000 of property tax increment to the State's Educational Revenue Augmentation Fund (ERAF) as a way to reduce the State's \$24.3 billion budget deficit for fiscal year 2008-09. The ERAF money will then be paid to schools and community colleges, relieving the State of payments. The Agency's share of the revenue shift is \$8,500,000 and payments is to be made by May 10, 2009.

**Recent changes in the Economic Environment and its impact to the City**

The recent turmoil in the financial market has been unprecedented. With such volatility in the market due to uncertainty in the global financial market, the City Council on October 21, 2008 authorized the Finance & Management Agency's investment staff to invest in United States Treasury Securities for a not-to-exceed period of 60 days to further diversify its portfolio, thus reducing its risks and exposure to the depressed financial markets. The ability to invest in US Treasuries will also provide liquidity and safety of the portfolio. Currently, there is no loss in asset value for the City. The Finance & Management Agency's investment staff continues to focus investment decisions in accordance with the City Council Investment Policy's primary investment priorities of safety, liquidity and yield in that order.

For the quarter ended September 30, 2008, the Police and Fire Retirement System total annual portfolio return was negative 10.7 percent. This return was below the policy

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2008**

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benchmark of negative 8.8 percent for the same quarter. However, the market continued to be volatile and the investment portfolio had additional losses. The impact of the losses is still not available.



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# REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF OAKLAND**  
**Required Supplementary Information**  
**June 30 2008**

**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. The required contribution was determined as part of the actuarial valuation using the entry age normal actuarial cost method.

**Public Safety Retirement Plan (Police and Fire)**

| Valuation Date | Actuarial Accrued Liability (AAL)<br>(a) | Actuarial Value of Assets<br>(b) | Unfunded                               | Funded Ratio<br>(b)/(a) | Covered Payroll<br>(c) | UAAL as a percent of Covered Payroll<br>((a-b) / c) |
|----------------|--|----------------------------------|--|-------------------------|------------------------|---|
|                |  |                                  | (Overfunded)<br>AAL<br>(UAAL)<br>(a-b) |                         |                        |   |
| 7/1/2005       | \$ 820,642,031                           | \$ 602,422,608                   | \$ 218,219,423                         | 73.4%                   | \$ 122,893,613         | 177.6%  |
| 7/1/2006       | 907,421,303                              | 678,599,629                      | 228,821,674                            | 74.8%                   | 124,174,590            | 184.3%  |
| 7/1/2007       | 989,095,209                              | 757,340,889                      | 231,754,320                            | 76.6%                   | 127,434,797            | 181.9%  |

**Miscellaneous Retirement Plan**

| Valuation Date | Actuarial Accrued Liability (AAL)<br>(a) | Actuarial Value of Assets<br>(b) | Unfunded                               | Funded Ratio<br>(b)/(a) | Covered Payroll<br>(c) | UAAL as a percent of Covered Payroll<br>((a-b) / c) |
|----------------|--|----------------------------------|--|-------------------------|------------------------|---|
|                |  |                                  | (Overfunded)<br>AAL<br>(UAAL)<br>(a-b) |                         |                        |   |
| 7/1/2005       | \$ 1,397,236,509                         | \$ 1,156,704,781                 | \$ 240,531,728                         | 82.8%                   | \$ 206,261,519         | 116.6%  |
| 7/1/2006       | 1,507,980,747                            | 1,250,681,091                    | 257,299,656                            | 82.9%                   | 217,024,554            | 118.6%  |
| 7/1/2007       | 1,617,214,275                            | 1,353,435,664                    | 263,778,611                            | 83.7%                   | 225,726,055            | 116.9%  |

**City Other Post Employment Benefits (OPEB)**

| Valuation Date | Actuarial Accrued Liability (AAL)<br>(a) | Actuarial Value of Assets<br>(b) | Unfunded                               | Funded Ratio<br>(b)/(a) | Covered Payroll<br>(c) | UAAL as a percent of Covered Payroll<br>((a-b) / c) |
|----------------|--|----------------------------------|--|-------------------------|------------------------|---|
|                |  |                                  | (Overfunded)<br>AAL<br>(UAAL)<br>(a-b) |                         |                        |   |
| 7/1/2006       | N/A                                      | N/A                              | N/A                                    | N/A                     | N/A                    | N/A   |
| 7/1/2007       | N/A                                      | N/A                              | N/A                                    | N/A                     | N/A                    | N/A   |
| 7/1/2008       | \$ 591,575,250                           | -                                | \$ 591,575,250                         | 0.0%                    | N/A                    | N/A   |

**Port of Oakland Post Employment Benefits (OPEB)**

| Valuation Date | Actuarial Accrued Liability (AAL)<br>(a) | Actuarial Value of Assets<br>(b) | Unfunded                               | Funded Ratio<br>(b)/(a) | Covered Payroll<br>(c) | UAAL as a percent of Covered Payroll<br>((a-b) / c) |
|----------------|--|----------------------------------|--|-------------------------|------------------------|---|
|                |  |                                  | (Overfunded)<br>AAL<br>(UAAL)<br>(a-b) |                         |                        |   |
| 1/1/2007       | \$ 143,594,000                           | -                                | \$ 143,594,000                         | 0.0%                    | \$ 49,400,000          | 291%  |

**CITY OF OAKLAND**  
**Required Supplementary Information**  
**June 30 2008**

**PERS ACTUARIAL VALUATION**  
**SCHEDULE OF FUNDING PROGRESS**

**Oakland Municipal Employees' Retirement System - Pension**

| Valuation<br>Date | Actuarial<br>Accrued<br>Liability (AAL)<br>(a) | Actuarial<br>Value of<br>Assets<br>(b) | Unfunded<br>(Overfunded)<br>AAL<br>(UAAL)<br>(a-b) | Funded<br>Ratio<br>(b)/(a) | Covered<br>Payroll<br>(c) | UAAL as a<br>percent of<br>Covered Payroll<br>((a-b) / c) |
|-------------------|--|--|--|----------------------------|---------------------------|---|
| 7/1/2007 *        | \$ 7,516,000                                   | \$ 9,371,000                           | \$ (1,855,000)                                     | 124.7%                     | -                         | N/A   |

**Oakland Police and Fire Retirement System - Pension**

| Valuation<br>Date | Actuarial<br>Accrued<br>Liability (AAL)<br>(a) | Actuarial<br>Value of<br>Assets<br>(b) | Unfunded<br>(Overfunded)<br>AAL<br>(UAAL)<br>(a-b) | Funded<br>Ratio<br>(b)/(a) | Covered<br>Payroll<br>(c) | UAAL as a<br>percent of<br>Covered Payroll<br>((a-b) / c) |
|-------------------|--|--|--|----------------------------|---------------------------|---|
| 7/1/2007 *        | \$ 888,100,000                                 | \$ 566,000,000                         | \$ 322,100,000                                     | 63.7%                      | \$ 400,000                | 80525%  |

\* The plans used the aggregate actuarial cost method to determine annual required contributions in prior fiscal years. Beginning with the July 1, 2007 actuarial valuation, the entry age normal cost method was used as a surrogate method to meet the disclosure requirements of GASB Statement No. 50.

**CITY OF OAKLAND**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual<br/>Budgetary<br/>Basis</u> | <u>Variance<br/>Positive<br/>(Negative)</u> |
|---|----------------------------|-------------------------|---------------------------------------|---|
| <b>REVENUES</b>                             |                            |                         |                                       |   |
| Taxes:                                      |                            |                         |                                       |   |
| Property                                    | \$ 175,430                 | \$ 175,429              | \$ 201,765                            | \$ 26,336                                   |
| State:                                      |                            |                         |                                       |   |
| Sales and use                               | 48,964                     | 48,964                  | 53,090                                | 4,126                                       |
| Motor vehicle in-lieu                       | 3,043                      | 3,043                   | 1,811                                 | (1,232)                                     |
| Local:                                      |                            |                         |                                       |   |
| Business license                            | 47,920                     | 47,920                  | 52,542                                | 4,622                                       |
| Utility consumption                         | 52,178                     | 52,178                  | 52,524                                | 346   |
| Real estate transfer                        | 67,217                     | 67,217                  | 36,205                                | (31,012)                                    |
| Transient occupancy                         | 12,751                     | 12,756                  | 12,400                                | (356)                                       |
| Parking                                     | 9,455                      | 9,455                   | 8,524                                 | (931)                                       |
| Franchise                                   | 13,480                     | 13,482                  | 13,791                                | 309   |
| Licenses and permits                        | 1,240                      | 1,241                   | 1,612                                 | 371   |
| Fines and penalties                         | 26,656                     | 27,906                  | 21,653                                | (6,253)                                     |
| Interest and investment income              | -                          | -                       | 10,374                                | 10,374                                      |
| Charges for services                        | 62,088                     | 61,208                  | 55,048                                | (6,160)                                     |
| Federal and state grants and subventions    | 1,500                      | 1,583                   | 5,935                                 | 4,352                                       |
| Annuity income                              | 13,200                     | 13,200                  | 2,495                                 | (10,705)                                    |
| Other                                       | 15,481                     | 12,432                  | 11,441                                | (991)                                       |
| <b>TOTAL REVENUES</b>                       | <u>550,603</u>             | <u>548,014</u>          | <u>541,210</u>                        | <u>(6,804)</u>                              |
| <b>EXPENDITURES</b>                         |                            |                         |                                       |   |
| Current:                                    |                            |                         |                                       |   |
| Elected and Appointed Officials-            |                            |                         |                                       |   |
| Mayor                                       | 3,233                      | 3,259                   | 3,172                                 | 87  |
| Council                                     | 3,644                      | 4,283                   | 4,423                                 | (140)                                       |
| City Administrator                          | 11,582                     | 12,041                  | 11,459                                | 582   |
| City Attorney                               | 9,801                      | 9,858                   | 10,112                                | (254)                                       |
| City Auditor                                | 1,428                      | 1,432                   | 1,230                                 | 202   |
| City Clerk                                  | 2,700                      | 2,521                   | 1,906                                 | 615   |
| Agencies/Departments:                       |                            |                         |                                       |   |
| Personnel Resource Management               | 6,154                      | 6,689                   | 6,135                                 | 554   |
| Information Technology                      | 11,066                     | 11,688                  | 11,263                                | 425   |
| Financial Services                          | 26,939                     | 29,151                  | 26,658                                | 2,493                                       |
| Contracting and Purchasing                  | 2,457                      | 2,457                   | 1,997                                 | 460   |
| Police Services                             | 193,673                    | 194,781                 | 203,954                               | (9,173)                                     |
| Fire Services                               | 110,924                    | 110,898                 | 106,006                               | 4,892                                       |
| Life Enrichment:                            |                            |                         |                                       |   |
| Parks and Recreation                        | 16,647                     | 19,089                  | 16,907                                | 2,182                                       |
| Library                                     | 12,743                     | 12,966                  | 11,817                                | 1,149                                       |
| Cultural Arts and Museum                    | 6,278                      | 6,449                   | 6,561                                 | (112)                                       |
| Aging & Health and Human Services           | 6,575                      | 8,285                   | 6,334                                 | 1,951                                       |
| Community and Economic Development          | 4,215                      | 13,989                  | 8,161                                 | 5,828                                       |
| Public Works                                | 38,746                     | 37,008                  | 32,499                                | 4,509                                       |
| Other                                       | 939                        | 3,569                   | 9,115                                 | (5,546)                                     |
| Capital outlay                              | -                          | 7,521                   | 6,718                                 | 803   |
| Debt service:                               |                            |                         |                                       |   |
| Principal repayment                         | 2,268                      | 1,665                   | 1,069                                 | 596   |
| Bond issuance costs                         | -                          | -                       | 268                                   | (268)                                       |
| Interest charges                            | 591                        | 694                     | 733                                   | (39)  |
| <b>TOTAL EXPENDITURES</b>                   | <u>472,603</u>             | <u>500,293</u>          | <u>488,497</u>                        | <u>11,796</u>                               |
| <b>EXCESS OF REVENUES OVER EXPENDITURES</b> | 78,000                     | 47,721                  | 52,713                                | 4,992                                       |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                            |                         |                                       |   |
| Property sale proceeds                      | 707                        | 707                     | 4,044                                 | 3,337                                       |
| Transfers in                                | 51,523                     | 62,872                  | 3,600                                 | (59,272)                                    |
| Transfers out                               | (130,189)                  | (135,609)               | (95,091)                              | 40,518                                      |
| <b>TOTAL OTHER FINANCING USES, NET</b>      | <u>(77,959)</u>            | <u>(72,030)</u>         | <u>(87,447)</u>                       | <u>(15,417)</u>                             |
| <b>NET CHANGE IN FUND BALANCE</b>           | 41                         | (24,309)                | (34,734)                              | (10,425)                                    |
| Fund balances - beginning                   | 288,372                    | 288,372                 | 288,372                               | -   |
| <b>FUND BALANCES - ENDING</b>               | <u>\$288,413</u>           | <u>\$ 264,063</u>       | <u>\$ 253,638</u>                     | <u>\$ (10,425)</u>                          |

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2008**

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**(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 2007, the City Council approved the City's two-year budget for fiscal years 2007-09. 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 2007-08 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.

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2008**

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**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**  
**Notes to Required Supplementary Information**  
**June 30, 2008**

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**(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, 2008, was \$510,835.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

|  | <b>General<br/>Fund</b> |
|--|-------------------------|
| Net change in fund balance - Budgetary basis   | \$ (34,734)             |
| Amortization of debt service deposit agreement | 511                     |
| Net change in fund balance - GAAP basis        | <u>\$ (34,223)</u>      |



**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2008**

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The General Fund's fund balance on a Budgetary Basis is reconciled to that on a GAAP basis as of June 30, 2008, which is as follows (in thousands):

|  | <b>General<br/>Fund</b> |
|--|-------------------------|
| Fund balance as of June 30, 2008 - Budgetary basis | \$ 253,638              |
| Unamortized debt service deposit agreement         | (5,954)                 |
| Fund balance as of June 30, 2008 - GAAP basis      | \$ 247,684              |

General Fund GAAP Basis Fund Balance at June 30, 2008, is composed of the following (in thousands):

|                            | <b>General<br/>Fund</b> |
|----------------------------|-------------------------|
| Reserved:                  |                         |
| Encumbrances               | \$ 6,193                |
| Debt service               | 15,382                  |
| Pension obligations        | 105,000                 |
| Unreserved                 | 121,109                 |
| <b>TOTAL FUND BALANCES</b> | <b>\$ 247,684</b>       |

# COMBINING NONMAJOR GOVERNMENTAL FUNDS

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2008**  
*(In Thousands)*

|  | <u>Special Revenue<br/>Funds</u> | <u>Debt Service<br/>Funds</u> | <u>Capital Projects<br/>Funds</u> | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------------|-------------------------------|-----------------------------------|--|
| <b>ASSETS</b>                              |                                  |                               |                                   |  |
| Cash and investments                       | \$ 59,467                        | \$ 9,555                      | \$ 747                            | \$ 69,769  |
| Receivables, net:                          |                                  |                               |                                   |  |
| Accrued interest and dividends             | 300                              | 33                            | 3                                 | 336  |
| Property taxes                             | 5,411                            | 1,916                         | -                                 | 7,327  |
| Accounts receivable                        | 14,936                           | -                             | -                                 | 14,936   |
| Grants receivable                          | 554                              | -                             | -                                 | 554  |
| Due from other funds                       | 3,887                            | 113                           | -                                 | 4,000  |
| Due from component unit                    | 338                              | -                             | -                                 | 338  |
| Notes and loans receivable, net            | 23,146                           | -                             | -                                 | 23,146   |
| Restricted cash and investments            | -                                | 153,610                       | 14,700                            | 168,310  |
| <b>TOTAL ASSETS</b>                        | <u>\$ 108,039</u>                | <u>\$ 165,227</u>             | <u>\$ 15,450</u>                  | <u>\$ 288,716</u>                                    |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                  |                               |                                   |  |
| <b>Liabilities</b>                         |                                  |                               |                                   |  |
| Accounts payable and accrued liabilities   | \$ 6,859                         | \$ 391                        | \$ 447                            | \$ 7,697   |
| Due to other funds                         | 15,360                           | 958                           | 6,246                             | 22,564   |
| Deferred revenue                           | 27,189                           | 1,351                         | -                                 | 28,540   |
| Other                                      | 5,009                            | -                             | -                                 | 5,009  |
| <b>TOTAL LIABILITIES</b>                   | <u>54,417</u>                    | <u>2,700</u>                  | <u>6,693</u>                      | <u>63,810</u>  |
| <b>Fund Balances</b>                       |                                  |                               |                                   |  |
| Reserved:                                  |                                  |                               |                                   |  |
| Encumbrances                               | 18,314                           | -                             | 401                               | 18,715   |
| Debt service                               | -                                | 162,527                       | -                                 | 162,527  |
| Unreserved/designated:                     |                                  |                               |                                   |  |
| Special revenue funds                      | 35,308                           | -                             | -                                 | 35,308   |
| Capital project funds                      | -                                | -                             | 8,356                             | 8,356  |
| <b>TOTAL FUND BALANCES</b>                 | <u>53,622</u>                    | <u>162,527</u>                | <u>8,757</u>                      | <u>224,906</u>                                       |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 108,039</u>                | <u>\$ 165,227</u>             | <u>\$ 15,450</u>                  | <u>\$ 288,716</u>                                    |

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | Special Revenue<br>Funds | Debt Service<br>Funds | Capital Project<br>Funds | Nonmajor<br>Governmental<br>Total |
|--|--------------------------|-----------------------|--------------------------|-----------------------------------|
| <b>REVENUES</b>                                  |                          |                       |                          |                                   |
| Taxes:   |                          |                       |                          |                                   |
| Property   | \$ 14,595                | \$ 19,930             | \$ -                     | \$ 34,525                         |
| State:   |                          |                       |                          |                                   |
| Sales and use                                    | 11,722                   | -                     | -                        | 11,722                            |
| Gas  | 7,305                    | -                     | -                        | 7,305                             |
| Licenses and permits                             | 17,707                   | -                     | -                        | 17,707                            |
| Parking  | 7,223                    | -                     | -                        | 7,223                             |
| Voter approved special tax                       | 21,117                   | -                     | -                        | 21,117                            |
| Fines and penalties                              | 1,527                    | 193                   | -                        | 1,720                             |
| Interest and investment income                   | 4,163                    | 8,677                 | 910                      | 13,750                            |
| Charges for services                             | 15,720                   | -                     | -                        | 15,720                            |
| Other intergovernmental revenues                 | 33,561                   | -                     | -                        | 33,561                            |
| Federal and state grants and subventions         | 2,602                    | -                     | 52                       | 2,654                             |
| Other  | 4,112                    | 785                   | -                        | 4,897                             |
| <b>TOTAL REVENUES</b>                            | <u>141,354</u>           | <u>29,585</u>         | <u>962</u>               | <u>171,901</u>                    |
| <b>EXPENDITURES</b>                              |                          |                       |                          |                                   |
| Current:   |                          |                       |                          |                                   |
| Elected and Appointed Officials:                 |                          |                       |                          |                                   |
| Mayor  | 602                      | -                     | -                        | 602                               |
| Council  | 1,447                    | -                     | -                        | 1,447                             |
| City Administrator                               | 3,365                    | -                     | -                        | 3,365                             |
| City Attorney                                    | 5,022                    | -                     | -                        | 5,022                             |
| City Auditor                                     | 53                       | -                     | -                        | 53                                |
| City Clerk                                       | 68                       | -                     | -                        | 68                                |
| Agencies/Departments:                            |                          |                       |                          |                                   |
| Personnel Resource Management                    | 1,383                    | -                     | -                        | 1,383                             |
| Information Technology                           | 1,408                    | -                     | -                        | 1,408                             |
| Financial Services                               | 1,321                    | 9                     | -                        | 1,330                             |
| Contracting and Purchasing                       | 283                      | -                     | -                        | 283                               |
| Police Services                                  | 16,341                   | -                     | -                        | 16,341                            |
| Fire Services                                    | 8,502                    | -                     | -                        | 8,502                             |
| Life Enrichment:                                 |                          |                       |                          |                                   |
| Parks and Recreation                             | 3,836                    | -                     | -                        | 3,836                             |
| Library  | 44                       | -                     | -                        | 44                                |
| Cultural Arts/Museum                             | 315                      | -                     | -                        | 315                               |
| Aging & Health and Human Services                | 21,120                   | -                     | -                        | 21,120                            |
| Community and Economic Development               | 62,048                   | -                     | 684                      | 62,732                            |
| Public Works                                     | 34,226                   | -                     | 665                      | 34,891                            |
| Other  | 61                       | 23                    | -                        | 84                                |
| Capital outlay                                   | 10,272                   | -                     | 200                      | 10,472                            |
| Debt service:                                    |                          |                       |                          |                                   |
| Principal repayment                              | -                        | 72,351                | -                        | 72,351                            |
| Bond termination payments                        | -                        | 5,674                 | -                        | 5,674                             |
| Bond issuance cost                               | -                        | 3,942                 | -                        | 3,942                             |
| Interest charges                                 | -                        | 41,058                | -                        | 41,058                            |
| <b>TOTAL EXPENDITURES</b>                        | <u>171,717</u>           | <u>123,057</u>        | <u>1,549</u>             | <u>296,323</u>                    |
| <b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b> | <u>(30,363)</u>          | <u>(93,472)</u>       | <u>(587)</u>             | <u>(124,422)</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                          |                       |                          |                                   |
| Issuance of refunding bonds                      | -                        | 241,410               | -                        | 241,410                           |
| Premiums on issuance of bonds                    | -                        | 11,313                | -                        | 11,313                            |
| Payment to refunding bond escrow agent           | -                        | (221,250)             | -                        | (221,250)                         |
| Transfers in                                     | 16,285                   | 78,806                | -                        | 95,091                            |
| Transfers out                                    | (3,000)                  | -                     | -                        | (3,000)                           |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>      | <u>13,285</u>            | <u>110,279</u>        | <u>-</u>                 | <u>123,564</u>                    |
| <b>NET CHANGE IN FUND BALANCES (DEFICIT)</b>     | <u>(17,078)</u>          | <u>16,807</u>         | <u>(587)</u>             | <u>(858)</u>                      |
| Fund balances - beginning                        | 70,700                   | 145,720               | 9,344                    | 225,764                           |
| <b>FUND BALANCES - ENDING</b>                    | <u>\$ 53,622</u>         | <u>\$ 162,527</u>     | <u>\$ 8,757</u>          | <u>\$ 224,906</u>                 |

# NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds account for certain revenue sources that are legally restricted to be spent for specified purposes. Other restricted sources are accounted for in fiduciary, debt service, and capital projects funds.

**Traffic Safety and Control Fund** accounts for monies received from 3-5% parking meter collections and from fines and forfeitures for misdemeanor violations of vehicle codes which are expended or disbursed for purposes immediately connected with traffic safety and control.

**State Gas Tax Fund** accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses related to local streets and highways and would include acquisitions of real property, construction and improvements, and repairs and maintenance of streets and highways.

The **Landscape and Lighting Assessment District Fund** is an assessment district fund that is used to account for monies restricted to installing, maintaining and servicing public lighting, landscaping and park facilities.

**Assessment Districts Fund** accounts for monies restricted to specific improvements that beneficially affect a well defined and limited area of land.

**Other Special Revenue Funds** account for other restricted monies that are classified as Special Revenue Funds.

**ORA Projects Fund** accounts for monies dedicated to Oakland Redevelopment Agency projects.

**Parks, Recreation, and Cultural Fund** accounts for monies held for the general betterment and beautification of city parks, recreation centers, the Oakland Public Museum, and the Oakland Public Library.

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Special Revenue Funds**  
**June 30, 2008**  
*(In Thousands)*

|  | Traffic<br>Safety &<br>Control | State<br>Gas Tax | Landscape<br>and<br>Lighting<br>Assessmt<br>District | Assessment<br>Districts | Other<br>Special<br>Revenue | ORA<br>Projects | Parks,<br>Recreation,<br>and Cultural | Total             |
|--|--------------------------------|------------------|--|-------------------------|-----------------------------|-----------------|---------------------------------------|-------------------|
| <b>ASSETS</b>  |                                |                  |  |                         |                             |                 |                                       |                   |
| Cash and Investments                                 | \$ 22,444                      | \$ -             | \$ -   | \$ 1,841                | \$ 31,060                   | \$ -            | \$ 4,122                              | \$ 59,467         |
| Receivable, net:                                     |                                |                  |  |                         |                             |                 |                                       |                   |
| Accrued interest and dividends                       | 106                            | -                | -  | 15                      | 161                         | 1               | 17                                    | 300               |
| Property taxes                                       | -                              | -                | 2,763  | 160                     | 2,409                       | -               | 79                                    | 5,411             |
| Accounts receivable                                  | 1,973                          | 2,401            | 73   | 31                      | 10,443                      | -               | 15                                    | 14,936            |
| Grants receivable                                    | 269                            | -                | 2  | -                       | 283                         | -               | -                                     | 554               |
| Due from other funds                                 | -                              | -                | -  | -                       | -                           | 3,887           | -                                     | 3,887             |
| Due from component unit                              | -                              | -                | 338  | -                       | -                           | -               | -                                     | 338               |
| Notes and loans receivable, net                      | -                              | -                | -  | -                       | 23,146                      | -               | -                                     | 23,146            |
| <b>TOTAL ASSETS</b>                                  | <u>\$ 24,792</u>               | <u>\$ 2,401</u>  | <u>\$ 3,176</u>                                      | <u>\$ 2,047</u>         | <u>\$ 67,502</u>            | <u>\$ 3,888</u> | <u>\$ 4,233</u>                       | <u>\$ 108,039</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                 |                                |                  |  |                         |                             |                 |                                       |                   |
| <b>Liabilities</b>                                   |                                |                  |  |                         |                             |                 |                                       |                   |
| Accounts payable and accrued liabilities             | \$ 2,298                       | \$ 16            | \$ 475   | \$ 127                  | \$ 3,400                    | \$ 513          | \$ 30                                 | \$ 6,859          |
| Due to other funds                                   | -                              | 2,398            | 4,160  | -                       | 1,797                       | 7,005           | -                                     | 15,360            |
| Deferred revenues                                    | 105                            | -                | 2,574  | 137                     | 24,313                      | -               | 60                                    | 27,189            |
| Other  | -                              | -                | -  | -                       | 4,691                       | -               | 318                                   | 5,009             |
| <b>TOTAL LIABILITIES</b>                             | <u>2,403</u>                   | <u>2,414</u>     | <u>7,209</u>   | <u>264</u>              | <u>34,201</u>               | <u>7,518</u>    | <u>408</u>                            | <u>54,417</u>     |
| <b>Fund Balances (deficit)</b>                       |                                |                  |  |                         |                             |                 |                                       |                   |
| Reserved:  |                                |                  |  |                         |                             |                 |                                       |                   |
| Encumbrance  | 4,334                          | 228              | 328  | 7                       | 8,566                       | 4,306           | 545                                   | 18,314            |
| Unreserved/designated:                               |                                |                  |  |                         |                             |                 |                                       |                   |
| Unreserved (deficit)                                 | 18,055                         | (241)            | (4,361)  | 1,776                   | 24,735                      | (7,936)         | 3,280                                 | 35,308            |
| <b>TOTAL FUND BALANCES (DEFICIT)</b>                 | <u>22,389</u>                  | <u>(13)</u>      | <u>(4,033)</u>                                       | <u>1,783</u>            | <u>33,301</u>               | <u>(3,630)</u>  | <u>3,825</u>                          | <u>53,622</u>     |
| <b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b> | <u>\$ 24,792</u>               | <u>\$ 2,401</u>  | <u>\$ 3,176</u>                                      | <u>\$ 2,047</u>         | <u>\$ 67,502</u>            | <u>\$ 3,888</u> | <u>\$ 4,233</u>                       | <u>\$ 108,039</u> |

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds-Special Revenue Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | <u>Traffic<br/>Safety &amp;<br/>Control</u> | <u>State<br/>Gas Tax</u> | <u>Landscape<br/>and<br/>Lighting<br/>Assessment<br/>District</u> | <u>Assessment<br/>Districts</u> | <u>Other<br/>Special<br/>Revenue</u> | <u>ORA<br/>Projects</u> | <u>Parks,<br/>Recreation,<br/>and Cultural</u> | <u>Total</u>     |
|--|---|--------------------------|---|---------------------------------|--------------------------------------|-------------------------|--|------------------|
| <b>REVENUES</b>  |   |                          |   |                                 |                                      |                         |  |                  |
| Taxes:   |   |                          |   |                                 |                                      |                         |  |                  |
| Property   | \$ -  | \$ -                     | \$ -  | \$ 1,726                        | \$ 12,869                            | \$ -                    | \$ -   | \$ 14,595        |
| State:   |   |                          |   |                                 |                                      |                         |  |                  |
| Sales and use  | 11,722                                      | -                        | -   | -                               | -                                    | -                       | -  | 11,722           |
| Gas  | -   | 7,305                    | -   | -                               | -                                    | -                       | -  | 7,305            |
| Licenses and permits   | -   | -                        | 23  | -                               | 17,684                               | -                       | -  | 17,707           |
| Parking  | -   | -                        | -   | -                               | 7,223                                | -                       | -  | 7,223            |
| Voter approved special tax   | -   | -                        | 18,185  | -                               | 2,932                                | -                       | -  | 21,117           |
| Fines and penalties  | 1,476                                       | -                        | -   | -                               | 51                                   | -                       | -  | 1,527            |
| Interest and investment income                                       | 1,104                                       | -                        | -   | 36                              | 2,770                                | 102                     | 151  | 4,163            |
| Charges for services   | 129   | 1                        | 326   | 4                               | 15,245                               | -                       | 15   | 15,720           |
| Other intergovernmental revenues                                     | -   | -                        | -   | -                               | -                                    | 33,561                  | -  | 33,561           |
| Federal and state grants and subventions                             | 291   | 138                      | -   | -                               | 2,103                                | -                       | 70   | 2,602            |
| Other  | -   | 19                       | 4   | 479                             | 2,577                                | 341                     | 692  | 4,112            |
| <b>TOTAL REVENUES</b>  | <u>14,722</u>                               | <u>7,463</u>             | <u>18,538</u>   | <u>2,245</u>                    | <u>63,454</u>                        | <u>34,004</u>           | <u>928</u>                                     | <u>141,354</u>   |
| <b>EXPENDITURES</b>  |   |                          |   |                                 |                                      |                         |  |                  |
| Current:   |   |                          |   |                                 |                                      |                         |  |                  |
| Elected and Appointed Officials:                                     |   |                          |   |                                 |                                      |                         |  |                  |
| Mayor  | -   | -                        | -   | -                               | 55                                   | 495                     | 52   | 602              |
| Council  | -   | 5                        | -   | -                               | -                                    | 1,442                   | -  | 1,447            |
| City Administrator   | 30  | -                        | 112   | 4                               | 876                                  | 2,343                   | -  | 3,365            |
| City Attorney  | -   | -                        | 166   | -                               | 1,321                                | 3,535                   | -  | 5,022            |
| City Auditor   | -   | -                        | -   | -                               | -                                    | 53                      | -  | 53               |
| City Clerk   | -   | -                        | -   | -                               | -                                    | 68                      | -  | 68               |
| Agencies/Departments:  |   |                          |   |                                 |                                      |                         |  |                  |
| Personnel Resource Management  | -   | -                        | -   | -                               | 1,274                                | 109                     | -  | 1,383            |
| Information Technology   | -   | -                        | 48  | -                               | 535                                  | 825                     | -  | 1,408            |
| Financial Services   | -   | 148                      | 156   | -                               | 116                                  | 901                     | -  | 1,321            |
| Contracting and Purchasing   | -   | -                        | -   | -                               | -                                    | 283                     | -  | 283              |
| Police Services  | -   | -                        | -   | -                               | 13,914                               | 2,427                   | -  | 16,341           |
| Fire Services  | -   | -                        | -   | 1,598                           | 6,904                                | -                       | -  | 8,502            |
| Life Enrichment:   |   |                          |   |                                 |                                      |                         |  |                  |
| Parks and Recreation   | -   | -                        | 3,537   | -                               | 282                                  | 5                       | 12   | 3,836            |
| Library  | -   | -                        | -   | -                               | 36                                   | -                       | 8  | 44               |
| Cultural Arts and Museum   | -   | -                        | 293   | -                               | -                                    | -                       | 22   | 315              |
| Aging & Health and Human Services                                    | 1,129                                       | -                        | -   | -                               | 19,468                               | 523                     | -  | 21,120           |
| Community and Economic Development                                   | 11,552                                      | 285                      | 185   | 4                               | 35,222                               | 14,763                  | 37   | 62,048           |
| Public Works   | 7,073                                       | 5,659                    | 19,029  | -                               | 371                                  | 2,086                   | 8  | 34,226           |
| Other  | -   | -                        | -   | -                               | 60                                   | -                       | 1  | 61               |
| Capital outlay   | 4,621                                       | 100                      | 4   | -                               | 1,071                                | 4,377                   | 99   | 10,272           |
| <b>TOTAL EXPENDITURES</b>  | <u>24,405</u>                               | <u>6,197</u>             | <u>23,530</u>   | <u>1,606</u>                    | <u>81,505</u>                        | <u>34,235</u>           | <u>239</u>                                     | <u>171,717</u>   |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>(9,683)</u>                              | <u>1,266</u>             | <u>(4,992)</u>  | <u>639</u>                      | <u>(18,051)</u>                      | <u>(231)</u>            | <u>689</u>                                     | <u>(30,363)</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |   |                          |   |                                 |                                      |                         |  |                  |
| Transfers in   | -   | -                        | 3,504   | 148                             | 12,633                               | -                       | -  | 16,285           |
| Transfers out  | -   | -                        | -   | -                               | (3,000)                              | -                       | -  | (3,000)          |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <u>-</u>                                    | <u>-</u>                 | <u>3,504</u>  | <u>148</u>                      | <u>9,633</u>                         | <u>-</u>                | <u>-</u>                                       | <u>13,285</u>    |
| <b>NET CHANGE IN FUND BALANCES (DEFICIT)</b>                         | <u>(9,683)</u>                              | <u>1,266</u>             | <u>(1,488)</u>  | <u>787</u>                      | <u>(8,418)</u>                       | <u>(231)</u>            | <u>689</u>                                     | <u>(17,078)</u>  |
| Fund balances (deficit) - beginning                                  | 32,072                                      | (1,279)                  | (2,545)   | 996                             | 41,719                               | (3,399)                 | 3,136  | 70,700           |
| <b>FUND BALANCES (DEFICIT) - ENDING</b>                              | <u>\$ 22,389</u>                            | <u>\$ (13)</u>           | <u>\$(4,033)</u>  | <u>\$ 1,783</u>                 | <u>\$ 33,301</u>                     | <u>\$(3,630)</u>        | <u>\$ 3,825</u>                                | <u>\$ 53,622</u> |

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|   | Traffic Safety and Control |                 |                  | State Gas Tax                |                   |                   | Landscaping and Lighting District |                              |                   |                   |                   |                              |
|---|----------------------------|-----------------|------------------|------------------------------|-------------------|-------------------|-----------------------------------|------------------------------|-------------------|-------------------|-------------------|------------------------------|
|   | Original Budget            | Final Budget    | Actual           | Variance Positive (Negative) | Original Budget   | Final Budget      | Actual                            | Variance Positive (Negative) | Original Budget   | Final Budget      | Actual            | Variance Positive (Negative) |
| <b>REVENUES</b>   |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Taxes:  |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Property  | \$ -                       | \$ -            | \$ -             | \$ -                         | \$ -              | \$ -              | \$ -                              | \$ -                         | \$ -              | \$ -              | \$ -              | \$ -                         |
| State:  |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Sales and use   | 11,627                     | 11,627          | 11,722           | 95                           | -                 | -                 | -                                 | -                            | -                 | -                 | -                 | -                            |
| Gas   | -                          | -               | -                | -                            | 7,849             | 7,849             | 7,305                             | (544)                        | -                 | -                 | -                 | -                            |
| Voter approved special tax                                | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | 17,832            | 17,832            | 18,185            | 353                          |
| Licenses and permits                                      | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | 13                | 13                | 23                | 10                           |
| Fines and penalties                                       | 1,302                      | 1,302           | 1,476            | 174                          | -                 | -                 | -                                 | -                            | -                 | -                 | -                 | -                            |
| Interest and investment income                            | -                          | -               | 1,104            | 1,104                        | -                 | -                 | -                                 | -                            | -                 | -                 | -                 | -                            |
| Charges for services                                      | 697                        | 697             | 129              | (568)                        | -                 | -                 | 1                                 | 1                            | 58                | 58                | 326               | 268                          |
| Federal and state grants and subventions                  | 80                         | 295             | 291              | (4)                          | -                 | -                 | 138                               | 138                          | -                 | -                 | -                 | -                            |
| Other   | -                          | (213)           | -                | 213                          | -                 | 19                | -                                 | -                            | -                 | 2                 | 4                 | 2                            |
| <b>TOTAL REVENUES</b>                                     | <b>13,706</b>              | <b>13,708</b>   | <b>14,722</b>    | <b>1,014</b>                 | <b>7,849</b>      | <b>7,868</b>      | <b>7,463</b>                      | <b>(405)</b>                 | <b>17,903</b>     | <b>17,905</b>     | <b>18,538</b>     | <b>633</b>                   |
| <b>EXPENDITURES</b>                                       |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Current:  |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Elected and Appointed Officials-                          |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Council   | -                          | -               | -                | -                            | -                 | -                 | 5                                 | 1,092                        | -                 | -                 | -                 | -                            |
| City Administrator  | 61                         | 62              | 30               | (32)                         | -                 | -                 | -                                 | -                            | 107               | 112               | 112               | -                            |
| City Attorney   | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | 166               | 166               | 166               | -                            |
| Agencies/Departments:                                     |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Information Technology                                    | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | 35                | 35                | 48                | (13)                         |
| Financial Services:                                       |                            |                 |                  |                              |                   |                   |                                   |                              | 144               | 144               | 156               | (12)                         |
| Life Enrichment:  |                            |                 |                  |                              |                   |                   |                                   |                              | -                 | -                 | -                 | -                            |
| Parks and Recreation                                      | -                          | -               | -                | -                            | 121               | 121               | 148                               | (27)                         | -                 | -                 | -                 | -                            |
| Museum  | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | 3,325             | 3,326             | 3,537             | (211)                        |
| Aging & Health and Human Services                         | 1,130                      | 1,407           | 1,129            | (278)                        | -                 | -                 | -                                 | -                            | 347               | 347               | 293               | 54                           |
| Community and Economic Development                        | 4,651                      | 19,561          | 11,552           | 8,009                        | -                 | -                 | -                                 | -                            | -                 | -                 | -                 | -                            |
| Public Works  | 9,860                      | 7,863           | 7,073            | 790                          | 7,728             | 7,186             | 5,659                             | 1,527                        | 238               | 238               | 185               | 53                           |
| Other   | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | 18,396            | 18,374            | 19,029            | (655)                        |
| Capital outlay  | 2,504                      | 16,314          | 4,621            | (11,693)                     | -                 | 277               | 100                               | 177                          | -                 | 4                 | 4                 | -                            |
| <b>TOTAL EXPENDITURES</b>                                 | <b>18,206</b>              | <b>45,207</b>   | <b>24,405</b>    | <b>(20,802)</b>              | <b>7,849</b>      | <b>9,906</b>      | <b>6,197</b>                      | <b>3,709</b>                 | <b>22,520</b>     | <b>22,746</b>     | <b>23,530</b>     | <b>(784)</b>                 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (4,500)                    | (31,499)        | (9,683)          | 21,816                       | -                 | (2,038)           | 1,266                             | 3,304                        | (4,617)           | (4,841)           | (4,992)           | (151)                        |
| <b>OTHER FINANCING SOURCES</b>                            |                            |                 |                  |                              |                   |                   |                                   |                              |                   |                   |                   |                              |
| Transfers in  | 4,620                      | 5,270           | -                | 5,270                        | -                 | -                 | -                                 | -                            | 4,618             | 4,618             | 3,504             | (1,114)                      |
| Transfers out   | -                          | -               | -                | -                            | -                 | -                 | -                                 | -                            | -                 | -                 | -                 | -                            |
| <b>TOTAL OTHER FINANCING SOURCES</b>                      | <b>4,620</b>               | <b>5,270</b>    | <b>-</b>         | <b>5,270</b>                 | <b>-</b>          | <b>-</b>          | <b>-</b>                          | <b>-</b>                     | <b>4,618</b>      | <b>4,618</b>      | <b>3,504</b>      | <b>(1,114)</b>               |
| NET CHANGE IN FUND BALANCES (DEFICIT)                     | 120                        | (26,229)        | (9,683)          | 27,086                       | -                 | (2,038)           | 1,266                             | 3,304                        | 1                 | (223)             | (1,488)           | (1,265)                      |
| Fund balances -beginning                                  | 32,072                     | 32,072          | 32,072           | -                            | (1,279)           | (1,279)           | (1,279)                           | -                            | (2,545)           | (2,545)           | (2,545)           | -                            |
| <b>FUND BALANCES (DEFICIT) - ENDING</b>                   | <b>\$ 32,192</b>           | <b>\$ 5,843</b> | <b>\$ 22,389</b> | <b>\$ 27,086</b>             | <b>\$ (1,279)</b> | <b>\$ (3,317)</b> | <b>\$ (13)</b>                    | <b>\$ 3,304</b>              | <b>\$ (2,544)</b> | <b>\$ (2,768)</b> | <b>\$ (4,033)</b> | <b>\$ (1,265)</b>            |

(Continued)



**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | Assessment Districts |               |                 | Other Special Revenue        |                  |                 |                  |                              |
|--|----------------------|---------------|-----------------|------------------------------|------------------|-----------------|------------------|------------------------------|
|  | Original Budget      | Final Budget  | Actual          | Variance Positive (Negative) | Original Budget  | Final Budget    | Actual           | Variance Positive (Negative) |
| <b>REVENUES</b>                              |                      |               |                 |                              |                  |                 |                  |                              |
| Taxes:                                       |                      |               |                 |                              |                  |                 |                  |                              |
| Property                                     | \$ 1,833             | \$ 1,833      | \$ 1,726        | \$ (107)                     | \$ 12,976        | \$ 12,976       | 12,869           | \$ (107)                     |
| State:                                       | -                    | -             | -               | -                            | -                | -               | -                | -                            |
| Sales and use                                | -                    | -             | -               | -                            | -                | -               | -                | -                            |
| Gas  | -                    | -             | -               | -                            | -                | -               | -                | -                            |
| Voter approved special tax                   | -                    | -             | -               | -                            | 7,836            | 7,836           | 7,223            | (613)                        |
| Parking                                      | -                    | -             | -               | -                            | 2,826            | 2,932           | 106              | 106                          |
| Licenses and permits                         | -                    | -             | -               | -                            | 24,265           | 24,265          | 17,684           | (6,581)                      |
| Fines and penalties                          | -                    | -             | -               | -                            | 21               | 21              | 51               | 30                           |
| Interest and investment income               | -                    | -             | 36              | 36                           | 217              | 217             | 2,770            | 2,553                        |
| Charges for services                         | -                    | -             | 4               | 4                            | 13,597           | 13,598          | 15,245           | 1,647                        |
| Federal and state grants and subventions     | -                    | -             | -               | -                            | 4,218            | 5,068           | 2,103            | (2,965)                      |
| Other  | 2                    | 2             | 479             | 477                          | 83               | 1,541           | 2,577            | 1,036                        |
| <b>TOTAL REVENUES</b>                        | <u>1,835</u>         | <u>1,835</u>  | <u>2,245</u>    | <u>410</u>                   | <u>65,822</u>    | <u>68,348</u>   | <u>63,454</u>    | <u>(4,894)</u>               |
| <b>EXPENDITURES</b>                          |                      |               |                 |                              |                  |                 |                  |                              |
| Current:                                     |                      |               |                 |                              |                  |                 |                  |                              |
| Elected and Appointed Officials-             |                      |               |                 |                              |                  |                 |                  |                              |
| Mayor  | -                    | -             | -               | -                            | -                | 118             | 55               | 63                           |
| City Administrator                           | 3                    | 4             | 4               | -                            | 889              | 1,356           | 876              | 480                          |
| City Attorney                                | -                    | -             | -               | -                            | 1,321            | 1,321           | -                | -                            |
| City Auditor                                 | -                    | -             | -               | -                            | -                | 34              | -                | 34                           |
| Agencies/Departments:                        |                      |               |                 |                              |                  |                 |                  |                              |
| Personnel Resource Management                | -                    | -             | -               | -                            | -                | 2,000           | 1,274            | 726                          |
| Information Technology                       | -                    | -             | -               | -                            | 441              | 535             | 535              | -                            |
| Financial Services                           | -                    | -             | -               | -                            | 71               | 103             | 116              | (13)                         |
| Police Services                              | -                    | -             | -               | -                            | 10,283           | 17,909          | 13,914           | 3,995                        |
| Fire Services                                | 1,818                | 2,018         | 1,598           | 420                          | 7,692            | 12,497          | 6,904            | 5,593                        |
| Life Enrichment:                             |                      |               |                 |                              |                  |                 |                  |                              |
| Parks and Recreation                         | -                    | -             | -               | -                            | -                | 373             | 282              | 91                           |
| Library                                      | -                    | -             | -               | -                            | -                | 150             | 36               | 114                          |
| Aging, Health and Human Services             | -                    | -             | -               | -                            | 19,084           | 29,581          | 19,468           | 10,113                       |
| Community and Economic Development           | 500                  | 499           | 4               | 495                          | 34,719           | 43,405          | 35,222           | 8,183                        |
| Public Works                                 | -                    | -             | -               | -                            | 225              | 1,541           | 371              | 1,170                        |
| Other  | -                    | -             | -               | -                            | -                | 114             | 60               | 54                           |
| Capital outlay                               | -                    | -             | -               | -                            | 50               | 3,721           | 1,071            | 2,650                        |
| <b>TOTAL EXPENDITURES</b>                    | <u>2,321</u>         | <u>2,521</u>  | <u>1,606</u>    | <u>915</u>                   | <u>74,775</u>    | <u>114,758</u>  | <u>81,505</u>    | <u>33,253</u>                |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>       | <u>(486)</u>         | <u>(686)</u>  | <u>639</u>      | <u>1,325</u>                 | <u>(8,953)</u>   | <u>(46,410)</u> | <u>(18,051)</u>  | <u>28,359</u>                |
| <b>OVER (UNDER) EXPENDITURES</b>             |                      |               |                 |                              |                  |                 |                  |                              |
| <b>OTHER FINANCING SOURCES (USES)</b>        |                      |               |                 |                              |                  |                 |                  |                              |
| Transfers in                                 | 369                  | 369           | 148             | 221                          | 12,633           | 13,632          | 12,633           | (999)                        |
| Transfers out                                | -                    | -             | -               | -                            | (3,000)          | (3,000)         | (3,000)          | -                            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>  | <u>369</u>           | <u>369</u>    | <u>148</u>      | <u>221</u>                   | <u>9,633</u>     | <u>10,632</u>   | <u>9,633</u>     | <u>(999)</u>                 |
| <b>NET CHANGE IN FUND BALANCES (DEFICIT)</b> | <u>(117)</u>         | <u>(317)</u>  | <u>787</u>      | <u>1,546</u>                 | <u>680</u>       | <u>(35,778)</u> | <u>(8,418)</u>   | <u>27,360</u>                |
| Fund balances - beginning                    | 996                  | 996           | 996             | -                            | 41,719           | 41,719          | 41,719           | -                            |
| <b>FUND BALANCES - ENDING</b>                | <u>\$ 879</u>        | <u>\$ 679</u> | <u>\$ 1,783</u> | <u>\$ 1,546</u>              | <u>\$ 42,399</u> | <u>\$ 5,941</u> | <u>\$ 33,301</u> | <u>\$ 27,360</u>             |

# NONMAJOR DEBT

## SERVICE FUNDS

Debt service funds account for the accumulation of resources to be used for the payment of general long-term debt principal and interest.

The **General Obligation Bonds Fund** accounts for monies received in connection with the General Obligation Bonds and the related payments on such debt. Proceeds from the General Obligation Bonds are to be used by the City to expand and develop park and recreation facilities, and to enhance the City's emergency response capabilities and for seismic reinforcement of essential public facilities and infrastructure.

The **Lease Financing Fund** accounts for monies received in connection with leases between the City and the Agency, and the City and the California Statewide Communities Development Authority. It also accounts for payments on bonds and other debt issued for the Oakland Museum, for capital improvements to certain City properties, and for the Scotlan and Kaiser Convention Centers.

The **Civic Improvement Fund** accounts for monies received in connection with leases between the City and the Civic Improvement Corporation.

The **JPFA Fund** accounts for monies received in connection with leases between the City and the JPFA.

The **Other Assessment Bonds Fund** accounts for special assessment monies received from property owners within the various special assessment districts to liquidate the improvement bonds. These districts include Rockridge Area Water Improvement, and the Fire Area Utility Underground.

The **Special Revenue Bonds Fund** accounts for monies received in connection with the Special Refunding Revenue Bonds (Pension Financing) and for payments on such bonds. Proceeds from the bonds were used by the City to fund a portion of the City's liability for employee pensions.

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Debt Service Funds**  
**June 30, 2008**  
*(In Thousands)*

|  | General<br>Obligation<br>Bonds | Lease<br>Financing | Civic<br>Improvement | JPFA<br>Fund | Other<br>Assessment<br>Bonds | Special<br>Revenue<br>Bonds | Total      |
|--|--------------------------------|--------------------|----------------------|--------------|------------------------------|-----------------------------|------------|
| <b>ASSETS</b>  |                                |                    |                      |              |                              |                             |            |
| Cash and investments                                 | \$ 5,972                       | \$ -               | \$ -                 | \$ 308       | \$ 3,171                     | \$ 104                      | \$ 9,555   |
| Receivables, net:                                    |                                |                    |                      |              |                              |                             |            |
| Accrued interest and dividends                       | 32                             | -                  | -                    | 1            | -                            | -                           | 33         |
| Property taxes                                       | 1,833                          | -                  | -                    | -            | 83                           | -                           | 1,916      |
| Due from other funds                                 | -                              | -                  | 113                  | -            | -                            | -                           | 113        |
| Restricted cash and investments                      | -                              | 3                  | 23,511               | 115,911      | 1,143                        | 13,042                      | 153,610    |
| <b>TOTAL ASSETS</b>                                  | \$ 7,837                       | \$ 3               | \$ 23,624            | \$ 116,220   | \$ 4,397                     | \$ 13,146                   | \$ 165,227 |
| <b>LIABILITIES AND FUND BALANCES</b>                 |                                |                    |                      |              |                              |                             |            |
| <b>Liabilities</b>                                   |                                |                    |                      |              |                              |                             |            |
| Accounts payable and accrued liabilities             | -                              | -                  | -                    | 210          | \$ 6                         | \$ 175                      | \$ 391     |
| Due to other funds                                   | -                              | 507                | 451                  | -            | -                            | -                           | 958        |
| Deferred revenue                                     | 1,280                          | -                  | -                    | -            | 71                           | -                           | 1,351      |
| <b>TOTAL LIABILITIES</b>                             | 1,280                          | 507                | 451                  | 210          | 77                           | 175                         | 2,700      |
| <b>Fund Balances (Deficit)</b>                       |                                |                    |                      |              |                              |                             |            |
| Reserved:  |                                |                    |                      |              |                              |                             |            |
| Reserved for debt service                            | 6,557                          | (504)              | 23,173               | 116,010      | 4,320                        | 12,971                      | 162,527    |
| <b>TOTAL FUND BALANCES (DEFICIT)</b>                 | 6,557                          | (504)              | 23,173               | 116,010      | 4,320                        | 12,971                      | 162,527    |
| <b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b> | \$ 7,837                       | \$ 3               | \$ 23,624            | \$ 116,220   | \$ 4,397                     | \$ 13,146                   | \$ 165,227 |

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds-Debt Service Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | General<br>Obligation<br>Bonds | Lease<br>Financing | Civic<br>Improvement | JPFA<br>Fund      | Other<br>Assessment<br>Bonds | Special<br>Revenue<br>Bonds | Total             |
|--|--------------------------------|--------------------|----------------------|-------------------|------------------------------|-----------------------------|-------------------|
| <b>REVENUES</b>  |                                |                    |                      |                   |                              |                             |                   |
| Property taxes   | \$ 19,930                      | -                  | \$ -                 | \$ -              | \$ -                         | \$ -                        | \$ 19,930         |
| Fines and penalties  | 193                            | -                  | -                    | -                 | -                            | -                           | 193               |
| Interest and investment income                                       | 246                            | -                  | 2,651                | 5,509             | 160                          | 111                         | 8,677             |
| Other  | -                              | -                  | -                    | -                 | 785                          | -                           | 785               |
| <b>TOTAL REVENUES</b>  | <u>20,369</u>                  | <u>-</u>           | <u>2,651</u>         | <u>5,509</u>      | <u>945</u>                   | <u>111</u>                  | <u>29,585</u>     |
| <b>EXPENDITURES</b>  |                                |                    |                      |                   |                              |                             |                   |
| Agencies/Departments:  |                                |                    |                      |                   |                              |                             |                   |
| Financial services   | -                              | -                  | -                    | -                 | 9                            | -                           | 9                 |
| Other  | 8                              | -                  | -                    | 11                | 3                            | 1                           | 23                |
| Debt Service:  |                                |                    |                      |                   |                              |                             |                   |
| Principal repayment  | 8,111                          | 12,250             | 2,400                | 9,150             | 520                          | 39,920                      | 72,351            |
| Bond termination payments  | -                              | -                  | -                    | 5,674             | -                            | -                           | 5,674             |
| Bond issuance cost   | -                              | -                  | -                    | 2,054             | -                            | 1,888                       | 3,942             |
| Interest charges   | 11,167                         | 5,383              | 955                  | 9,327             | 358                          | 13,868                      | 41,058            |
| <b>TOTAL EXPENDITURES</b>  | <u>19,286</u>                  | <u>17,633</u>      | <u>3,355</u>         | <u>26,216</u>     | <u>890</u>                   | <u>55,677</u>               | <u>123,057</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>1,083</u>                   | <u>(17,633)</u>    | <u>(704)</u>         | <u>(20,707)</u>   | <u>55</u>                    | <u>(55,566)</u>             | <u>(93,472)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>                                |                                |                    |                      |                   |                              |                             |                   |
| Issuance of debt   | -                              | -                  | -                    | 113,450           | -                            | 127,960                     | 241,410           |
| Premiums on issuance of bonds  | -                              | -                  | -                    | 5,489             | -                            | 5,824                       | 11,313            |
| Payment to refunding bond escrow agent                               | -                              | -                  | -                    | (102,150)         | -                            | (119,100)                   | (221,250)         |
| Transfers in   | -                              | 17,610             | -                    | 7,985             | -                            | 53,211                      | 78,806            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                          | <u>-</u>                       | <u>17,610</u>      | <u>-</u>             | <u>24,774</u>     | <u>-</u>                     | <u>67,895</u>               | <u>110,279</u>    |
| <b>NET CHANGE IN FUND BALANCES (DEFICIT)</b>                         | <u>1,083</u>                   | <u>(23)</u>        | <u>(704)</u>         | <u>4,067</u>      | <u>55</u>                    | <u>12,329</u>               | <u>16,807</u>     |
| Fund balances (deficit) - beginning                                  | 5,474                          | (481)              | 23,877               | 111,943           | 4,265                        | 642                         | 145,720           |
| <b>FUND BALANCES (DEFICIT) - ENDING</b>                              | <u>\$ 6,557</u>                | <u>\$ (504)</u>    | <u>\$ 23,173</u>     | <u>\$ 116,010</u> | <u>\$ 4,320</u>              | <u>\$ 12,971</u>            | <u>\$ 162,527</u> |

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | General Obligation Bonds |                 |                 | Lease Financing              |                 |                 | Civic Improvement |                  |                  | Variance Positive (Negative) |                   |
|--|--------------------------|-----------------|-----------------|------------------------------|-----------------|-----------------|-------------------|------------------|------------------|------------------------------|-------------------|
|  | Original Budget          | Final Budget    | Actual          | Variance Positive (Negative) | Original Budget | Final Budget    | Actual            | Original Budget  | Final Budget     |                              | Actual            |
| <b>REVENUES</b>  |                          |                 |                 |                              |                 |                 |                   |                  |                  |                              |                   |
| Taxes:   |                          |                 |                 |                              |                 |                 |                   |                  |                  |                              |                   |
| Property   | \$ 19,300                | \$ 19,300       | \$ 19,930       | \$ 630                       | \$ -            | \$ -            | \$ -              | \$ -             | \$ -             | \$ -                         | \$ -              |
| Fines and penalties  | -                        | -               | 193             | 193                          | -               | -               | -                 | -                | -                | -                            | -                 |
| Interest and investment income                                   | -                        | -               | 246             | 246                          | 7               | 7               | -                 | 3,579            | 3,579            | 2,651                        | (928)             |
| Other  | -                        | -               | -               | -                            | 21,500          | 21,500          | -                 | -                | -                | -                            | -                 |
| <b>TOTAL REVENUES</b>  | <b>19,300</b>            | <b>19,300</b>   | <b>20,369</b>   | <b>1,069</b>                 | <b>21,507</b>   | <b>21,507</b>   | <b>-</b>          | <b>3,579</b>     | <b>3,579</b>     | <b>2,651</b>                 | <b>(928)</b>      |
| <b>EXPENDITURES</b>  |                          |                 |                 |                              |                 |                 |                   |                  |                  |                              |                   |
| Current:   |                          |                 |                 |                              |                 |                 |                   |                  |                  |                              |                   |
| Other  | 22                       | 22              | 8               | 14                           | 12              | 12              | -                 | 12               | 12               | -                            | 12                |
| Debt service:  |                          |                 |                 |                              |                 |                 |                   |                  |                  |                              |                   |
| Principal repayment  | 8,111                    | 8,111           | 8,111           | -                            | 33,750          | 33,750          | 12,250            | 2,400            | 2,400            | 2,400                        | -                 |
| Bond issuance cost   | -                        | -               | -               | -                            | -               | -               | -                 | -                | -                | -                            | -                 |
| Interest charges   | 11,167                   | 11,167          | 11,167          | -                            | 5,374           | 5,374           | 5,383             | 1,167            | 1,167            | 955                          | 212               |
| <b>TOTAL EXPENDITURES</b>  | <b>19,300</b>            | <b>19,300</b>   | <b>19,286</b>   | <b>14</b>                    | <b>39,136</b>   | <b>39,136</b>   | <b>17,633</b>     | <b>3,579</b>     | <b>3,579</b>     | <b>3,355</b>                 | <b>224</b>        |
| <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b> | <b>-</b>                 | <b>-</b>        | <b>1,083</b>    | <b>1,083</b>                 | <b>(17,629)</b> | <b>(17,629)</b> | <b>(17,633)</b>   | <b>-</b>         | <b>-</b>         | <b>(704)</b>                 | <b>(704)</b>      |
| <b>OTHER FINANCING SOURCES (USES)</b>                            |                          |                 |                 |                              |                 |                 |                   |                  |                  |                              |                   |
| Transfers in   | -                        | -               | -               | -                            | 17,630          | 17,630          | 17,610            | -                | -                | -                            | -                 |
| Transfers out  | -                        | -               | -               | -                            | -               | -               | -                 | -                | -                | -                            | -                 |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                      | <b>-</b>                 | <b>-</b>        | <b>-</b>        | <b>-</b>                     | <b>17,630</b>   | <b>17,630</b>   | <b>17,610</b>     | <b>-</b>         | <b>-</b>         | <b>-</b>                     | <b>-</b>          |
| <b>NET CHANGE IN FUND BALANCES (DEFICIT)</b>                     | <b>3,211</b>             | <b>3,211</b>    | <b>1,083</b>    | <b>1,083</b>                 | <b>(442)</b>    | <b>(442)</b>    | <b>(23)</b>       | <b>24,437</b>    | <b>24,437</b>    | <b>(704)</b>                 | <b>(704)</b>      |
| Fund balances (deficit) - beginning                              | -                        | -               | 5,474           | 2,263                        | (442)           | (442)           | (481)             | -                | -                | 23,877                       | (560)             |
| <b>FUND BALANCES (DEFICIT) - ENDING</b>                          | <b>\$ 3,211</b>          | <b>\$ 3,211</b> | <b>\$ 6,557</b> | <b>\$ 3,346</b>              | <b>\$ (441)</b> | <b>\$ (441)</b> | <b>\$ (504)</b>   | <b>\$ 24,437</b> | <b>\$ 24,437</b> | <b>\$ 23,173</b>             | <b>\$ (1,264)</b> |

(Continued)

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Debt Service Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

(Continued)

|   | JPFA Fund         |                   |                   | Other Assessment Bonds       |                 |                 | Special Revenue Bonds |                              |                 |                  |                  |                              |
|---|-------------------|-------------------|-------------------|------------------------------|-----------------|-----------------|-----------------------|------------------------------|-----------------|------------------|------------------|------------------------------|
|   | Original Budget   | Final Budget      | Actual            | Variance Positive (Negative) | Original Budget | Final Budget    | Actual                | Variance Positive (Negative) | Original Budget | Final Budget     | Actual           | Variance Positive (Negative) |
| <b>REVENUES</b>                             |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Property                                    | \$ -              | \$ -              | \$ -              | \$ -                         | \$ -            | \$ -            | \$ -                  | \$ -                         | \$ -            | \$ -             | \$ -             | \$ -                         |
| Fines and penalties                         | -                 | -                 | -                 | -                            | -               | -               | -                     | -                            | -               | -                | -                | -                            |
| Interest and investment income              | 5,453             | 5,453             | 5,509             | 56                           | -               | -               | 160                   | 160                          | -               | -                | 111              | 111                          |
| Other                                       | -                 | -                 | -                 | -                            | 717             | 717             | 785                   | 68                           | -               | -                | -                | -                            |
| <b>TOTAL REVENUES</b>                       | <b>5,453</b>      | <b>5,453</b>      | <b>5,509</b>      | <b>56</b>                    | <b>717</b>      | <b>717</b>      | <b>945</b>            | <b>228</b>                   | <b>-</b>        | <b>-</b>         | <b>111</b>       | <b>111</b>                   |
| <b>EXPENDITURES</b>                         |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Current:                                    |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Agencies/Departments:                       |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Financial Services                          |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Other                                       | 6                 | 6                 | 11                | (5)                          | 31              | 31              | 9                     | 22                           | 22              | 22               | 1                | 21                           |
| Debt service:                               |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Principal repayment                         | 9,150             | 9,150             | 9,150             | -                            | 305             | 520             | 520                   | -                            | 39,920          | 39,920           | 39,920           | -                            |
| Bond termination payments                   | -                 | 5,674             | 5,674             | -                            | -               | -               | -                     | -                            | -               | 1,888            | 1,888            | -                            |
| Bond issuance cost                          | -                 | 2,054             | 2,054             | -                            | -               | -               | -                     | -                            | 13,770          | 13,928           | 13,868           | 60                           |
| Interest charges                            | 9,763             | 9,839             | 9,327             | 512                          | 358             | 358             | 358                   | -                            | 53,712          | 55,758           | 55,677           | 81                           |
| <b>TOTAL EXPENDITURES</b>                   | <b>18,919</b>     | <b>26,723</b>     | <b>26,216</b>     | <b>507</b>                   | <b>718</b>      | <b>933</b>      | <b>890</b>            | <b>43</b>                    | <b>53,712</b>   | <b>55,758</b>    | <b>55,677</b>    | <b>81</b>                    |
| <b>EXCESS (DEFICIENCY) OF REVENUES</b>      | <b>(13,466)</b>   | <b>(21,270)</b>   | <b>(20,707)</b>   | <b>563</b>                   | <b>(1)</b>      | <b>(216)</b>    | <b>55</b>             | <b>271</b>                   | <b>(53,712)</b> | <b>(55,758)</b>  | <b>(55,566)</b>  | <b>192</b>                   |
| <b>OVER (UNDER) EXPENDITURES</b>            |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                   |                   |                   |                              |                 |                 |                       |                              |                 |                  |                  |                              |
| Proceeds from bonds issuance                | -                 | 113,450           | 113,450           | -                            | -               | 10              | -                     | -                            | -               | 127,960          | 127,960          | -                            |
| Premiums on issuance of bonds               | -                 | 5,489             | 5,489             | -                            | -               | -               | -                     | -                            | -               | 5,824            | 5,824            | -                            |
| Payment to refunding bond escrow agent      | 13,465            | (102,150)         | (102,150)         | (5,556)                      | 663             | 854             | -                     | (854)                        | 53,711          | (119,100)        | (119,100)        | -                            |
| Transfers in                                | -                 | 13,541            | 7,985             | (5,556)                      | (663)           | (1,184)         | -                     | 1,184                        | -               | 53,869           | 53,211           | (658)                        |
| Transfers out                               | -                 | -                 | -                 | -                            | -               | (320)           | -                     | 330                          | -               | -                | -                | -                            |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> | <b>13,465</b>     | <b>30,330</b>     | <b>24,774</b>     | <b>(5,556)</b>               | <b>-</b>        | <b>(320)</b>    | <b>-</b>              | <b>330</b>                   | <b>53,711</b>   | <b>68,553</b>    | <b>67,895</b>    | <b>(658)</b>                 |
| <b>NET CHANGE IN FUND BALANCES</b>          | <b>(1)</b>        | <b>9,060</b>      | <b>4,067</b>      | <b>(4,993)</b>               | <b>(1)</b>      | <b>(536)</b>    | <b>55</b>             | <b>601</b>                   | <b>(1)</b>      | <b>12,795</b>    | <b>12,329</b>    | <b>(466)</b>                 |
| Fund balances - beginning                   | 111,943           | 111,943           | 111,943           | -                            | 4,265           | 4,265           | 4,265                 | -                            | 642             | 642              | 642              | -                            |
| <b>FUND BALANCES - ENDING</b>               | <b>\$ 111,942</b> | <b>\$ 121,003</b> | <b>\$ 116,010</b> | <b>\$ (4,993)</b>            | <b>\$ 4,264</b> | <b>\$ 3,729</b> | <b>\$ 4,320</b>       | <b>\$ 601</b>                | <b>\$ 641</b>   | <b>\$ 13,437</b> | <b>\$ 12,971</b> | <b>\$ (466)</b>              |

# NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources to be used for the acquisition, construction or improvement of major capital facilities, except those financed by proprietary funds.

The **Parks and Recreation Fund** accounts for monies from the issuance of the General Obligation Bonds to be used for financing the acquisition of land and to expand, develop, and rehabilitate park and recreational facilities.

The **Emergency Services Fund** accounts for monies from the issuance of the General Obligation Bonds to be used for financing the enhancement of emergency response capabilities and seismic reinforcement of essential public facilities and infrastructures.

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Capital Projects Funds**  
**June 30, 2008**  
*(In Thousands)*

|  | <u>Parks<br/>and<br/>Recreation</u> | <u>Emergency<br/>Services</u> | <u>Total</u>     |
|--|-------------------------------------|-------------------------------|------------------|
| <b>ASSETS</b>                              |                                     |                               |                  |
| Cash and investments                       | \$ 747                              | \$ -                          | \$ 747           |
| Receivables, net:                          |                                     |                               |                  |
| Accrued interest and dividends             | 3                                   | -                             | 3                |
| Restricted cash and investments            | <u>\$ 2,953</u>                     | <u>\$11,747</u>               | <u>\$ 14,700</u> |
| <b>TOTAL ASSETS</b>                        | <u>\$ 3,703</u>                     | <u>\$11,747</u>               | <u>\$ 15,450</u> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                                     |                               |                  |
| <b>Liabilities</b>                         |                                     |                               |                  |
| Accounts payable and accrued liabilities   | \$ 8                                | \$ 439                        | \$ 447           |
| Due to other funds                         | <u>-</u>                            | <u>6,246</u>                  | <u>6,246</u>     |
| <b>TOTAL LIABILITIES</b>                   | <u>8</u>                            | <u>6,685</u>                  | <u>6,693</u>     |
| <b>Fund balances</b>                       |                                     |                               |                  |
| Reserved:                                  |                                     |                               |                  |
| Encumbrance                                | 45                                  | 356                           | 401              |
| Unreserved/designated:                     |                                     |                               |                  |
| Projects                                   | <u>3,650</u>                        | <u>4,706</u>                  | <u>8,356</u>     |
| <b>TOTAL FUND BALANCES</b>                 | <u>3,695</u>                        | <u>5,062</u>                  | <u>8,757</u>     |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 3,703</u>                     | <u>\$11,747</u>               | <u>\$ 15,450</u> |



**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds-Capital Projects Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | <u>Parks<br/>and<br/>Recreation</u> | <u>Emergency<br/>Services</u> | <u>Total</u>    |
|--|-------------------------------------|-------------------------------|-----------------|
| <b>REVENUES</b>                          |                                     |                               |                 |
| Interest and investment income           | \$ 605                              | \$ 305                        | \$ 910          |
| Federal and state grants and subventions | <u>-</u>                            | <u>52</u>                     | <u>52</u>       |
| <b>TOTAL REVENUES</b>                    | <u>605</u>                          | <u>357</u>                    | <u>962</u>      |
| <b>EXPENDITURES</b>                      |                                     |                               |                 |
| Current:                                 |                                     |                               |                 |
| Agencies/departments:                    |                                     |                               |                 |
| Community and Economic Development       | 108                                 | 576                           | 684             |
| Public Works                             | 96                                  | 569                           | 665             |
| Capital outlay                           | <u>175</u>                          | <u>25</u>                     | <u>200</u>      |
| <b>TOTAL EXPENDITURES</b>                | <u>379</u>                          | <u>1,170</u>                  | <u>1,549</u>    |
| <b>DEFICIENCY OF REVENUES</b>            |                                     |                               |                 |
| <b>UNDER EXPENDITURES</b>                | <u>226</u>                          | <u>(813)</u>                  | <u>(587)</u>    |
| <b>NET CHANGE IN FUND BALANCES</b>       | 226                                 | (813)                         | (587)           |
| Fund balances - beginning                | <u>3,469</u>                        | <u>5,875</u>                  | <u>9,344</u>    |
| <b>FUND BALANCES - ENDING</b>            | <u>\$ 3,695</u>                     | <u>\$ 5,062</u>               | <u>\$ 8,757</u> |

**CITY OF OAKLAND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Capital Project Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | Parks and Recreation |                 |          | Emergency Services |                 |          | Variance<br>Positive<br>(Negative) |
|--|----------------------|-----------------|----------|--------------------|-----------------|----------|------------------------------------|
|  | Original<br>Budget   | Final<br>Budget | Actual   | Original<br>Budget | Final<br>Budget | Actual   |                                    |
| <b>REVENUES</b>                              |                      |                 |          |                    |                 |          |                                    |
| Interest and investment income               | \$ -                 | \$ 600          | \$ 605   | \$ -               | \$ -            | \$ 305   | \$ 305                             |
| Federal and state grants and subventions     | -                    | -               | -        | -                  | -               | 52       | 52                                 |
| <b>TOTAL REVENUES</b>                        | -                    | 600             | 605      | -                  | -               | 357      | 357                                |
| <b>EXPENDITURES</b>                          |                      |                 |          |                    |                 |          |                                    |
| Current:                                     |                      |                 |          |                    |                 |          |                                    |
| Parks and Recreation                         | -                    | -               | -        | -                  | 17              | -        | 17                                 |
| Community and Economic Development           | -                    | 680             | 108      | -                  | 1,797           | 576      | 1,221                              |
| Public Works                                 | -                    | 1,937           | 96       | -                  | 3,807           | 569      | 3,238                              |
| Capital outlay                               | -                    | 194             | 175      | -                  | 1,633           | 25       | 1,608                              |
| <b>TOTAL EXPENDITURES</b>                    | -                    | 2,811           | 379      | -                  | 7,254           | 1,170    | 6,084                              |
| <b>NET CHANGE IN FUND BALANCES (DEFICIT)</b> | -                    | (2,211)         | 226      | -                  | (7,254)         | (813)    | 6,441                              |
| Fund balances - beginning                    | 4,368                | 4,368           | 3,469    | 5,875              | 5,875           | 5,875    | -                                  |
| <b>FUND BALANCES (DEFICIT) - ENDING</b>      | \$ 4,368             | \$ 2,157        | \$ 3,695 | \$ 5,875           | \$ (1,379)      | \$ 5,062 | \$ 6,441                           |

# INTERNAL SERVICE FUNDS

Internal service funds account for operations that provide goods or services to other City departments and agencies, or to other governments, on a cost-reimbursement basis.

The **Equipment Fund** accounts for the purchase of automotive and rolling equipment, and the related maintenance service charges and related billings for various City departments.

The **Radio Fund** accounts for the purchase, maintenance and operation of radio and other communication equipment being used by various City departments.

The **Facilities Fund** accounts for the repair and maintenance of City facilities, and for provision of custodial and maintenance services related thereto.

The **Reproduction Fund** accounts for the acquisition, maintenance and provision of reproduction equipment and services related to normal governmental operations.

The **Central Stores Fund** accounts for inventory provided to various City departments on a cost reimbursement basis.

The **Purchasing Fund** accounts for procurement of materials, equipments and services essential to providing governmental services for the City.

**CITY OF OAKLAND**  
**Combining Statement of Fund Net Assets**  
**Internal Service Funds**  
**June 30, 2008**  
*(In Thousands)*

|   | <u>Equipment</u> | <u>Radio</u> | <u>Facilities</u> | <u>Reproduction</u> | <u>Central Stores</u> | <u>Purchasing</u> | <u>Total</u> |
|---|------------------|--------------|-------------------|---------------------|-----------------------|-------------------|--------------|
| <b>ASSETS</b>                                   |                  |              |                   |                     |                       |                   |              |
| Current assets:                                 |                  |              |                   |                     |                       |                   |              |
| Cash and Investments                            | \$ -             | \$ 64        | \$ -              | \$ -                | \$ -                  | \$ -              | \$ 64        |
| Accounts receivable                             | 92               | 8            | 51                | -                   | -                     | 3                 | 154          |
| Due from other funds                            | -                | -            | -                 | -                   | -                     | 74                | 74           |
| Inventories                                     | 223              | -            | -                 | -                   | 913                   | -                 | 1,136        |
| Restricted cash and investments                 | 4,233            | 477          | -                 | -                   | -                     | -                 | 4,710        |
| Total Current assets                            | 4,548            | 549          | 51                | -                   | 913                   | 77                | 6,138        |
| Non-current assets:                             |                  |              |                   |                     |                       |                   |              |
| Capital assets:                                 |                  |              |                   |                     |                       |                   |              |
| Land and other assets not being depreciated     | -                | -            | 310               | -                   | -                     | -                 | 310          |
| Facilities and equipment, net of depreciation   | 17,530           | 586          | 350               | 225                 | -                     | -                 | 18,691       |
| Total Non-current Assets                        | 17,530           | 586          | 660               | 225                 | -                     | -                 | 19,001       |
| TOTAL ASSETS                                    | 22,078           | 1,135        | 711               | 225                 | 913                   | 77                | 25,139       |
| <b>LIABILITIES</b>                              |                  |              |                   |                     |                       |                   |              |
| Current liabilities:                            |                  |              |                   |                     |                       |                   |              |
| Accounts payable and accrued liabilities        | 552              | 14           | 1,039             | 71                  | -                     | 4                 | 1,680        |
| Accrued interest payable                        | 26               | 17           | 54                | -                   | -                     | -                 | 97           |
| Due to other funds                              | 20,182           | -            | 22,806            | 6                   | 4,563                 | 1,550             | 49,107       |
| Notes payable                                   | 2,343            | 361          | 331               | -                   | -                     | -                 | 3,035        |
| Total Current Liabilities                       | 23,103           | 392          | 24,230            | 77                  | 4,563                 | 1,554             | 53,919       |
| Non-current liabilities:                        |                  |              |                   |                     |                       |                   |              |
| Notes payable                                   | 3,532            | 1,183        | 3,091             | -                   | -                     | -                 | 7,806        |
| Total Non-current Liabilities                   | 3,532            | 1,183        | 3,091             | -                   | -                     | -                 | 7,806        |
| TOTAL LIABILITIES                               | 26,635           | 1,575        | 27,321            | 77                  | 4,563                 | 1,554             | 61,725       |
| <b>NET ASSETS (DEFICIT)</b>                     |                  |              |                   |                     |                       |                   |              |
| Invested in capital assets, net of related debt | 11,655           | (958)        | (2,762)           | 225                 | -                     | -                 | 8,160        |
| Unrestricted (deficit)                          | (16,212)         | 518          | (23,848)          | (77)                | (3,650)               | (1,477)           | (44,746)     |
| TOTAL NET ASSETS (DEFICIT)                      | \$ (4,557)       | \$ (440)     | \$ (26,610)       | \$ 148              | \$ (3,650)            | \$ (1,477)        | \$ (36,586)  |

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|  | <b>Equipment</b>  | <b>Radio</b>    | <b>Facilities</b>  | <b>Reproduction</b> | <b>Central Stores</b> | <b>Purchasing</b> | <b>Total</b>       |
|--|-------------------|-----------------|--------------------|---------------------|-----------------------|-------------------|--------------------|
| <b>OPERATING REVENUES</b>                      |                   |                 |                    |                     |                       |                   |                    |
| Charges for services                           | \$ 17,279         | \$ 2,287        | \$ 18,739          | \$ 1,542            | \$ 1,186              | \$ 444            | \$ 41,477          |
| Other  | 94                | -               | -                  | -                   | -                     | -                 | 94                 |
| <b>TOTAL OPERATING REVENUES</b>                | <u>17,373</u>     | <u>2,287</u>    | <u>18,739</u>      | <u>1,542</u>        | <u>1,186</u>          | <u>444</u>        | <u>41,571</u>      |
| <b>OPERATING EXPENSES</b>                      |                   |                 |                    |                     |                       |                   |                    |
| Personnel                                      | 5,974             | 1,486           | 11,182             | 500                 | 1,044                 | 572               | 20,758             |
| Supplies                                       | 6,042             | 407             | 966                | 98                  | 7                     | 13                | 7,533              |
| Depreciation and amortization                  | 4,056             | 230             | 31                 | 20                  | -                     | -                 | 4,337              |
| Contractual services and supplies              | 130               | 6               | 450                | -                   | -                     | -                 | 586                |
| Repairs and maintenance                        | 810               | 95              | 2,086              | 75                  | -                     | -                 | 3,066              |
| General and administrative                     | 1,686             | 62              | 3,069              | 341                 | 77                    | 36                | 5,271              |
| Rental   | 382               | 180             | 554                | 621                 | 81                    | -                 | 1,818              |
| Other  | 294               | 379             | 5,723              | 18                  | 996                   | 3                 | 7,413              |
| <b>TOTAL OPERATING EXPENSES</b>                | <u>19,374</u>     | <u>2,845</u>    | <u>24,061</u>      | <u>1,673</u>        | <u>2,205</u>          | <u>624</u>        | <u>50,782</u>      |
| <b>OPERATING LOSS</b>                          | (2,001)           | (558)           | (5,322)            | (131)               | (1,019)               | (180)             | (9,211)            |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>       |                   |                 |                    |                     |                       |                   |                    |
| Interest and investment income                 | -                 | 32              | -                  | 3                   | -                     | -                 | 35                 |
| Interest expense                               | (932)             | (77)            | (910)              | -                   | (178)                 | (19)              | (2,116)            |
| Rental   | -                 | -               | 218                | -                   | -                     | -                 | 218                |
| Insurance claims and settlements               | -                 | -               | 11                 | -                   | -                     | -                 | 11                 |
| Other, net                                     | 217               | -               | -                  | -                   | -                     | -                 | 217                |
| <b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b> | <u>(715)</u>      | <u>(45)</u>     | <u>(681)</u>       | <u>3</u>            | <u>(178)</u>          | <u>(19)</u>       | <u>(1,635)</u>     |
| <b>LOSS BEFORE TRANSFERS</b>                   | <u>(2,716)</u>    | <u>(603)</u>    | <u>(6,003)</u>     | <u>(128)</u>        | <u>(1,197)</u>        | <u>(199)</u>      | <u>(10,846)</u>    |
| Transfers in                                   | -                 | -               | -                  | -                   | 1,278                 | -                 | 1,278              |
| Transfers out                                  | -                 | -               | -                  | -                   | -                     | (1,278)           | (1,278)            |
| <b>TOTAL TRANSFERS</b>                         | <u>-</u>          | <u>-</u>        | <u>-</u>           | <u>-</u>            | <u>1,278</u>          | <u>(1,278)</u>    | <u>-</u>           |
| Changes in net assets (deficit)                | (2,716)           | (603)           | (6,003)            | (128)               | 81                    | (1,477)           | (10,846)           |
| Total net assets (deficit) - beginning         | (1,841)           | 163             | (20,607)           | 276                 | (3,731)               | -                 | (25,740)           |
| <b>TOTAL NET ASSETS (DEFICIT) - ENDING</b>     | <u>\$ (4,557)</u> | <u>\$ (440)</u> | <u>\$ (26,610)</u> | <u>\$ 148</u>       | <u>\$ (3,650)</u>     | <u>\$ (1,477)</u> | <u>\$ (36,586)</u> |

**CITY OF OAKLAND**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|   | <u>Equipment</u> | <u>Radio</u>    | <u>Facilities</u> | <u>Reproduction</u> | <u>Stores</u>   | <u>Purchasing</u> | <u>Total</u>      |
|---|------------------|-----------------|-------------------|---------------------|-----------------|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                  |                 |                   |                     |                 |                   |                   |
| Cash received from customers, including other funds and cash deposit:                                   | \$ 17,187        | \$ 2,345        | \$ 18,688         | \$ 1,545            | \$ 1,247        | \$ 437            | \$ 41,449         |
| Cash from other sources   | 94               | -               | -                 | -                   | -               | -                 | 94                |
| Cash paid to employees for services   | (5,974)          | (1,486)         | (11,182)          | (500)               | (1,044)         | (572)             | (20,758)          |
| Cash paid to suppliers for goods & services   | (10,204)         | (1,487)         | (12,876)          | (1,131)             | (1,183)         | (118)             | (26,999)          |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  | <u>1,103</u>     | <u>(628)</u>    | <u>(5,370)</u>    | <u>(86)</u>         | <u>(980)</u>    | <u>(253)</u>      | <u>(6,214)</u>    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>  |                  |                 |                   |                     |                 |                   |                   |
| Proceeds of interfund loans   | 1,526            | -               | 6,439             | 6                   | -               | 1,550             | 9,521             |
| Repayment of interfund loans  | -                | -               | -                 | -                   | (120)           | -                 | (120)             |
| Interest paid on interfund loans  | (615)            | -               | (754)             | -                   | (178)           | (19)              | (1,566)           |
| Transfers in  | -                | -               | -                 | -                   | 1,278           | -                 | 1,278             |
| Transfers out   | -                | -               | -                 | -                   | -               | (1,278)           | (1,278)           |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>   | <u>911</u>       | <u>-</u>        | <u>5,685</u>      | <u>6</u>            | <u>980</u>      | <u>253</u>        | <u>7,835</u>      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>   |                  |                 |                   |                     |                 |                   |                   |
| Acquisition of capital assets   | (3,701)          | (1)             | (72)              | (245)               | -               | -                 | (4,019)           |
| Repayment of long-term debt   | (2,245)          | (346)           | (316)             | -                   | -               | -                 | (2,907)           |
| Interest paid on long-term debt   | (317)            | (77)            | (156)             | -                   | -               | -                 | (550)             |
| <b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>  | <u>(6,263)</u>   | <u>(424)</u>    | <u>(544)</u>      | <u>(245)</u>        | <u>-</u>        | <u>-</u>          | <u>(7,476)</u>    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                  |                 |                   |                     |                 |                   |                   |
| Interest income   | -                | 32              | -                 | 3                   | -               | -                 | 35                |
| Other, net  | 217              | -               | 229               | -                   | -               | -                 | 446               |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>  | <u>217</u>       | <u>32</u>       | <u>229</u>        | <u>3</u>            | <u>-</u>        | <u>-</u>          | <u>481</u>        |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>  | <u>(4,032)</u>   | <u>(1,020)</u>  | <u>-</u>          | <u>(322)</u>        | <u>-</u>        | <u>-</u>          | <u>(5,374)</u>    |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>   | <u>8,265</u>     | <u>1,561</u>    | <u>-</u>          | <u>322</u>          | <u>-</u>        | <u>-</u>          | <u>10,148</u>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   | <u>\$ 4,233</u>  | <u>\$ 541</u>   | <u>\$ -</u>       | <u>\$ -</u>         | <u>\$ -</u>     | <u>\$ -</u>       | <u>\$ 4,774</u>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b> |                  |                 |                   |                     |                 |                   |                   |
| Operating loss  | \$ (2,001)       | \$ (558)        | \$ (5,322)        | \$ (131)            | \$ (1,019)      | \$ (180)          | \$ (9,211)        |
| Depreciation  | 4,056            | 230             | 31                | 20                  | -               | -                 | 4,337             |
| Changes in assets and liabilities:  |                  |                 |                   |                     |                 |                   |                   |
| Receivables   | (92)             | 58              | (51)              | 3                   | 6               | (3)               | (79)              |
| Due from other funds  | -                | -               | -                 | -                   | 55              | (74)              | (19)              |
| Inventories   | 95               | -               | -                 | -                   | (3)             | -                 | 92                |
| Accounts payable and accrued liabilities  | (955)            | (358)           | (28)              | 22                  | (19)            | 4                 | (1,334)           |
| Total Adjustments   | 3,104            | (70)            | (48)              | 45                  | 39              | (73)              | 2,997             |
| <b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>  | <u>\$ 1,103</u>  | <u>\$ (628)</u> | <u>\$ (5,370)</u> | <u>\$ (86)</u>      | <u>\$ (980)</u> | <u>\$ (253)</u>   | <u>\$ (6,214)</u> |
| <b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>                       |                  |                 |                   |                     |                 |                   |                   |
| Cash and investments  | -                | 64              | -                 | -                   | -               | -                 | 64                |
| Restricted cash and investments   | 4,233            | 477             | -                 | -                   | -               | -                 | 4,710             |
| <b>TOTAL CASH AND CASH EQUIVALENTS</b>  | <u>\$ 4,233</u>  | <u>\$ 541</u>   | <u>\$ -</u>       | <u>\$ -</u>         | <u>\$ -</u>     | <u>\$ -</u>       | <u>\$ 4,774</u>   |

# FIDUCIARY FUNDS

Fiduciary funds, including pension and private purpose trusts, account for resources held by the City which must be spent as provided in legal trust agreements and related state laws. Agency funds account for assets held for other funds, governments, private organizations or individuals. Agency funds do not measure the results of operations and generally serve as clearing accounts.

## PENSION TRUST FUNDS

The **Oakland Municipal Employees Retirement System (OMERS) Fund** is a closed benefit plan that covers non-uniformed employees hired prior to September 1970 who have not elected to transfer to the California Public Employees Retirement System.

The **Police and Fire Retirement System (PFRS) Fund** is a closed benefit plan administered by a Board of Trustees which covers uniformed police and fire employees. Membership in the plan is limited to uniformed employees hired prior to July 1, 1976. All subsequent hires are covered under the California Public Employees Retirement System.

## OTHER TRUST FUND

**Private Purpose Trust Fund** accounts for the operations of certain trust funds, such as the Major Gifts Funds or the Youth Opportunity Program Fund, and retiree medical payments; that are not related to Oakland Redevelopment Agency projects or parks, recreation or cultural activities. The Private Pension Trust Fund accounts for employee deferred compensation fund.

**CITY OF OAKLAND**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**  
**June 30, 2008**  
*(In Thousands)*

|   | <u>OMERS</u>    | <u>PFRS</u>       | <u>TOTAL</u>      |
|---|-----------------|-------------------|-------------------|
| <b>ASSETS</b>                             |                 |                   |                   |
| Cash and investments                      | \$ 647          | \$ 4,068          | \$ 4,715          |
| Receivables:                              |                 |                   |                   |
| Interest and dividends                    | 1               | 1,498             | 1,499             |
| Investments and contributions             | 11              | 28,624            | 28,635            |
| Restricted cash and investments:          |                 |                   |                   |
| Short-term investments                    | 23              | 39,865            | 39,888            |
| U.S. government bonds                     | -               | 72,540            | 72,540            |
| U.S. corporate bonds                      | -               | 75,488            | 75,488            |
| Domestic equities and mutual funds        | 6,848           | 251,403           | 258,251           |
| International equities and mutual funds   | -               | 79,064            | 79,064            |
| Real estate mortgage loans                | -               | 50                | 50                |
|   | <u>6,871</u>    | <u>518,410</u>    | <u>525,281</u>    |
| Securities lending collateral             | -               | 89,147            | 89,147            |
| <b>TOTAL ASSETS</b>                       | <u>7,530</u>    | <u>641,747</u>    | <u>649,277</u>    |
| <b>LIABILITIES</b>                        |                 |                   |                   |
| Accounts payable and accrued liabilities  | 77              | 71,758            | 71,835            |
| Securities lending liability              | -               | 89,147            | 89,147            |
| <b>TOTAL LIABILITIES</b>                  | <u>77</u>       | <u>160,905</u>    | <u>160,982</u>    |
| <b>NET ASSETS</b>                         |                 |                   |                   |
| <b>HELD IN TRUST FOR PENSION BENEFITS</b> | <u>\$ 7,453</u> | <u>\$ 480,842</u> | <u>\$ 488,295</u> |



**CITY OF OAKLAND**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|   | <u>OMERS</u>    | <u>PFRS</u>       | <u>TOTAL</u>      |
|---|-----------------|-------------------|-------------------|
| ADDITIONS:  |                 |                   |                   |
| Contributions:  |                 |                   |                   |
| Members   | \$ -            | \$ 14             | \$ 14             |
| Investment Income:  |                 |                   |                   |
| Net increase  |                 |                   |                   |
| in fair value of investments  | (1,041)         | (46,988)          | (48,029)          |
| Interest  | 8               | 11,047            | 11,055            |
| Dividends   | 268             | 5,571             | 5,839             |
| Securities lending income   | -               | 2,516             | 2,516             |
| Total investment income, net  | (765)           | (27,854)          | (28,619)          |
| Less investment expense   | (22)            | (2,618)           | (2,640)           |
| Borrowers' rebates and other agent fees and securities lending transactions | -               | (2,208)           | (2,208)           |
| Net investment income   | (787)           | (32,680)          | (33,467)          |
| Other income  | -               | 125               | 125               |
| TOTAL ADDITIONS   | (787)           | (32,541)          | (33,328)          |
| DEDUCTIONS:   |                 |                   |                   |
| Disbursements to members and beneficiaries:                                 |                 |                   |                   |
| Retirement  | 681             | 45,328            | 46,009            |
| Disability  | 120             | 27,276            | 27,396            |
| Death   | 5               | 2,376             | 2,381             |
| TOTAL DISBURSEMENTS TO MEMBERS AND BENEFICIARIES                            | 806             | 74,980            | 75,786            |
| Administrative expenses   | 324             | 730               | 1,054             |
| Change in payable to City   | (4,205)         | -                 | (4,205)           |
| TOTAL DEDUCTIONS  | (3,075)         | 75,710            | 72,635            |
| Change in net assets  | 2,288           | (108,251)         | (105,963)         |
| Net assets - beginning  | 5,165           | 589,093           | 594,258           |
| Net assets - ending   | <u>\$ 7,453</u> | <u>\$ 480,842</u> | <u>\$ 488,295</u> |

**CITY OF OAKLAND**  
**Statement of Fiduciary Net Assets**  
**Private Trust Funds**  
**June 30, 2008**  
*(In Thousands)*

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|  | <b>Private<br/>Purpose<br/>Trust<br/>Fund</b> | <b>Private<br/>Pension<br/>Trust<br/>Fund</b> | <b>Total</b>      |
|--|---|---|-------------------|
|  | <u>          </u>                             | <u>          </u>                             | <u>          </u> |
| <b>ASSETS</b>                            |   |   |                   |
| Cash and investments                     | \$ 6,201                                      | \$ 368  | \$ 6,569          |
| Receivables:                             |   |   |                   |
| Accrued interest and dividends           | <u>19</u>                                     | <u>2</u>                                      | <u>21</u>         |
| <b>TOTAL ASSETS</b>                      | <u>6,220</u>                                  | <u>370</u>                                    | <u>6,590</u>      |
| <b>LIABILITIES</b>                       |   |   |                   |
| Accounts payable and accrued liabilities | 16  | 6   | 22                |
| Other                                    | <u>7</u>                                      | <u>1</u>                                      | <u>8</u>          |
| <b>TOTAL LIABILITIES</b>                 | <u>23</u>                                     | <u>7</u>                                      | <u>30</u>         |
| <b>NET ASSETS</b>                        |   |   |                   |
| Net assets held in trust                 | <u>\$ 6,197</u>                               | <u>\$ 363</u>                                 | <u>\$ 6,560</u>   |

**CITY OF OAKLAND**  
**Statement of Changes in Fiduciary Net Assets**  
**Private Trust Funds**  
**Year Ended June 30, 2008**  
*(In Thousands)*

|                               | <b>Private<br/>Purpose<br/>Trust<br/>Fund</b> | <b>Private<br/>Pension<br/>Trust<br/>Fund</b> | <b>Total</b>    |
|-------------------------------|---|---|-----------------|
| <b>ADDITIONS:</b>             |   |   |                 |
| Contributions                 | \$ -  | \$ 325  | \$ 325          |
| Trust receipts                | 856   | 110   | 966             |
| Investment income             | <u>221</u>                                    | <u>14</u>                                     | <u>235</u>      |
| <b>TOTAL ADDITIONS</b>        | <u>1,077</u>                                  | <u>449</u>                                    | <u>1,526</u>    |
| <b>DEDUCTIONS:</b>            |   |   |                 |
| Administrative expenses       | -   | 86  | 86              |
| Other                         | 83  | -   | 83              |
| Police services               | <u>1,257</u>                                  | <u>-</u>                                      | <u>1,257</u>    |
| <b>TOTAL DEDUCTIONS</b>       | <u>1,340</u>                                  | <u>86</u>                                     | <u>1,426</u>    |
| Change in net assets          | (263)   | 363   | 100             |
| <b>NET ASSETS - BEGINNING</b> | <u>6,460</u>                                  | <u>-</u>                                      | <u>6,460</u>    |
| <b>NET ASSETS - ENDING</b>    | <u>\$ 6,197</u>                               | <u>\$ 363</u>                                 | <u>\$ 6,560</u> |

# STATISTICAL SECTION

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# CITY OF OAKLAND STATISTICS

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This part of the City of Oakland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

## **Financial Trends**

Schedules one through five contain trend information to assist in understanding how the City's financial performance and well-being have changed over times.

## **Revenue Capacity**

Schedules six through twelve report tax revenues by sources which include: property taxes, state taxes and local taxes.

## **Debt Capacity**

Schedules thirteen through sixteen present information that helps in understanding the City's current level of outstanding debt, the legal debt margin, and the ability to issue additional debt in the future.

## **Component Unit**

Schedule seventeen contains debt information related to the Port of Oakland, a component unit of the City. This schedule assists in understanding the resources available to pay debt service.

## **Demographic and Economic Information**

Schedules eighteen and nineteen provide the demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

## **Operating Information**

Schedules twenty through twenty-two contain service and infrastructure data to assist in understanding how the City's financial reports relate to the services the City provides and the activities it performs.

Sources: The City's Comprehensive Annual Financial Report for the relevant year. The City implemented GASB 34 in fiscal year ended June 30, 2002.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 1**

**NET ASSETS BY COMPONENT**

*(in thousands)*

|   | <b>2002</b>       | <b>2003</b>       | <b>2004</b>       | <b>2005</b>       | <b>2006</b>       | <b>2007</b>       | <b>2008</b>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities                         |                   |                   |                   |                   |                   |                   |                   |
| Invested in capital assets, net of related debt | \$ 395,311        | \$ 385,354        | \$ 389,345        | \$ 310,633        | \$ 319,932        | \$ 353,715        | \$ 401,881        |
| Restricted                                      | 246,923           | 429,353           | 316,026           | 292,415           | 267,824           | 317,558           | 336,908           |
| Unrestricted                                    | (634,634)         | (400,886)         | (260,074)         | (55,983)          | (8,522)           | 37,704            | (117,971)         |
| Total governmental activities net assets        | <u>\$ 7,600</u>   | <u>\$ 413,821</u> | <u>\$ 445,297</u> | <u>\$ 547,065</u> | <u>\$ 579,234</u> | <u>\$ 708,977</u> | <u>\$ 620,818</u> |
| Business-type activities                        |                   |                   |                   |                   |                   |                   |                   |
| Invested in capital assets, net of related debt | \$ 103,197        | \$ 109,682        | \$ 113,610        | \$ 107,396        | \$ 110,279        | \$ 109,886        | \$ 111,881        |
| Unrestricted                                    | (4,287)           | (3,643)           | (6,185)           | 3,114             | 989               | 2,173             | 7,731             |
| Total business-type activities net assets       | <u>\$ 98,910</u>  | <u>\$ 106,039</u> | <u>\$ 107,425</u> | <u>\$ 110,510</u> | <u>\$ 111,268</u> | <u>\$ 112,059</u> | <u>\$ 119,612</u> |
| Primary government                              |                   |                   |                   |                   |                   |                   |                   |
| Invested in capital assets, net of related debt | \$ 498,508        | \$ 495,036        | \$ 502,955        | \$ 418,029        | \$ 430,211        | \$ 463,601        | \$ 513,762        |
| Restricted                                      | 246,923           | 429,353           | 316,026           | 292,415           | 267,824           | 317,558           | 336,908           |
| Unrestricted                                    | (638,921)         | (404,529)         | (266,259)         | (52,869)          | (7,533)           | 39,877            | (110,240)         |
| Total primary government net assets             | <u>\$ 106,510</u> | <u>\$ 519,860</u> | <u>\$ 552,722</u> | <u>\$ 657,575</u> | <u>\$ 690,502</u> | <u>\$ 821,036</u> | <u>\$ 740,430</u> |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Assets

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 2**

**CHANGES IN NET ASSETS**

(in thousands)

|   | <u>2002</u>         | <u>2003</u>         | <u>2004</u>         | <u>2005</u>         | <u>2006</u>         | <u>2007</u>         | <u>2008</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Expenses</b>   |                     |                     |                     |                     |                     |                     |                     |
| Governmental Activities:                                |                     |                     |                     |                     |                     |                     |                     |
| General government                                      | \$ 80,170           | \$ 95,671           | \$ 67,069           | \$ 65,865           | \$ 71,471           | \$ 91,119           | \$ 102,218          |
| Public safety   | 250,503             | 302,273             | 297,869             | 319,908             | 335,171             | 348,436             | 412,050             |
| Life enrichment   | 99,223              | 105,133             | 102,314             | 96,649              | 101,902             | 105,728             | 115,315             |
| Community and economic development                      | 108,101             | 110,400             | 121,160             | 117,689             | 140,351             | 183,968             | 203,406             |
| Public works  | 72,639              | 83,548              | 70,369              | 107,457             | 100,448             | 101,075             | 79,348              |
| Interest on long-term debt                              | 72,924              | 56,072              | 58,820              | 62,238              | 73,224              | 79,864              | 74,545              |
| Total governmental activities expenses                  | <u>\$ 683,560</u>   | <u>\$ 753,097</u>   | <u>\$ 717,601</u>   | <u>\$ 769,806</u>   | <u>\$ 822,567</u>   | <u>\$ 910,190</u>   | <u>\$ 986,882</u>   |
| Business-type activities:                               |                     |                     |                     |                     |                     |                     |                     |
| Sewer   | \$ 15,848           | \$ 17,960           | \$ 20,597           | \$ 21,337           | \$ 24,841           | \$ 29,365           | \$ 30,502           |
| Parks and recreation                                    | 94                  | 68                  | 159                 | 160                 | 734                 | 1,087               | 384                 |
| Total business-type activities                          | <u>\$ 15,942</u>    | <u>\$ 18,028</u>    | <u>\$ 20,756</u>    | <u>\$ 21,497</u>    | <u>\$ 25,575</u>    | <u>\$ 30,452</u>    | <u>\$ 30,886</u>    |
| Total primary government expenses                       | <u>\$ 699,502</u>   | <u>\$ 771,125</u>   | <u>\$ 738,357</u>   | <u>\$ 791,303</u>   | <u>\$ 848,142</u>   | <u>\$ 940,642</u>   | <u>\$ 1,017,768</u> |
| <b>Program Revenues</b> (see schedule 3)                |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                                |                     |                     |                     |                     |                     |                     |                     |
| Charges for services:                                   |                     |                     |                     |                     |                     |                     |                     |
| General government                                      | \$ 25,131           | \$ 27,946           | \$ 14,913           | \$ 25,641           | \$ 16,266           | \$ 13,741           | \$ 22,276           |
| Public safety   | 14,715              | 15,489              | 38,959              | 66,983              | 42,492              | 9,803               | 10,331              |
| Life enrichment   | 5,123               | 4,355               | 73                  | 125                 | 79                  | 3,992               | 5,110               |
| Community and economic development                      | 21,553              | 21,599              | 7,287               | 12,528              | 7,947               | 16,437              | 45,466              |
| Public works  | 21,872              | 26,898              | 3,600               | 6,190               | 3,927               | 31,269              | 27,113              |
| Operating grants and contributions                      | 63,235              | 79,784              | 78,965              | 74,694              | 77,154              | 106,903             | 91,278              |
| Capital grants and contributions                        | 10,553              | 9,262               | 10,366              | -                   | -                   | -                   | -                   |
| Total governmental activities program revenues          | <u>\$ 162,182</u>   | <u>\$ 185,333</u>   | <u>\$ 154,163</u>   | <u>\$ 186,161</u>   | <u>\$ 147,865</u>   | <u>\$ 182,145</u>   | <u>\$ 201,574</u>   |
| Business-type activities:                               |                     |                     |                     |                     |                     |                     |                     |
| Charges for services:                                   |                     |                     |                     |                     |                     |                     |                     |
| Sewer   | \$ 19,153           | \$ 19,364           | \$ 22,590           | \$ 24,252           | \$ 24,678           | \$ 29,838           | \$ 33,264           |
| Parks and recreation                                    | 100                 | 122                 | 58                  | 244                 | 197                 | 237                 | 487                 |
| Operating grants and contributions                      | 19                  | 19                  | -                   | -                   | -                   | 21                  | -                   |
| Total business-type activities program revenues         | <u>\$ 19,272</u>    | <u>\$ 19,505</u>    | <u>\$ 22,648</u>    | <u>\$ 24,496</u>    | <u>\$ 24,875</u>    | <u>\$ 30,096</u>    | <u>\$ 33,751</u>    |
| Total primary government program revenues               | <u>\$ 181,454</u>   | <u>\$ 204,838</u>   | <u>\$ 176,811</u>   | <u>\$ 210,657</u>   | <u>\$ 172,740</u>   | <u>\$ 212,241</u>   | <u>\$ 235,325</u>   |
| <b>Net (Expense)/Revenue</b>                            |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                                 | \$ (521,378)        | \$ (567,764)        | \$ (563,438)        | \$ (583,645)        | \$ (674,702)        | \$ (735,868)        | \$ (785,308)        |
| Business-type activities                                | 3,330               | 1,477               | 1,892               | 2,999               | (700)               | (356)               | 2,865               |
| Total primary government net expense                    | <u>\$ (518,048)</u> | <u>\$ (566,287)</u> | <u>\$ (561,546)</u> | <u>\$ (580,646)</u> | <u>\$ (675,402)</u> | <u>\$ (736,224)</u> | <u>\$ (782,443)</u> |
| <b>General Revenues and Other Changes in Net Assets</b> |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:                                |                     |                     |                     |                     |                     |                     |                     |
| Taxes   |                     |                     |                     |                     |                     |                     |                     |
| Property taxes  | \$ 172,029          | \$ 202,297          | \$ 200,731          | \$ 234,127          | \$ 268,693          | \$ 317,666          | \$ 358,338          |
| State taxes   | 68,603              | 79,444              | 72,906              | 68,451              | 67,304              | 67,723              | 73,928              |
| Local taxes, license and permits                        | 160,729             | 199,720             | 197,873             | 251,301             | 261,815             | 256,658             | 235,470             |
| Other   | 66,883              | 64,414              | 117,238             | 84,850              | 30,406              | 108,048             | 50,153              |
| Interest and investment income                          | 36,463              | 40,043              | 5,566               | 46,063              | 78,053              | 48,073              | 47,852              |
| Transfers   | 659                 | 629                 | 600                 | 621                 | 600                 | 600                 | 600                 |
| Special Items   | -                   | -                   | -                   | -                   | -                   | 59,020              | -                   |
| Total governmental activities                           | <u>\$ 505,366</u>   | <u>\$ 586,547</u>   | <u>\$ 594,914</u>   | <u>\$ 685,413</u>   | <u>\$ 706,871</u>   | <u>\$ 857,788</u>   | <u>\$ 766,341</u>   |
| Business-type activities:                               |                     |                     |                     |                     |                     |                     |                     |
| Interest and investment income                          | \$ 10               | \$ 199              | \$ 94               | \$ 707              | \$ 1,996            | \$ 1,745            | \$ 1,434            |
| Other   | 1,891               | 6,082               | -                   | -                   | 62                  | 2                   | -                   |
| Transfers   | (659)               | (629)               | (600)               | (621)               | (600)               | (600)               | (600)               |
| Total business-type activities                          | <u>\$ 1,242</u>     | <u>\$ 5,652</u>     | <u>\$ (506)</u>     | <u>\$ 86</u>        | <u>\$ 1,458</u>     | <u>\$ 1,147</u>     | <u>\$ 834</u>       |
| Total primary government                                | <u>\$ 506,608</u>   | <u>\$ 592,199</u>   | <u>\$ 594,408</u>   | <u>\$ 685,499</u>   | <u>\$ 708,329</u>   | <u>\$ 858,935</u>   | <u>\$ 767,175</u>   |
| <b>Change in Net Assets</b>                             |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities                                 | \$ (16,012)         | \$ 18,783           | \$ 31,476           | \$ 101,768          | \$ 32,169           | \$ 129,743          | \$ (18,967)         |
| Business-type activities                                | 4,572               | 7,129               | 1,386               | 3,085               | 758                 | 791                 | 3,699               |
| Total primary government                                | <u>\$ (11,440)</u>  | <u>\$ 25,912</u>    | <u>\$ 32,862</u>    | <u>\$ 104,853</u>   | <u>\$ 32,927</u>    | <u>\$ 130,534</u>   | <u>\$ (15,268)</u>  |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 3**

**PROGRAM REVENUES BY FUNCTION/PROGRAM**

*(in thousands)*

| <b>Function/Program</b>            | <b><u>2002</u></b> | <b><u>2003</u></b> | <b><u>2004</u></b> | <b><u>2005</u></b> | <b><u>2006</u></b> | <b><u>2007</u></b> | <b><u>2008</u></b> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Governmental activities:           |                    |                    |                    |                    |                    |                    |                    |
| Charges for services:              |                    |                    |                    |                    |                    |                    |                    |
| General government                 | \$ 25,131          | \$ 27,946          | \$ 14,913          | \$ 25,641          | \$ 16,266          | \$ 13,741          | \$ 22,276          |
| Public safety                      | 14,715             | 15,489             | 38,959             | 66,983             | 42,492             | 9,803              | 10,331             |
| Life enrichment                    | 5,123              | 4,355              | 73                 | 125                | 79                 | 3,992              | 5,110              |
| Community and economic development | 21,553             | 21,599             | 7,287              | 12,528             | 7,947              | 16,437             | 45,466             |
| Public works                       | 21,872             | 26,898             | 3,600              | 6,190              | 3,927              | 31,269             | 27,113             |
| Operating grants and contributions | 63,235             | 79,784             | 78,965             | 74,694             | 77,154             | 106,903            | 91,278             |
| Capital grants and contributions   | 10,553             | 9,262              | 10,366             | -                  | -                  | -                  | -                  |
| Subtotal governmental activities   | <u>\$ 162,182</u>  | <u>\$ 185,333</u>  | <u>\$ 154,163</u>  | <u>\$ 186,161</u>  | <u>\$ 147,865</u>  | <u>\$ 182,145</u>  | <u>\$ 201,574</u>  |
| Business-type activities:          |                    |                    |                    |                    |                    |                    |                    |
| Charges for services:              |                    |                    |                    |                    |                    |                    |                    |
| Sewer                              | \$ 19,153          | \$ 19,364          | \$ 22,590          | \$ 24,252          | \$ 24,678          | \$ 29,838          | \$ 33,264          |
| Parks and recreation               | 100                | 122                | 58                 | 244                | 197                | 237                | 487                |
| Operating grants and contributions | 19                 | 19                 | -                  | -                  | -                  | 21                 | -                  |
| Subtotal business-type activities  | <u>\$ 19,272</u>   | <u>\$ 19,505</u>   | <u>\$ 22,648</u>   | <u>\$ 24,496</u>   | <u>\$ 24,875</u>   | <u>\$ 30,096</u>   | <u>\$ 33,751</u>   |
| Total primary government           | <u>\$ 181,454</u>  | <u>\$ 204,838</u>  | <u>\$ 176,811</u>  | <u>\$ 210,657</u>  | <u>\$ 172,740</u>  | <u>\$ 212,241</u>  | <u>\$ 235,325</u>  |

Source: City of Oakland Statement of Activities



**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 4**

**FUND BALANCES, GOVERNMENTAL FUNDS**

*(in thousands)*

|                                    | <u>2002</u>       | <u>2003</u>       | <u>2004</u>       | <u>2005</u>       | <u>2006</u>       | <u>2007</u>       | <u>2008</u>       |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Fund                       |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 196,067        | \$ 214,317        | \$ 10,779         | \$ 151,494        | \$ 134,151        | \$ 138,891        | \$ 126,575        |
| Unreserved                         | 29,666            | 38,801            | 222,529           | 140,343           | 152,368           | 143,016           | 121,109           |
| Total general fund                 | <u>\$ 225,733</u> | <u>\$ 253,118</u> | <u>\$ 233,308</u> | <u>\$ 291,837</u> | <u>\$ 286,519</u> | <u>\$ 281,907</u> | <u>\$ 247,684</u> |
| All Other Governmental Funds       |                   |                   |                   |                   |                   |                   |                   |
| Reserved                           | \$ 327,871        | \$ 475,385        | \$ 284,475        | \$ 445,531        | \$ 496,474        | \$ 797,702        | \$ 828,314        |
| Unreserved, reported in:           |                   |                   |                   |                   |                   |                   |                   |
| Special revenue funds              | (11,809)          | (108,238)         | 4,704             | 19,785            | 42,102            | 32,444            | 8,129             |
| Capital projects funds             | 4,222             | 6,599             | 164,788           | 143,456           | 130,221           | 98,912            | 73,147            |
| Total all other governmental funds | <u>\$ 320,284</u> | <u>\$ 373,746</u> | <u>\$ 453,967</u> | <u>\$ 608,772</u> | <u>\$ 668,797</u> | <u>\$ 929,058</u> | <u>\$ 909,590</u> |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Balance Sheet, Governmental Funds

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 5**

**CHANGES IN FUND BALANCES,  
GOVERNMENTAL FUNDS**

(in thousands)

|   | <u>1999</u>        | <u>2000</u>        | <u>2001</u>        | <u>2002</u>       | <u>2003</u>       | <u>2004</u>       | <u>2005</u>       | <u>2006</u>       | <u>2007</u>         | <u>2008</u>         |
|---|--------------------|--------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| <b>Revenues</b>   |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Taxes (see Schedule 6)                                  | \$ 330,836         | \$ 368,764         | \$ 403,226         | \$ 402,435        | \$ 439,159        | \$ 457,949        | \$ 535,706        | \$ 578,474        | \$ 616,754          | \$ 648,153          |
| Licenses and permits                                    | 8,061              | 9,098              | 11,442             | 11,758            | 13,098            | 13,476            | 15,676            | 19,006            | 20,390              | 19,319              |
| Fines and penalties                                     | 14,736             | 15,625             | 17,111             | 17,806            | 20,645            | 28,189            | 26,325            | 25,467            | 26,859              | 23,497              |
| Interest/investment net income                          | 48,275             | 35,449             | 37,116             | 35,481            | 40,619            | 7,672             | 38,495            | 30,721            | 49,141              | 49,894              |
| Charges for services                                    | 38,192             | 41,181             | 50,310             | 60,840            | 65,324            | 67,176            | 73,133            | 70,711            | 75,242              | 76,735              |
| Other intergovernmental revenues                        | -                  | -                  | -                  | -                 | -                 | -                 | -                 | -                 | -                   | 33,561              |
| Federal and State grants                                |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| and subventions   | 61,334             | 83,759             | 75,701             | 48,234            | 72,483            | 79,918            | 97,009            | 73,778            | 97,382              | 94,428              |
| Other revenues  | 40,580             | 17,159             | 22,001             | 61,391            | 70,027            | 48,608            | 53,711            | 47,558            | 74,758              | 24,200              |
| <b>Total revenues</b>                                   | <b>\$ 542,014</b>  | <b>\$ 571,035</b>  | <b>\$ 616,907</b>  | <b>\$ 637,945</b> | <b>\$ 721,355</b> | <b>\$ 702,988</b> | <b>\$ 840,055</b> | <b>\$ 845,715</b> | <b>\$ 960,526</b>   | <b>\$ 969,787</b>   |
| <b>Expenditures</b>                                     |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| General government                                      | \$ 29,166          | \$ 31,689          | \$ 35,338          | \$ 41,389         | \$ 39,365         | \$ 42,225         | \$ 45,466         | \$ 49,411         | \$ 67,194           | \$ 45,600           |
| Financial and Personnel Services                        | 13,565             | 15,978             | 15,327             | 16,637            | 17,025            | 22,339            | 22,197            | 24,181            | 26,018              | 35,761              |
| Information Technology                                  | -                  | -                  | -                  | -                 | -                 | -                 | -                 | -                 | -                   | 13,666              |
| Contracting and Purchasing                              | -                  | -                  | -                  | -                 | -                 | -                 | -                 | -                 | -                   | 2,280               |
| Police services   | 114,462            | 130,662            | 145,521            | 151,791           | 166,266           | 166,175           | 178,813           | 187,968           | 206,561             | 225,893             |
| Fire services   | 60,637             | 72,237             | 77,129             | 84,239            | 88,154            | 91,542            | 98,029            | 111,162           | 112,699             | 118,429             |
| Life enrichment   |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Administration  | -                  | -                  | 1,693              | 561               | 660               | 1                 | 7                 | -                 | -                   | -                   |
| Parks & Recreation                                      | 27,290             | 41,818             | 38,180             | 32,481            | 28,556            | 29,445            | 16,740            | 17,296            | 19,148              | 20,872              |
| Library   | 14,314             | 13,871             | 15,178             | 16,540            | 17,096            | 18,460            | 20,547            | 22,942            | 24,631              | 23,833              |
| Museum  | 4,597              | 5,512              | 5,707              | 7,278             | 7,561             | 8,327             | 7,383             | 267               | 6,976               | 6,883               |
| Marketing   | -                  | -                  | -                  | -                 | -                 | 2,367             | -                 | -                 | -                   | -                   |
| Aging, Health &   |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Human Services  | 20,849             | 19,856             | 21,347             | 24,568            | 27,740            | 33,238            | 35,609            | 46,581            | 53,228              | 56,239              |
| Cultural Arts   | -                  | 1,717              | 1,972              | 1,382             | 1,753             | 41                | -                 | 6,832             | -                   | -                   |
| Community & Economic                                    |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Development   | 73,923             | 84,394             | 73,745             | 118,234           | 122,715           | 92,788            | 101,031           | 135,561           | 169,233             | 206,908             |
| Public Works  | 42,527             | 48,504             | 60,835             | 52,841            | 51,458            | 60,328            | 73,338            | 79,816            | 91,490              | 71,971              |
| Other   | 55,054             | 48,313             | 46,773             | 41,471            | 36,652            | 30,372            | 38,327            | 23,048            | 10,641              | 10,597              |
| Capital outlay  | 64,108             | 18,606             | 14,397             | 22,055            | 27,056            | 24,779            | 36,219            | 25,014            | 49,895              | 46,312              |
| Debt service  |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Bond issuance costs                                     | -                  | -                  | -                  | 3,711             | 4,212             | 12,874            | 4,478             | 2,496             | 4,467               | 4,210               |
| Other refunding cost                                    | -                  | -                  | -                  | -                 | -                 | -                 | -                 | -                 | -                   | 5,674               |
| Principal   | 30,457             | 36,144             | 50,351             | 39,686            | 50,356            | 61,831            | 88,506            | 72,583            | 79,964              | 92,940              |
| Interest  | 74,410             | 73,743             | 75,649             | 58,558            | 55,020            | 62,897            | 60,656            | 69,027            | 69,682              | 71,528              |
| <b>Total expenditures</b>                               | <b>\$ 625,359</b>  | <b>\$ 643,044</b>  | <b>\$ 679,142</b>  | <b>\$ 713,422</b> | <b>\$ 741,645</b> | <b>\$ 760,029</b> | <b>\$ 827,346</b> | <b>\$ 874,185</b> | <b>\$ 991,827</b>   | <b>\$ 1,059,596</b> |
| Excess of revenues over(under) expenditures             | \$ (83,345)        | \$ (72,009)        | \$ (62,235)        | \$ (75,477)       | \$ (20,290)       | \$ (57,041)       | \$ 12,709         | \$ (28,470)       | \$ (31,301)         | \$ (89,809)         |
| <b>Other Financing Sources (Uses)</b>                   |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Issuance of debt  | \$ -               | \$ 1,166           | \$ 1,573           | \$ -              | \$ -              | \$ 3,927          | \$ 433,956        | \$ 105,840        | \$ 143,988          | \$ -                |
| Issuance of refunding bonds                             | -                  | -                  | -                  | 213,655           | 202,765           | 188,650           | -                 | -                 | 102,590             | 241,410             |
| Premiums on issuance of bonds                           | -                  | -                  | -                  | 788               | -                 | 587               | 13,535            | 328               | 1,963               | 11,313              |
| Payment to refunding bond escrow agent                  | -                  | -                  | -                  | (208,907)         | (110,826)         | (96,395)          | (247,860)         | (27,853)          | (22,729)            | (221,250)           |
| Property sale proceeds                                  | -                  | 79                 | 104                | 16,094            | 8,569             | 1,497             | 394               | 4,262             | 618                 | 4,045               |
| Transfers in  | 73,122             | 116,700            | 8,514              | 142,816           | 79,144            | 95,404            | 109,911           | 101,643           | 97,397              | 98,691              |
| Transfers out   | (111,121)          | (164,902)          | (59,261)           | (142,157)         | (78,515)          | (94,804)          | (109,311)         | (101,043)         | (95,897)            | (98,091)            |
| <b>Total other financing sources (uses)</b>             | <b>\$ (37,999)</b> | <b>\$ (46,957)</b> | <b>\$ (49,070)</b> | <b>\$ 22,289</b>  | <b>\$ 101,137</b> | <b>\$ 98,866</b>  | <b>\$ 200,625</b> | <b>\$ 83,177</b>  | <b>\$ 227,930</b>   | <b>\$ 36,118</b>    |
| Special item  | \$ -               | \$ -               | \$ -               | \$ -              | \$ -              | \$ -              | \$ -              | \$ -              | \$ 59,020           | \$ -                |
| Change in fund balances                                 |                    |                    |                    |                   |                   |                   |                   |                   |                     |                     |
| Net change in fund balances                             | \$ 18,408          | \$ (10,638)        | \$ (9,438)         | \$ (53,188)       | \$ 80,847         | \$ 41,825         | \$ 213,334        | \$ 54,707         | \$ 255,649          | \$ (53,691)         |
| Total fund balance - beginning                          | 24,464             | 42,872             | 32,234             | 599,205           | 546,017           | 645,450           | 687,275           | 900,609           | 955,316             | 1,210,965           |
| Total fund balance - ending                             | <b>\$ 42,872</b>   | <b>\$ 32,234</b>   | <b>\$ 22,796</b>   | <b>\$ 546,017</b> | <b>\$ 626,864</b> | <b>\$ 687,275</b> | <b>\$ 900,609</b> | <b>\$ 955,316</b> | <b>\$ 1,210,965</b> | <b>\$ 1,157,274</b> |
| Debt service as a percentage of noncapital expenditures | 18.68%             | 17.60%             | 18.95%             | 14.75%            | 15.34%            | 18.71%            | 19.42%            | 16.97%            | 16.36%              | 18.02%              |

Note: Debt ratio was calculated by dividing debt service by total government expenditures excluding capital outlay \$92,150 for fiscal year 2008.

General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances.

CITY OF OAKLAND  
STATISTICS

SCHEDULE 6

TAX REVENUES BY SOURCE,  
GOVERNMENTAL FUNDS

(in thousands)

| Fiscal Year         | Property   | Sales & Use | Motor Vehicle<br>in-lieu | Gas      | Business<br>License | Utility<br>Consumption | Real Estate<br>Transfer | Transient<br>Occupancy | Parking  | Voter<br>Approved | Franchise | Total      |
|---------------------|------------|-------------|--------------------------|----------|---------------------|------------------------|-------------------------|------------------------|----------|-------------------|-----------|------------|
|                     |            |             |                          |          |                     |                        |                         |                        |          |                   |           |            |
| 1999                | \$ 140,029 | \$ 43,808   | \$ 17,701                | \$ 7,389 | \$ 31,825           | \$ 36,938              | \$ 28,892               | \$ 9,430               | \$ 5,827 | \$ -              | \$ 8,997  | \$ 330,836 |
| 2000                | 155,941    | 46,791      | 19,314                   | 8,052    | 35,845              | 41,592                 | 34,359                  | 12,100                 | 5,686    | -                 | 9,084     | 368,764    |
| 2001                | 162,895    | 52,877      | 21,361                   | 10,419   | 38,738              | 48,703                 | 38,309                  | 12,766                 | 6,762    | -                 | 10,396    | 403,226    |
| 2002                | 163,130    | 45,749      | 22,854                   | 7,705    | 42,094              | 49,547                 | 37,272                  | 10,530                 | 7,525    | 5,085             | 10,944    | 402,435    |
| 2003                | 193,738    | 48,798      | 24,259                   | 6,387    | 42,020              | 46,581                 | 42,088                  | 10,863                 | 8,242    | 5,359             | 10,824    | 439,159    |
| 2004                | 200,646    | 47,760      | 18,178                   | 6,968    | 44,223              | 48,056                 | 55,665                  | 9,857                  | 9,799    | 5,205             | 11,592    | 457,949    |
| 2005                | 232,061    | 51,148      | 9,656                    | 7,647    | 43,902              | 49,781                 | 77,722                  | 10,926                 | 11,580   | 30,155            | 11,128    | 535,706    |
| 2006                | 268,361    | 56,844      | 2,984                    | 7,476    | 43,790              | 48,770                 | 79,483                  | 11,690                 | 15,196   | 31,728            | 12,152    | 578,474    |
| 2007                | 314,468    | 58,006      | 2,268                    | 7,449    | 50,339              | 51,426                 | 61,505                  | 12,303                 | 16,202   | 29,778            | 13,010    | 616,754    |
| 2008                | 358,074    | 64,812      | 1,811                    | 7,305    | 52,542              | 52,524                 | 36,205                  | 12,400                 | 15,747   | 32,942            | 13,791    | 648,153    |
| Change<br>1999-2008 | 155.7%     | 47.9%       | -89.8%                   | -1.1%    | 65.1%               | 42.2%                  | 25.3%                   | 31.5%                  | 170.2%   | n/a               | 53.3%     | 95.9%      |

Note: Reflects revenues of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances.

CITY OF OAKLAND  
STATISTICS

SCHEDULE 7

ASSESSED VALUE AND ESTIMATED ACTUAL  
VALUE OF TAXABLE PROPERTY

(in thousands)

| Fiscal Year | Land         | Improvements  | Personal Property | Total Assessed Value | Less: Tax-Exempt Property | Less: Redevelopment Tax Increments | Total Taxable Assessed Value | Total Direct Tax Rate | Estimated Actual Taxable Value | Taxable Assessed Value as a Percentage of Actual Taxable Value |
|-------------|--------------|---------------|-------------------|----------------------|---------------------------|------------------------------------|------------------------------|-----------------------|--------------------------------|--|
| 1999        | \$ 6,000,890 | \$ 11,816,263 | \$ 2,065,964      | \$ 19,883,117        | \$ 1,570,310              | \$ 1,881,435                       | \$ 16,431,372                | 5.325                 | \$ 87,497,056                  | 18.78%   |
| 2000        | 6,293,257    | 12,756,685    | 1,860,397         | 20,910,339           | 1,700,240                 | 2,193,715                          | 17,016,384                   | 5.816                 | 98,967,289                     | 17.19%   |
| 2001        | 6,645,913    | 13,862,254    | 2,004,626         | 22,512,793           | 1,791,760                 | 2,452,166                          | 18,268,867                   | 5.451                 | 99,583,594                     | 18.35%   |
| 2002        | 7,200,754    | 15,231,115    | 2,165,091         | 24,596,960           | 1,666,969                 | 3,057,178                          | 19,872,813                   | 5.613                 | 111,546,099                    | 17.82%   |
| 2003        | 7,725,624    | 16,906,517    | 1,997,630         | 26,629,771           | 1,828,260                 | 3,524,500                          | 21,277,011                   | 5.392                 | 114,725,643                    | 18.55%   |
| 2004        | 8,374,188    | 18,571,148    | 1,964,460         | 28,909,796           | 1,863,890                 | 4,090,609                          | 22,955,297                   | 5.811                 | 133,393,231                    | 17.21%   |
| 2005        | 9,157,808    | 20,308,258    | 1,878,079         | 31,344,145           | 2,067,228                 | 5,186,441                          | 24,090,476                   | 5.534                 | 133,316,694                    | 18.07%   |
| 2006        | 10,206,973   | 22,383,882    | 1,962,917         | 34,553,772           | 2,310,189                 | 7,750,010                          | 24,493,573                   | 5.519                 | 135,180,029                    | 18.12%   |
| 2007        | 11,410,672   | 24,862,440    | 1,894,048         | 38,167,160           | 2,347,281                 | 9,552,758                          | 26,267,121                   | 5.667                 | 148,855,775                    | 17.65%   |
| 2008        | 12,472,317   | 27,192,312    | 2,132,949         | 41,797,578           | 2,478,761                 | 9,552,758                          | 29,766,059                   | 5.508                 | 163,951,453                    | 18.16%   |

Note: Total Direct Tax Rate is "per \$10,000 assessed value".

Source: County of Alameda

CITY OF OAKLAND  
STATISTICS

SCHEDULE 8

DIRECT AND OVERLAPPING  
PROPERTY TAX RATES

| Fiscal Year | <u>City Direct Rates</u> |                   |                        | Alameda County | Education | Education Debt | BART and AC Transit | <u>Overlapping Rates</u> |           |           |        | East Bay Reg. Parks District Debt |
|-------------|--------------------------|-------------------|------------------------|----------------|-----------|----------------|---------------------|--------------------------|-----------|-----------|--------|-----------------------------------|
|             | Basic Rate               | Debt Service Fund | 1981 Pension Liability |                |           |                |                     | Total Direct Rate        | BART Debt | BART Debt | Other  |                                   |
| 1999        | 0.3485                   | 0.0265            | 0.1575                 | 0.3086         | 0.2165    | 0.0318         | 0.0517              | 0.0167                   | 0.0505    | 0.0091    | 0.0242 | 0.0092                            |
| 2000        | 0.3485                   | 0.0756            | 0.1575                 | 0.3086         | 0.2165    | 0.0274         | 0.0517              | -                        | 0.0505    | 0.0087    | 0.0242 | 0.0088                            |
| 2001        | 0.3485                   | 0.0391            | 0.1575                 | 0.3086         | 0.2165    | 0.0923         | 0.0517              | -                        | 0.0505    | 0.0085    | 0.0242 | 0.0065                            |
| 2002        | 0.3485                   | 0.0553            | 0.1575                 | 0.3086         | 0.2165    | 0.0959         | 0.0517              | -                        | 0.0505    | 0.0084    | 0.0242 | 0.0072                            |
| 2003        | 0.3485                   | 0.0332            | 0.1575                 | 0.3086         | 0.2165    | 0.0994         | 0.0517              | -                        | 0.0505    | 0.0084    | 0.0242 | 0.0065                            |
| 2004        | 0.3485                   | 0.0751            | 0.1575                 | 0.3086         | 0.2165    | 0.0923         | 0.0517              | -                        | 0.0505    | 0.0079    | 0.0242 | 0.0057                            |
| 2005        | 0.3485                   | 0.0474            | 0.1575                 | 0.3086         | 0.2165    | 0.0875         | 0.0517              | -                        | 0.0505    | 0.0076    | 0.0242 | 0.0057                            |
| 2006        | 0.3485                   | 0.0459            | 0.1575                 | 0.3086         | 0.2165    | 0.1018         | 0.0517              | -                        | 0.0505    | 0.0072    | 0.0242 | 0.0057                            |
| 2007        | 0.3485                   | 0.0607            | 0.1575                 | 0.3086         | 0.2165    | 0.1074         | 0.0517              | -                        | 0.0505    | 0.0068    | 0.0242 | 0.0085                            |
| 2008        | 0.3485                   | 0.0448            | 0.1575                 | 0.3086         | 0.2165    | 0.1030         | 0.0517              | -                        | 0.0505    | 0.0065    | 0.0242 | 0.0080                            |

Note: Rates per \$1,000 assessed value

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 9**

**PRINCIPAL PROPERTY TAX PAYERS**

| <u>Taxpayer</u>                   | <u>1999</u>                   |  | <u>2008</u>                   |  |
|-----------------------------------|-------------------------------|--|-------------------------------|--|
|                                   | <u>Taxable Assessed Value</u> | <u>Percentage of Total City Taxable Assessed Value</u> | <u>Taxable Assessed Value</u> | <u>Percentage of Total City Taxable Assessed Value</u> |
| Oakland City Center Venture LLC   | \$ 169,998,605                | 0.928%   | \$ 193,371,119                | 0.492%   |
| SIC Lakeside Drive LLC            | -                             | 0.000%   | 199,428,657                   | 0.507%   |
| Oakland Property LLC              |                               | 0.000%   | 159,120,000                   | 0.405%   |
| Kaiser Foundation Health Plan Inc | 80,087,192                    | 0.437%   | 150,845,907                   | 0.384%   |
| 1800 Harrison Foundation          | -                             | 0.000%   | 117,197,866                   | 0.298%   |
| 555 Twelfth Street Venture LLC    |                               | 0.000%   | 105,113,958                   | 0.267%   |
| Brandywine Ordway LLC             | -                             | 0.000%   | 104,040,000                   | 0.265%   |
| Clorox Company                    | 76,977,963                    | 0.420%   | 93,865,620                    | 0.239%   |
| KSL Claremont Resort, Inc.        | 57,507,937                    | 0.314%   | 85,149,410                    | 0.217%   |
| Zhone Technologies Campus LLC     | -                             | 0.000%   | 71,004,400                    | 0.181%   |
| <b>Total</b>                      | <b>\$ 384,571,697</b>         | <b>2.100%</b>  | <b>\$ 1,279,136,937</b>       | <b>3.253%</b>  |

(1) 2008 based on total assessed value of \$39,318,818,006

(2) 1999 based on total assessed value of \$18,312,807,466

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 10**

**PROPERTY TAX LEVIES  
AND COLLECTIONS**

*(in thousands)*

| <b>1% TAX ROLL</b>         |                                  |  |                 |                                |                           |                 |  |
|----------------------------|----------------------------------|--|-----------------|--------------------------------|---------------------------|-----------------|--|
| Fiscal Year Ended June 30, | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy |                 | Collections in Subsequent Year | Total Collections to Date |                 |  |
|                            |                                  | Amount                                       | Percent of Levy |                                | Amount                    | Percent of Levy |  |
| 1999                       | \$ 47,448                        | \$ 46,138                                    | 97.24%          | 0                              | \$ 46,138                 | 97.24%          |  |
| 2000                       | 49,855                           | 47,921                                       | 96.12%          | 0                              | 47,921                    | 96.12%          |  |
| 2001                       | 53,376                           | 51,120                                       | 95.77%          | 0                              | 51,120                    | 95.77%          |  |
| 2002                       | 56,947                           | 55,270                                       | 97.06%          | 0                              | 55,270                    | 97.06%          |  |
| 2003                       | 61,164                           | 59,276                                       | 96.91%          | 0                              | 59,276                    | 96.91%          |  |
| 2004                       | 65,248                           | 63,546                                       | 97.39%          | 0                              | 63,546                    | 97.39%          |  |
| 2005                       | 68,095                           | 66,301                                       | 97.37%          | 0                              | 66,301                    | 97.37%          |  |
| 2006                       | 73,331                           | 71,198                                       | 97.09%          | 0                              | 71,198                    | 97.09%          |  |
| 2007                       | 79,357                           | 75,654                                       | 95.33%          | 0                              | 75,654                    | 95.33%          |  |
| 2008                       | 86,220                           | 81,048                                       | 94.00%          | 0                              | 81,048                    | 94.00%          |  |

| <b>Voter-Approved Debt Tax Roll</b> |                                  |  |                 |                                |                           |                 |  |
|-------------------------------------|----------------------------------|--|-----------------|--------------------------------|---------------------------|-----------------|--|
| Fiscal Year Ended June 30,          | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the Levy |                 | Collections in Subsequent Year | Total Collections to Date |                 |  |
|                                     |                                  | Amount                                       | Percent of Levy |                                | Amount                    | Percent of Levy |  |
| 1999                                | \$ 35,848                        | \$ 34,599                                    | 96.52%          | 0                              | \$ 34,599                 | 96.52%          |  |
| 2000                                | 45,245                           | 43,475                                       | 96.09%          | 0                              | 43,475                    | 96.09%          |  |
| 2001                                | 42,225                           | 40,748                                       | 96.50%          | 0                              | 40,748                    | 96.50%          |  |
| 2002                                | 49,024                           | 46,849                                       | 95.56%          | 0                              | 46,849                    | 95.56%          |  |
| 2003                                | 48,441                           | 46,001                                       | 94.96%          | 0                              | 46,001                    | 94.96%          |  |
| 2004                                | 61,760                           | 59,602                                       | 96.51%          | 0                              | 59,602                    | 96.51%          |  |
| 2005                                | 59,673                           | 57,558                                       | 96.46%          | 0                              | 57,558                    | 96.46%          |  |
| 2006                                | 63,369                           | 60,887                                       | 96.08%          | 0                              | 60,887                    | 96.08%          |  |
| 2007                                | 75,071                           | 70,586                                       | 94.03%          | 0                              | 70,586                    | 94.03%          |  |
| 2008                                | 76,453                           | 70,621                                       | 92.37%          | 0                              | 70,621                    | 92.37%          |  |

Note: Collections in subsequent year data not available

Source: County of Alameda

CITY OF OAKLAND  
STATISTICS

SCHEDULE 11

TAXABLE SALES BY CATEGORY

(in thousands)

|                            | Fiscal Year |              |              |              |              |              |              |              |              |             |
|----------------------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
|                            | <u>1999</u> | <u>2000</u>  | <u>2001</u>  | <u>2002</u>  | <u>2003</u>  | <u>2004</u>  | <u>2005</u>  | <u>2006</u>  | <u>2007</u>  | <u>2008</u> |
| Auto & Transportation      | n/a         | \$ 922,018   | \$ 895,331   | \$ 929,517   | \$ 871,710   | \$ 817,924   | \$ 860,194   | \$ 912,876   | \$ 840,330   |             |
| Business & Industry        | n/a         | 688,074      | 588,871      | 715,740      | 700,079      | 622,816      | 667,630      | 613,457      | 691,322      |             |
| General Consumer Goods     | n/a         | 501,218      | 504,084      | 480,747      | 453,363      | 461,085      | 554,136      | 549,394      | 536,955      |             |
| Restaurants and Hotels     | n/a         | 439,638      | 442,948      | 430,058      | 406,565      | 441,158      | 496,814      | 483,765      | 527,276      |             |
| Building & Construction    | n/a         | 319,187      | 348,829      | 393,261      | 369,886      | 491,196      | 488,972      | 495,607      | 465,797      |             |
| Food & Drugs               | n/a         | 372,774      | 342,013      | 341,625      | 308,529      | 316,990      | 321,467      | 330,643      | 341,677      |             |
| Fuel & Service Stations    | n/a         | 290,612      | 317,736      | 342,098      | 593,926      | 869,866      | 1,058,122    | 1,186,535    | 1,236,876    |             |
| Total                      | \$ -        | \$ 3,533,521 | \$ 3,439,812 | \$ 3,633,046 | \$ 3,704,058 | \$ 4,021,035 | \$ 4,447,335 | \$ 4,572,277 | \$ 4,640,233 |             |
| City direct sales tax rate |             |              |              |              |              |              | 1.5%         | 1.5%         | 1.5%         | 1.5%        |

Source: HdL Companies



**CITY OF OAKLAND  
STATISTICS**

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**SCHEDULE 12**

**DIRECT AND OVERLAPPING  
SALES TAX RATES**

| <u>Fiscal<br/>Year</u> | <u>City<br/>Direct<br/>Rate</u> | <u>State of<br/>California</u> |
|------------------------|---------------------------------|--------------------------------|
| 1999                   | n/a                             | n/a                            |
| 2000                   | n/a                             | n/a                            |
| 2001                   | n/a                             | n/a                            |
| 2002                   | n/a                             | n/a                            |
| 2003                   | n/a                             | n/a                            |
| 2004                   | n/a                             | n/a                            |
| 2005                   | n/a                             | n/a                            |
| 2006                   | 1.50%                           | 7.25%                          |
| 2007                   | 1.50%                           | 7.25%                          |
| 2008                   | 1.50%                           | 7.25%                          |

Source: California State Board of Equalization

CITY OF OAKLAND  
STATISTICS

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE  
*(in thousands)*

| Fiscal Year | Governmental Activities  |                      |                               |                     |                          |                   |                          |               |                |                                 |                                     |                       |                           | Business-type Activities |                                  |                          |                  |                          |                          |                                   |            |        |
|-------------|--------------------------|----------------------|-------------------------------|---------------------|--------------------------|-------------------|--------------------------|---------------|----------------|---------------------------------|-------------------------------------|-----------------------|---------------------------|--------------------------|----------------------------------|--------------------------|------------------|--------------------------|--------------------------|-----------------------------------|------------|--------|
|             | General Obligation Bonds | Tax Allocation Bonds | Certificates of Participation | Lease Revenue Bonds | Pension Obligation Bonds | Accreted Interest | Special Assessment Bonds | Notes Payable | Capital Leases | Accrued Vacation and Sick Leave | Liability for self-insurance (est.) | Claims Payable (est.) | Environmental Cost (est.) | OPEB Obligation          | Pledge Oblig. For Authority Debt | Sewer Fund Notes Payable | Sewer Fund Bonds | Unamortized Bond Premium | Total Primary Government | Percentage of Personal Income (1) | Per Capita |        |
| 1999        | \$ n/a                   | \$ n/a               | \$ n/a                        | \$ n/a              | \$ n/a                   | \$ n/a            | \$ n/a                   | \$ n/a        | \$ n/a         | \$ n/a                          | \$ n/a                              | \$ n/a                | \$ n/a                    | \$ n/a                   | \$ n/a                           | \$ n/a                   | \$ n/a           | \$ n/a                   | \$ n/a                   | \$ n/a                            | \$ n/a     | \$ n/a |
| 2000        | n/a                      | n/a                  | n/a                           | n/a                 | n/a                      | n/a               | n/a                      | n/a           | n/a            | n/a                             | n/a                                 | n/a                   | n/a                       | n/a                      | n/a                              | n/a                      | n/a              | n/a                      | n/a                      | n/a                               | n/a        | n/a    |
| 2001        | n/a                      | n/a                  | n/a                           | n/a                 | n/a                      | n/a               | n/a                      | n/a           | n/a            | n/a                             | n/a                                 | n/a                   | n/a                       | n/a                      | n/a                              | n/a                      | n/a              | n/a                      | n/a                      | n/a                               | n/a        | n/a    |
| 2002        | 133,295                  | 214,295              | 67,346                        | 399,675             | 435,686                  | -                 | 8,870                    | 52,283        | -              | 31,923                          | 90,694                              | 45,242                | -                         | n/a                      | 99,048                           | 7,663                    | -                | -                        | 1,586,020                | 13.56%                            | 4          |        |
| 2003        | 167,350                  | 246,660              | 63,631                        | 382,645             | 442,592                  | -                 | 8,463                    | 49,448        | -              | 32,798                          | 91,367                              | 49,569                | -                         | n/a                      | 96,590                           | 7,045                    | -                | -                        | 1,638,158                | 14.00%                            | 4          |        |
| 2004        | 232,045                  | 235,555              | 59,594                        | 386,200             | 436,873                  | -                 | 7,940                    | 46,153        | -              | 37,436                          | 94,874                              | 48,716                | -                         | n/a                      | 93,950                           | 6,362                    | -                | -                        | 1,685,698                | 14.41%                            | 4          |        |
| 2005        | 227,010                  | 270,085              | 50,195                        | 488,721             | 366,405                  | 70,811            | 7,370                    | 18,440        | 26,769         | 31,503                          | 96,166                              | 43,099                | 5,499                     | n/a                      | 91,150                           | 5,655                    | 62,330           | 2,829                    | 1,864,037                | 15.94%                            | 5          |        |
| 2006        | 358,124                  | 319,115              | 49,154                        | 346,110             | 341,475                  | 85,884            | 7,085                    | 17,940        | 20,218         | 33,709                          | 100,493                             | 44,945                | 2,319                     | n/a                      | 88,100                           | 4,925                    | 60,840           | 2,710                    | 1,883,146                | 16.10%                            | 5          |        |
| 2007        | 345,214                  | 514,475              | 45,795                        | 325,105             | 313,625                  | 104,356           | 6,800                    | 17,090        | 31,809         | 33,601                          | 98,381                              | 43,598                | 11,198                    | n/a                      | 85,350                           | 4,126                    | 59,305           | 2,593                    | 2,042,421                | 22.41%                            | 5          |        |
| 2008        | 331,528                  | 496,630              | 40,495                        | 323,340             | 282,705                  | 125,743           | 6,200                    | 19,045        | 26,968         | 35,646                          | 80,382                              | 50,242                | 8,980                     | 43,668                   | 82,450                           | 3,346                    | 57,720           | 2,475                    | 2,017,563                | 19.12%                            | 5          |        |

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations  
(1) Per capita income \$25,118 multiplied by population 420,183 gives personal income \$10,554,156,594

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 14**

**RATIOS OF GENERAL BONDED  
DEBT OUTSTANDING**

*(in thousands)*

General Bonded Debt Outstanding

| <u>Fiscal<br/>Year</u> | <u>Net<br/>Bonded<br/>Debt (1)</u> | <u>Assessed<br/>Value (2)</u> | <u>Percentage of<br/>Actual Taxable<br/>Value of<br/>Property (%)</u> | <u>Per<br/>Capita (3)<br/><i>(in dollars)</i></u> |
|------------------------|------------------------------------|-------------------------------|---|---|
| 1999                   | \$ 132,960                         | \$18,313,000                  | 0.7260  | \$332.48  |
| 2000                   | 129,665                            | 19,210,000                    | 0.6750  | 322.47  |
| 2001                   | 137,080                            | 20,721,000                    | 0.6616  | 336.81  |
| 2002                   | 133,295                            | 22,930,000                    | 0.5813  | 326.06  |
| 2003                   | 167,350                            | 24,802,000                    | 0.6747  | 405.99  |
| 2004                   | 232,045                            | 27,046,000                    | 0.8580  | 563.76  |
| 2005                   | 227,010                            | 29,277,000                    | 0.7754  | 550.59  |
| 2006                   | 358,124                            | 32,244,000                    | 1.1107  | 869.75  |
| 2007                   | 345,214                            | 35,820,000                    | 0.9637  | 830.86  |
| 2008                   | 331,528                            | 39,319,000                    | 0.8432  | 789.01  |

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2008

(2) Source: County of Alameda.

(3) Population 420,183 as of 1/1/08 per State of California Demographic Information by City.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 15**

**DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT**

| <u>Governmental Unit</u>   | <u>Estimated<br/>Percentage<br/>Applicable</u> | <u>City<br/>Share of<br/>Debt</u> |
|--|--|-----------------------------------|
| <b>Direct Bonded Debt</b>  |  |                                   |
| City of Oakland (1)  | 100  | \$ 331,528,315                    |
| City of Oakland and Coliseum Authority General Fund Obligations        | 100  | 503,685,000                       |
| City of Oakland 1915 Act Bond Obligations                              | 100  | 6,495,000                         |
| City of Oakland Pension Obligations                                    | 100  | 282,704,842                       |
| <b>Total Direct Bonded Debt:</b>                                       |  | <u>\$ 1,124,413,157</u>           |
| <b>Overlapping Bonded Debt</b>   |  |                                   |
| Alameda-Contra Costa Transit District Certificates of Participation    | 21.582   | \$ 2,913,570                      |
| Alameda County Board of Education Public Facilities Corporation        | 17.969   | 44,923                            |
| Alameda County and Coliseum Authority General Fund Obligation          | 17.969   | 82,601,337                        |
| Alameda County Pension Obligations                                     | 17.969   | 41,062,781                        |
| Bay Area Rapid Transit District  | 7.099  | 33,175,047                        |
| East Bay Municipal Utility District, Special District #1               | 51.995   | 16,724,192                        |
| East Bay Regional Park District  | 10.313   | 15,412,263                        |
| Chabot-Las Positas Community College District                          | 1.154  | 5,498,974                         |
| Chabot-Las Positas Community College District General Fund Obligations | 1.154  | 57,585                            |
| Peralta Community College District                                     | 54.783   | 198,144,633                       |
| Peralta Community College District Pension Obligation                  | 54.783   | 81,541,664                        |
| Berkeley & Castro Valley Unified School District                       | 0.004 & 0.126                                  | 122,477                           |
| Oakland Unified School District  | 99.997   | 563,973,080                       |
| Oakland Unified School District Certificates of Participation          | 99.997   | 78,842,635                        |
| San Leandro Unified School District                                    | 11.451   | 8,910,596                         |
| San Leandro Unified School District Certificates of Participation      | 11.451   | 176,918                           |
| Castro Valley Unified School District Certificates of Participation    | 0.126  | 1,027                             |
| City of Emeryville 1915 Act Bonds                                      | 4.183  | 429,385                           |
| <b>Total Overlapping Bonded Debt:</b>                                  |  | <u>\$ 1,129,633,087</u>           |
| <b>Total Direct and Overlapping Debt</b>                               |  | \$ 2,254,046,244                  |
| Less: East Bay M.U.D. Special District #1 (100% self-supporting)       |  | <u>16,724,192</u>                 |
| <b>Total Net Direct and Overlapping Bonded Debt</b>                    |  | <u><u>\$ 2,237,322,052</u></u>    |

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2008

Source: City of Oakland Treasury Division

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 16**

**LEGAL DEBT MARGIN INFORMATION**

|  | <b>1999</b>   | <b>2000</b>   | <b>2001</b>   | <b>2002</b>   | <b>2003</b>   | <b>2004</b>   | <b>2005</b>   | <b>2006</b>   | <b>2007</b>   | <b>2008</b>     |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Debt limit   | \$616,176,449 | \$638,114,414 | \$685,082,511 | \$745,230,478 | \$798,115,131 | \$860,823,608 | \$903,392,821 | \$918,508,985 | \$985,017,038 | \$1,116,227,253 |
| Total net debt applicable to limit                                       | 132,960,000   | 129,665,000   | 137,080,000   | 133,295,000   | 167,350,000   | 232,045,000   | 227,010,000   | 358,124,189   | 345,214,363   | 331,528,315     |
| Legal debt margin  | \$483,216,449 | \$508,449,414 | \$548,002,511 | \$611,935,478 | \$630,765,131 | \$628,778,608 | \$676,382,821 | \$560,384,796 | \$639,802,675 | \$784,698,938   |
| Total net debt applicable to the limit as a percentage of debt limit (%) | 21.58%        | 20.32%        | 20.01%        | 17.89%        | 20.97%        | 26.96%        | 25.13%        | 38.99%        | 35.05%        | 29.70%          |

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2008).

**CITY OF OAKLAND  
STATISTICS**

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**SCHEDULE 17**

**PLEDGED-REVENUE COVERAGE,  
PORT OF OAKLAND**

*(thousands of dollars)*

| Fiscal<br>Year | Net Revenue<br>Available for<br>Debt Service | Principal | Interest  | Total     | Coverage |
|----------------|--|-----------|-----------|-----------|----------|
| 1999           | \$ 79,302                                    | \$ 11,620 | \$ 26,039 | \$ 37,659 | 210.58%  |
| 2000           | 83,655                                       | 12,180    | 25,496    | 37,676    | 222.04%  |
| 2001           | 98,605                                       | 18,920    | 18,757    | 37,677    | 261.71%  |
| 2002           | 85,485                                       | 13,810    | 39,380    | 53,190    | 160.72%  |
| 2003           | 94,610                                       | 10,638    | 46,323    | 56,961    | 166.10%  |
| 2004           | 110,797                                      | 9,241     | 50,124    | 59,365    | 186.64%  |
| 2005           | 126,636                                      | 8,155     | 53,633    | 61,788    | 204.95%  |
| 2006           | 136,566                                      | 14,968    | 56,806    | 71,774    | 190.27%  |
| 2007           | 138,458                                      | 19,892    | 62,756    | 82,648    | 167.53%  |
| 2008           | 144,931                                      | 25,076    | 76,958    | 102,034   | 142.04%  |

Source: Port of Oakland

CITY OF OAKLAND  
STATISTICS

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

| Calendar Year | Population | Personal Income<br>(thousands of dollars) | Per Capita Personal Income | Median Age | School Enrollment | Unemployment Rate (%) |
|---------------|------------|---|----------------------------|------------|-------------------|-----------------------|
| 1999          | 399,900    | \$ N/A                                    | \$ N/A                     | N/A        | 63,652            | 3.5                   |
| 2000          | 402,100    | 12,919,473                                | 32,130                     | 33.3       | 54,867            | 2.8                   |
| 2001          | 407,000    | 13,730,552                                | 33,736                     | 33.3       | 55,525            | 2.9                   |
| 2002          | 408,800    | 16,192,977                                | 39,611                     | 33.3       | 53,108            | 6.7                   |
| 2003          | 412,200    | 17,979,340                                | 43,618                     | 33.3       | 52,629            | 6.8                   |
| 2004          | 411,600    | 18,163,496                                | 44,129                     | 33.3       | 49,334            | 6.1                   |
| 2005          | 412,300    | 9,044,213                                 | 21,936                     | 33.3       | 49,334            | 5.3                   |
| 2006          | 411,755    | 11,697,548                                | 28,409                     | 33.3       | 41,467            | 7.1                   |
| 2007          | 415,492    | 9,114,233                                 | 21,936                     | 33.3       | 39,802            | 7.4                   |
| 2008          | 420,183    | 10,554,157                                | 25,118                     | 36.1       | 39,705            | 9.6                   |

Note: In FY 2000 - 2004 median family income was used as per capital personal income

Source: Population - State of California Department of Finance, Per Capita Income and Median Age - DemographicsNow.com, School Enrollment - Oakland Unified School District, Unemployment Rate - State of California Employment Development Department

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 19**

**PRINCIPAL EMPLOYERS**

| <b>Employer</b>                 | <b>2008</b>                    |             |  | <b>2006</b>                    |             |  |
|---------------------------------|--------------------------------|-------------|--|--------------------------------|-------------|--|
|                                 | <b>Number<br/>of Employees</b> | <b>Rank</b> | <b>Percent of<br/>Total Employment</b> | <b>Number<br/>of Employees</b> | <b>Rank</b> | <b>Percent of<br/>Total Employment</b> |
| Oakland Unified School District | 7,000                          | 1           | 4.01%                                  | 8,000                          | 2           | 4.58%                                  |
| Kaiser Permanente               | 6,611                          | 2           | 3.79%                                  | 5,450                          | 3           | 3.12%                                  |
| Alameda County                  | 6,363                          | 3           | 3.64%                                  | 9,740                          | 1           | 5.58%                                  |
| City of Oakland                 | 4,600                          | 4           | 2.63%                                  | 4,290                          | 5           | 2.46%                                  |
| United States Postal Service    | 4,000                          | 5           | 2.29%                                  | N/A                            |             |  |
| Southwest Airlines Co.          | 2,414                          | 6           | 1.38%                                  | N/A                            |             |  |
| Summit Medical Center           | 2,400                          | 7           | 1.37%                                  | 2,230                          | 10          | 1.28%                                  |
| Oakland Children's Hospital     | 2,340                          | 8           | 1.34%                                  | N/A                            |             |  |
| Federal Express                 | 2,214                          | 9           | 1.27%                                  | 2,790                          | 7           | 1.60%                                  |
| University of California        | 2,000                          | 10          | 1.15%                                  | N/A                            |             |  |
| Kaiser Foundation Hospitals     | N/A                            |             |  | 4,340                          | 4           | 2.49%                                  |
| Bay Area Rapid Transit          | N/A                            |             |  | 2,800                          | 6           | 1.60%                                  |
| Alta-Bates Medical Center       | N/A                            |             |  | 2,620                          | 8           | 1.50%                                  |
| Kaiser Foundation Health Plan   | N/A                            |             |  | 2,590                          | 9           | 1.48%                                  |
| <b>Total</b>                    | <b>39,942</b>                  |             |  | <b>44,850</b>                  |             |  |

Note: Data pertaining to principal employers for the past 10 years is not readily available. As such, we used 2006 data as our base year which is the earliest information available

Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers.  
 Fiscal Year 2008 - City of Oakland, Community and Economic Development Agency  
 Total employment of 174,580 (2007 estimate) from DemographicsNow.com is used to calculate the percentage of employment



**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 20**

**FULL-TIME-EQUIVALENT CITY GOVERNMENT  
EMPLOYEES BY FUNCTION/PROGRAM**

| <b>Function/Program</b>         | <b>1999</b>  | <b>2000</b>  | <b>2001</b>  | <b>2002</b>  | <b>2003</b>  | <b>2004</b>  | <b>2005</b>  | <b>2006</b>  | <b>2007</b>  | <b>2008</b>  |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Aging, Health & Human Services  | N/A          | N/A          | N/A          | N/A          | N/A          | 224          | 219          | 210          | 213          | 208          |
| Community & Economic            |              |              |              |              |              |              |              |              |              |              |
| Development Agency              | N/A          | N/A          | N/A          | N/A          | N/A          | 285          | 266          | 258          | 262          | 419          |
| Fire                            |              |              |              |              |              |              |              |              |              |              |
| Firefighters and officers       | 492          | 492          | 492          | 492          | 506          | 481          | 464          | 445          | 456          | 462          |
| Civilians                       | 65           | 66           | 66           | 74           | 81           | 78           | 72           | 77           | 81           | 82           |
| General Government              |              |              |              |              |              |              |              |              |              |              |
| Management services             | N/A          | N/A          | N/A          | N/A          | N/A          | 214          | 207          | 199          | 222          | 211          |
| Finance                         | N/A          | N/A          | N/A          | N/A          | N/A          | 184          | 175          | 201          | 210          | 209          |
| Retirement Services             | N/A          | N/A          | N/A          | N/A          | N/A          | 8            | 6            | 7            | 7            | 5            |
| Personnel Resource Mgmt         | N/A          | N/A          | N/A          | N/A          | N/A          | 36           | 35           | 38           | 41           | 53           |
| Contracts and Purchasing        | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | N/A          | 22           |
| Information Technology Division | N/A          | N/A          | N/A          | N/A          | N/A          | 73           | 72           | 76           | 76           | 92           |
| Library                         | N/A          | N/A          | N/A          | N/A          | N/A          | 181          | 172          | 173          | 160          | 150          |
| Marketing - CAM                 | N/A          | N/A          | N/A          | N/A          | N/A          | 22           | 22           | 22           | 22           | 21           |
| Museum                          | N/A          | N/A          | N/A          | N/A          | N/A          | 67           | 61           | 56           | 58           | 55           |
| Parks and recreation            | N/A          | N/A          | N/A          | N/A          | N/A          | 216          | 81           | 88           | 81           | 76           |
| Police                          |              |              |              |              |              |              |              |              |              |              |
| Officers                        | 713          | 751          | 747          | 839          | 763          | 759          | 714          | 701          | 725          | 746          |
| Civilians                       | 412          | 462          | 494          | 443          | 443          | 385          | 370          | 354          | 335          | 432          |
| Public Works                    | N/A          | N/A          | N/A          | N/A          | N/A          | 609          | 698          | 709          | 727          | 561          |
| <b>Total</b>                    | <b>4,025</b> | <b>4,218</b> | <b>4,218</b> | <b>4,556</b> | <b>3,858</b> | <b>3,822</b> | <b>3,634</b> | <b>3,614</b> | <b>3,676</b> | <b>3,804</b> |

Note: FTE's not broken down by function/program prior to FY04.

Source: City of Oakland Personnel Resource Mgmt.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 21**

**OPERATING INDICATORS BY  
FUNCTION/PROGRAM**

| <u>Function/Program</u>                               | <u>2002</u>       | <u>2003</u>       | <u>2004</u>       | <u>2005</u>       | <u>2006</u>       | <u>2007</u>       | <u>2008</u>       |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| General Government                                    |                   |                   |                   |                   |                   |                   |                   |
| Building permits issued                               | 15,805            | 15,910            | 16,424            | 15,942            | 15,674            | 16,488            | 14,957            |
| Building inspections conducted                        | N/A               | N/A               | N/A               | N/A               | 78,306            | 89,388            | 95,064            |
| Authorized new dwelling units                         | 757               | 930               | 857               | 1,350             | 1,377             | 2,035             | 704               |
| Commercial value (in thousands)                       | 165,731           | 260,000           | 156,669           | 173,292           | 173,908           | 171,157           | 213,696           |
| Residential value (in thousands)                      | 317,792           | 170,527           | 268,600           | 356,256           | 646,214           | 611,036           | 258,617           |
| Police  |                   |                   |                   |                   |                   |                   |                   |
| Dispatched calls                                      | N/A               | N/A               | N/A               | N/A               | 317,323           | 299,283           | 289,032           |
| Field Contacts  | N/A               | N/A               | N/A               | N/A               | 8,270             | 7,221             | 9,641             |
| Physical arrests                                      | N/A               | N/A               | N/A               | N/A               | 10,958            | 14,908            | 16,866            |
| Parking violations                                    | N/A               | N/A               | 548,922           | 539,115           | 512,376           | 470,008           | 459,459           |
| Traffic violations                                    | N/A               | N/A               | N/A               | N/A               | 36,233            | 39,098            | 44,897            |
| Fire  |                   |                   |                   |                   |                   |                   |                   |
| Emergency responses                                   | 62,825            | 60,819            | 41,999            | 34,806            | 58,736            | 61,470            | 49,784            |
| Fires extinguished                                    | N/A               | N/A               | N/A               | N/A               | 3,095             | 2,021             | 3,800             |
| Inspections   | 3,563             | 1,070             | 1,070             | 2,310             | 2,515             | 2,631             | 3,062             |
| Port of Oakland                                       |                   |                   |                   |                   |                   |                   |                   |
| Imports (in tonnage)                                  | 9,144,261         | 9,905,575         | 10,759,090        | 12,434,675        | 15,223,082        | 16,081,289        | 16,203,404        |
| Exports (in tonnage)                                  | <u>13,795,200</u> | <u>13,071,935</u> | <u>14,170,929</u> | <u>14,510,634</u> | <u>14,837,250</u> | <u>14,710,407</u> | <u>16,191,383</u> |
| Total tonnage   | 22,939,461        | 22,977,510        | 24,930,019        | 26,945,309        | 30,060,332        | 30,791,696        | 32,394,787        |
| Containers  | 968,895           | 1,079,479         | N/A               | 1,160,270         | 1,292,277         | 1,369,123         | 1,363,367         |
| Other public works                                    |                   |                   |                   |                   |                   |                   |                   |
| Street resurfacing (miles)                            | N/A               | N/A               | N/A               | N/A               | 2.44              | 14.58             | 13.83             |
| Potholes repaired                                     | N/A               | N/A               | N/A               | N/A               | 5,020             | 12,574            | 11,758            |
| Parks and recreation                                  |                   |                   |                   |                   |                   |                   |                   |
| Athletic field permits issued                         | N/A               | N/A               | N/A               | N/A               | 465               | 543               | 330               |
| Community center admissions                           | N/A               | N/A               | N/A               | N/A               | 909,303           | 1,436,682         | 1,423,577         |
| Library   |                   |                   |                   |                   |                   |                   |                   |
| Volumes in collection                                 | N/A               | 1,291,097         | 1,292,980         | 1,357,589         | 1,300,023         | 1,956,249         | 1,242,415         |
| Total volumes borrowed                                | N/A               | 1,950,437         | 1,779,358         | 2,062,891         | 2,316,772         | 2,270,755         | 2,328,712         |
| Water   |                   |                   |                   |                   |                   |                   |                   |
| New connections                                       | N/A               | N/A               | N/A               | N/A               | 890               | 389               | 474               |
| Water main breaks                                     | N/A               | N/A               | N/A               | N/A               | 269               | 261               | 251               |
| Average daily consumption (gallons/family)            | 214.5             | 213               | 213               | 203               | 203               | 203               | N/A               |
| Peak daily consumption (thousands of gallons)         | 385,000           | 385,000           | 385,000           | 385,000           | 385,000           | 385,000           | N/A               |
| Wastewater  |                   |                   |                   |                   |                   |                   |                   |
| Average daily sewage treatment (thousands of gallons) | 75,000            | 72,000            | 72,000            | 76,000            | 77,000            | 75,500            | 75,000            |

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District  
Note: Port of Oakland data based on prior calendar year; fiscal year data unavailable.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 22**

**CAPITAL ASSET STATISTICS  
BY FUNCTION/PROGRAM**

| <u>Function/Program</u>                      | <u>1999</u> | <u>2000</u> | <u>2001</u> | <u>2002</u> | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Aviation facilities                          |             |             |             |             |             |             |             |             |             |             |
| Airports operated                            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 1           | 1           | 1           | 1           |
| Paved airport runways                        | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 4           | 4           | 4           | 4           |
| Total length of runways (in feet)            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 24,520      | 25,038      | 25,038      | 25,038      |
| Area of airport (in acres)                   | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2,500       | 2,600       | 2,600       | 2,600       |
| Police                                       |             |             |             |             |             |             |             |             |             |             |
| Stations                                     | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2           | 7           | 8           |
| Patrol units                                 | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 611         | 630         | 622         |
| Fire stations                                | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 25          | 25          | 25          | 25          |
| Harbor facilities                            |             |             |             |             |             |             |             |             |             |             |
| Miles at waterfront                          | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 19          | 19          | 19          |
| Berthing length at wharves (in feet)         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 23,063      | 23,063      | 23,063      |
| Harbor area (in acres)                       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 786         | 786         | 786         |
| Hospitals                                    | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2           | 2           | 4           |
| Library branches                             | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 16          | 16          | 16          | 15          |
| Museums                                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2           | 2           | 2           | 1           |
| Other public works                           |             |             |             |             |             |             |             |             |             |             |
| Streets (in lane miles)                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2,294       | 2,287       | 2,288       |
| Streetlights                                 | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 36,219      | 33,952      | 36,219      |
| Traffic signals                              | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 671         | 680         | 671         |
| Parks and recreation                         |             |             |             |             |             |             |             |             |             |             |
| Acreage                                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 2,500       | 2,500       | 2,500       | 2,500       |
| Swimming pools                               | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 7           | 7           | 5           | 7           |
| Tennis courts                                | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 44          | 44          | 36          | 44          |
| Playgrounds                                  | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 13          | 13          | 89          | 106         |
| Baseball/softball diamonds                   | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 64          | 46          | 46          | 40          |
| Soccer/football fields                       | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 13          | 13          | 15          | 15          |
| Community centers                            | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 29          | 29          | 29          | 34          |
| Water  |             |             |             |             |             |             |             |             |             |             |
| Water mains (miles)                          | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Fire hydrants                                | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 6,700       | 6,705       | 6,719       |
| Storage capacity (thousands of gallons)      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         |
| Wastewater                                   |             |             |             |             |             |             |             |             |             |             |
| Sanitary sewers (miles)                      | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 29          | 29          | 29          |
| Treatment capacity (million gallons per day) | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | N/A         | 120         | 120         | 320         |

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District  
Note: Harbor Facilities data based on prior calendar year; fiscal year data unavailable.

# CITY OF OAKLAND STATISTICS

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## GENERAL INFORMATION

The City of Oakland is located on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers 19 miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the *transportation hub and center of commerce* for the Bay Area.

With an estimated population of over 420,183, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 106 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the “Necklace of Lights.” Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

### ALL-AMERICAN CITY

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

In recognition of these activities, the City and its residents were awarded the National Civic League’s prestigious All-American City designation. Ten cities out of 151 applicants were selected. Each had to demonstrate broad-based citizen involvement reflecting the community’s demographics, the shared decision-making among its public and private sectors, the creative mobilization of community resources, and the willingness to confront critical local issues and results that have a lasting impact.

### GOVERNMENT

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. The City Auditor and the City

## CITY OF OAKLAND STATISTICS

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Attorney are both elected officials and serve four-year terms.

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

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

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services. Oakland is also the seat of Alameda County, which is one of California’s largest counties.

### COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. While manufacturing jobs have decreased, the economy now offers a healthy mix of trade, transshipment, government, high tech, financial, real estate, medical, publishing, and service-oriented occupations. It also has growing skilled-crafts and re-emerging food production sectors. Because it is considered the transportation hub of Northern California, the growth in its port and international airport activities have been unprecedented in the last five years driven by agricultural and high tech products shipped to and from the far east economies. In a March 18, 2004 press release, the Port moved \$1.2 billion in agricultural goods in 2003 and is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, live performance venues, and a nine-screen movie theater makes Jack London Square a lively nighttime attraction. In addition, new office and retail buildings, public facilities, hotels, a convention center, park enhancements, seven farmer’s markets, outdoor cinema, 32 art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City’s 40 increasingly robust neighborhood retail areas are expanding and being revitalized. Abandoned warehouses, foundries and long silent cigar, macaroni, and tent factories are being converted into live/work studios for crafts people.

## CITY OF OAKLAND STATISTICS

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City departments and processes are being streamlined, restructured, and customer focused to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The East Bay Entrepreneur Center, located in downtown Oakland, links businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Revitalization Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

Oakland is a city of rich history, impressive growth, and a promising future. Located within the **nation's largest metropolitan area**, California's eighth largest city is strategically positioned as the economic heart of the East Bay. Oakland is ready for the twenty-first century with a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland offers competitively priced office space, a fiber optic infrastructure, and the amenities for both traditional and emerging enterprises.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City's approximately 420,183 residents per capita income in 2008 averaged \$25,118. Portions of Oakland are among the wealthiest consumer markets in California; nearly one-quarter of the City's households report household income in excess of \$77,500. Estimated annual taxable sales were \$4.6 billion in 2008. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various media and comments by public officials. For example, the City is:

- "...4<sup>th</sup> Best commercial real estate market in the country" (Moody's Investors 2003);
- "...6<sup>th</sup> Best City to live in the U.S." (Money, Dec. 2002);
- "...7<sup>th</sup> Most Creative City in America." (Carnegie Mellon);
- "...8<sup>th</sup> Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "...uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce);
- "...projected to have the highest average household income growth rate (3.67%) in the U.S. for the period 2004-2009. (NPA Data Services, 2005);
- "...ranked 4<sup>th</sup> best potential retail market in the nation (Marcus & Millichap, 2007);
- "...ranked 2<sup>nd</sup> in technology intensity and 4<sup>th</sup> highest percentage of U.S. households with computer users. (MetaFacts, April 2003);
- "...among the top ten green cities in the U.S. (*SustainLane* 2006, 2007);
- "...ranked the top commercial real estate market in the nation, projected to have the largest increase in rents of all U.S. cities through 2007 (*Cushman & Wakefield*, 2006); and
- "...ranked eighth in the nation in the percentage of women-owned businesses (*Center for Women's Business Research*, September 2004, based on U.S. Census Bureau data).

# CITY OF OAKLAND STATISTICS

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These pronouncements are testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8<sup>th</sup> 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 Ronald Dellum's leadership that enthusiastically supports and embraces sustainable economic development.

## **DEMOGRAPHICS**

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

*In Mayor Ronald Dellum's first State of the City Speech in January 2008, he laid out specific steps his administration will pursue during his next year in office.*

### **Making Our Neighborhoods Safer by Hiring More Police**

In order to meet his commitment to reach the current authorized strength of 803 police officers by the end of calendar year 2008, the Mayor has the following recruitment and retention strategies:

- Increasing the number of recruits going through the Police Academy;
- Increasing success rates at the Police Academy by developing a new, intensive pre-academy program to ready potential applicants for success in the academy;
- Putting more police officers on the street;
- Expanding the recruitment programs; and
- Reviewing future policing needs.

### **Tackling the Root Causes of Violence**

The Mayor wants to solve the root causes of crime and violence, which he calls it a public health crisis, by addressing the economic disparity and community instability facing the residents. He will bring Oakland together to resolve this public health crisis by doing the following:

- Bringing more jobs to at-risk youth and ex-offenders;
- Getting guns off the street; and
- Building a safe and strong community.

### **Economic Development – A Comprehensive Approach**

The Mayor said Oakland needs and deserves an economic development strategy that clearly sets goals

## CITY OF OAKLAND STATISTICS

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and targets for economic growth and sets out a plan for meeting those targets.

Key components include:

- Continuing our efforts to conform General Plan land use with zoning regulations to encourage development;
- Working to attract investments to key opportunity sites;
- Building on our work with Oakland Partnership, Chambers of Commerce, financial institutions, and non-profit organizations to help Oakland businesses; and
- Aligning workforce development with the needs of Oakland's key and emerging industries.

On housing development, the Mayor believes that the City must support and encourage continued investment in all areas to revitalize neighborhoods, provide mixed income communities, and ensure that current Oakland residents share in the benefits of new development.

Immediate steps include:

- Encouraging development of new market rate housing by providing clear policies and guidelines that establish predictability for private developers;
- Adopting an inclusionary zoning ordinance to ensure that private development yields community benefits in the form of affordable housing;
- Modifying the condo conversion ordinance to create opportunities for tenant purchase and affordable homeownership for moderate-income households;
- Expanding the city's first-time homebuyers program with special emphasis on providing housing for Oakland first responders, including police, fire, nurses and teachers; and
- Protecting renters from displacement by closing loopholes in the Rent Adjustment Ordinance.

### **Health and Education for Oakland's Families**

The Mayor believes that an unhealthy child cannot perform to his/her academic potential, and how well Oakland educates and takes care of its children plays an important role in our future. The Mayor's efforts include:

- Promoting an integrated school services initiative by working with partners at the School District and the Alameda County Health Care Services Agency;
- Building school-based health centers, partner with Oakland Unified School District, Alameda County and Kaiser Permanente; and
- Developing Clinics at Peralta Community Colleges, this partnership will replicate the school-based health center approach at Peralta's sites.

*In 1999, the City launched "Downtown 10K Initiative":* the 10K Downtown Housing Initiative, has realized 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



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downtown Oakland a great place to live.

As of September 2007, the 10K Downtown Housing Initiative has resulted in the start of 84 residential projects with 10,468 units. Of these, twenty-five projects (2,274 units) have been completed, eighteen projects (2,187 units) are in construction, twenty-one projects (2,316 units) have received planning approvals, and sixteen projects (3,691 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 a decade. Once these projects are completed, the 10K Initiative will have exceeded its goal by 4,468 units or almost double.

To enhance the downtown for retail, the City/Redevelopment Agency is (1) constructing \$7 million of sidewalk improvements and pedestrian and transit amenities, (2) providing Façade Improvement and Tenant Improvement matching grants; and (3) encouraging the development of public parking.

Both Oakland's Maritime and International Airport operations are undergoing major capital improvements. The Maritime Division has added 12 new giant cranes to its cargo handling capacity, reflecting an investment of over \$50 million to connect with the new Joint Intermodal Terminal, and over \$38 million investment in federal transportation and private funds. This new 85-acre Intermodal Terminal affords Oakland two viable dock-to-rail alternatives to offer shipping customers. This facility will also benefit the community by taking more than 20,000 truck moves a year off the Interstate 80 freeway.

The Oakland Airport served more than 14 million passengers annually from 2004 to 2007. FAA forecasts show that by 2012, nearly 20 million passengers will travel through Oakland each year. To accommodate passenger growth, the Port is moving forward with its \$1.6 billion Airport Development Program (ADP) to enhance the airport improvements at its two terminals. The Airport is scheduled to add 17 new passenger gates, including new and expanded cargo facilities, a new two-level roadway system, parking structure, and streamlined rental car facilities. The expansion plans have been designed to accommodate the proposed Bay Area Rapid Transit (BART) rail connector between the airport and Coliseum BART station.

The Mayor and City Council have achieved considerable success in their active recruitment of and support for new and existing companies in five major target industries: telecommunications, software/multimedia, biotechnology, transportation, and food processing. The Oakland metro region is now home to more than 2,145 high-tech companies employing more than 52,000 people. As the Bay Area's economic boom spreads to Oakland, the City is also focusing its efforts on ensuring that more of its residents are able to enjoy the benefits of that boom. In conjunction with Bank of America, the City has launched an aggressive \$1 billion First-time Homebuyer Program targeted at helping Oakland residents buy their own home.

### **HISTORY**

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and

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gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharfs began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharfs and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing, and shipping companies based in Oakland. Auto makers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city, and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards, and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

Oakland has a rich literary and cultural heritage. Such historical notables as writers Bret Harte, Jack London, Joaquin Miller, Ina Donna Coolbrith, Jessica Mitford, Narman Jayo, Ishmael Reed, and Gertrude Stein; architect Julia Morgan; and dancer Isadora Duncan are just a few who have left their cultural mark on the City. It is also the birthplace of the West Coast Blues.

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## TRANSPORTATION

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24), and the Bay Area Rapid Transit (BART) system guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

### The Port of Oakland

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the third largest container port on the Pacific Coast, fourth largest in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal, and the 85 acre intermodal rail terminal operated by the BNSF. The recently renovated and expanded Union Pacific Railroad intermodal facility is located adjacent to the BNSF facility. As part of the Port's Vision 2000 expansion, a new harbor roadway has been constructed along with other harbor area roadway improvements. In addition, the Middle Harbor Shoreline Park and Wildlife Habitat have been completed in 2003.

### Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and is a leader in on-time performance with 72.6% of its flights out on time. Strategically located at the center of the region, Oakland International handled 14.6 million passengers in 2007 and almost 700,000 metric tons of air cargo annually. It is the 31<sup>st</sup> largest airport in the United States by passenger traffic, and the second largest airport in the Bay Area. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Between the two airfields, Oakland International handles more than a half million operations annually, making it the 8th busiest airport in the world. From South Field, there are more than 200 departures daily to domestic and international destinations. The passenger terminal complex consists of two terminals with 29 gates, including an international arrivals building for Oakland's growing international service to such destinations as Guadalajara, Morelia, Leon, Mexico, Paris, and Papeete, Tahiti and the Azores Islands. Service between Oakland and Hawaii was inaugurated in February 2000 and direct flights to New York, JFK and Newark, New Jersey were started. The \$110

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million Terminal 2 Expansion Project will add five gates and a food court, plus new baggage-screening facilities. The airport employs approximately 15,900 people. United Airlines and Alaska Airlines operate maintenance facilities at Oakland International.

### **Air Cargo at Oakland International Airport**

Oakland International handles nearly 700,000 metric tons of cargo annually, it is among the top 30 airports in the world in the amount of cargo handled. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx, which currently doubled its operations in Oakland by opening a new 13-acre, 191,000 square foot complex, operates a regional sorting and international import clearance facility at Oakland, where nearly 2,100 people are employed. UPS employs 450 people in its airport sort facility and operates a regional distribution center at the nearby Oakland Airport Business Park.

### **Mass Transit**

Local bus service is provided by AC Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 364 square miles along the east shore of San Francisco Bay. Serving a population of 1.5 million, AC Transit operates a network of 105 transbay and local East Bay bus routes, 98% of which make transfer connections with the Bay Area Rapid Transit (BART) system. AC Transit buses also serve the new Amtrak Station and ferry terminal at Jack London Square, the Oakland International Airport, and many other Bay Area attractions including downtown San Francisco.

BART is a 104-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 17 Bay Area cities and 43 stations. Travel between Oakland and San Francisco averages only 20 minutes on BART.

Other modes of transportation include the Alameda/Oakland Ferry Service that also links Oakland with San Francisco. Nine major U.S. and California highways pass through Oakland. Daily service to rail destinations throughout the U.S. is offered at the Oakland Amtrak Station. Greyhound Bus Lines likewise offers daily bus service to cities throughout the United States.

### **EDUCATION**

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 66 elementary, 14 middle, 6 comprehensive high, and 6 alternative high schools. They also operate 35 child development centers and 4 adult education schools. The pupil to teacher

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ratio is 20:1 for K-3, 31:1 for grades 4-5, and 32:1 for 6-12 graders. Current implementation of 20:1 ratio for 9th graders is ongoing.

There are two community colleges and four four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses is offered in Oakland by nine other Bay Area colleges, including U.C. Berkeley. A wide array of non-profit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

### **HEALTH CARE**

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over 1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

### **PUBLIC SAFETY**

The Oakland Police Department is striving to use successful and innovative techniques to reduce crime in the City. The Department continues to strengthen its commitment to Community Policing by employing a new patrol reorganization plan. This plan emphasizes each officer's ability to utilize the Problem Oriented Policing and Problem Solving Teams approach in an effort to reduce Part 1 crimes in the coming years.

### **PARKS AND RECREATION**

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Seven outdoor pools offer seasonal lap and recreational swimming, instruction, and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing, and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.

There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

### **CULTURAL ARTS**

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the

## CITY OF OAKLAND STATISTICS

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West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to “Celebrate Arts and Culture to express the creativity and diversity of Oakland.” The Cultural Arts & Marketing Division, Office of the City Administrator, is the City’s local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland’s creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland’s rich artistic and cultural heritage at the local, regional, and national level.

**Cultural Funding Program**—The City of Oakland, through a competitive application process, awards over \$1.1 million in contracts each year to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

**Public Art Program**—The City commissions works of art for public buildings, parks, and open spaces to beautify neighborhoods, enrich civic spaces, and help create a unified vision for the entire City. Current projects include: creating a series of mosaic insets for the seatwalls at the newly renovated Willow Park in West Oakland, creating a series of interpretive sculptures along the Greenbelt, stretching from Hardy Park to Redondo park, off Claremont Avenue, installing artworks in the Raimondi Park and Sports Fields in West Oakland, implementing the Adopt-A-Sculpture Program, and several Measure DD-funded projects along Lake Merritt and the Oakland Estuary.

**Special Projects**—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland’s art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

**Galleries**—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a ‘partnership in the arts’ collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

**Oakland Museum of California**—One of the world’s finest regional museums, the Oakland Museum of California hosts traveling exhibitions each year and maintains three permanent exhibitions featuring California’s artistic heritage, history and natural resources. The Museum’s permanent and special exhibitions, tours, educational programs and public festivals celebrate the state’s far-reaching diversity, attracting over 200,000 visitors and serving more than 60,000 school children annually.

## CITY OF OAKLAND STATISTICS

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**Paramount Theater**—This 1931 movie place, authentically restored in 1973, is Oakland’s premiere live performance facility. The Oakland East Bay Symphony, led by maestro Michael Morgan, showcases a fine classical repertoire and works of California composers. The internationally recognized Oakland Ballet is expanding its definition of Ballet under Artistic Director Karen Brown. Both the Symphony and the Ballet perform at the Paramount Theater, which also hosts Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

**Malonga Casquelourd Center for the Arts** — This is a multi-cultural performing arts complex that is home to the Citicentre Dance Theater, Dimensions Dance Theater and the Oakland Ensemble Theater, all founding resident companies. In addition to hosting local, regional and national theater, dance and music productions, rental space for arts events are available.

**The Oakland School for the Arts**—This new Charter School provides students with intensive pre-professional training in the arts, within a college-preparatory curriculum for grades 8-12, and will be located on the ground floor of the soon-to-be restored Fox Theater in the Uptown district. It is among the highest performing public schools in the State.

### SPORTS

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games often garner broad national media coverage. In the last two decades, Oakland’s professional sports teams have won six world championships in three major sports. Of those, the Oakland Athletics have won six American League Championships and four baseball World Series titles. The Oakland Coliseum complex is home to the Athletics, the Golden State Warriors, and the Oakland Raiders. The city’s fine sports reputation has made it a natural home for key events such as the 1987 All Star Game, the 1988, 1989 and 1990 World Series, 1989 Masters Rowing Regatta, the 1991 Summer Police Games, the World Figure Skating Championships in 1992, the Olympic Boxing Team Trials of 1996, the NBA All Star game in 2000, and the AFC Championship game between the Oakland Raiders and the Tennessee Titans in 2002. The Oakland Ice Rink, located in downtown City Center area, is one of the most technologically advanced ice rinks in the nation.

In March 23 and 25, 2006, the University of San Francisco and the Oakland Arena hosted the 2006 NCAA Men’s Basketball Division 1 Regional Finals. It was the first time the University of San Francisco hosted this prestigious event and the first time since 1995 that the Oakland Arena served as the host venue. The City of Oakland drew considerable praise from the NCAA for its hosting of this exciting run-up to the Final Four while attracting more than 50,000 visitors and generating extensive regional media coverage.

### MEDIA

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. Its neighborhoods distribute 50 newsletters. In addition to media and

## CITY OF OAKLAND STATISTICS

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cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.

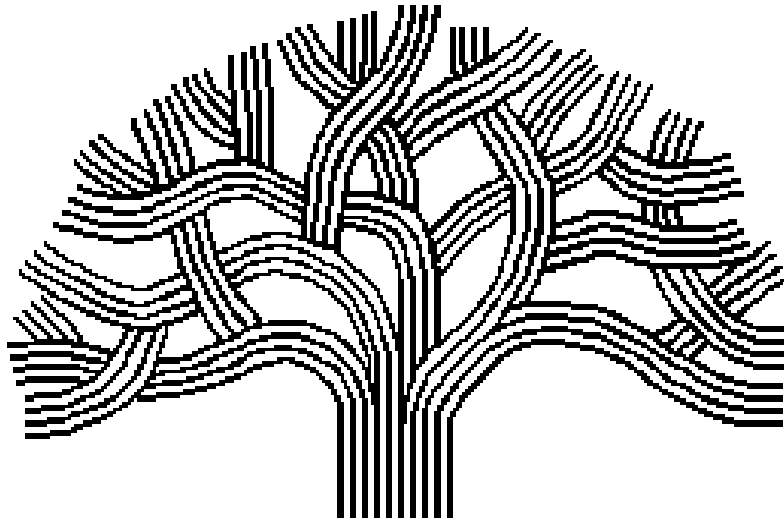


**APPENDIX C**

**FORM OF CITY INVESTMENT POLICY**

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**City of Oakland  
and Oakland Redevelopment  
Agency  
Investment Policy  
For  
Fiscal Year 2009-2010**



**Prepared by  
Treasury Division, Finance and Management Agency  
Adopted by the City Council and Oakland Redevelopment Agency  
On June 16, 2009**

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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 2009 and will serve as the City of Oakland's Investment Policy for fiscal year 2009-10 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/Treasurer and Treasury Manager shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

The independent/external auditors shall perform an annual appraisal audit of the investment portfolio to evaluate the effectiveness of the City's investment program as well as its compliance with the Investment Policy. Additionally, the City Auditor's Office may conduct periodic audits of Treasury operations to review its procedures and policies and to make recommendations for changes and improvements, if warranted.

## ***2. Applicable Ordinances***

### ***Nuclear Free Zone Ordinance***

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S., which restricts the City's investment in U.S. Government Treasuries. The Treasurer will make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries issued by the Government. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S. Treasury securities.

### ***Linked Banking Ordinance***

Pursuant to Ordinance No. 11067 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

### ***Tobacco Divestiture Resolution***

On February 17, 1998, Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Division maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

### ***Preferences***

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

## ***3. The Portfolio***

### ***Definition of the Portfolio***

For the purposes of this Investment Policy, the "Portfolio" or "Fund" consists of the unexpended fund balances of the City of Oakland (including certain operating funds held from time to time for the City's Retirement Systems) and the Port of Oakland, and the "Agency Portfolio" or "Agency Fund" consists of the unexpended fund balances of the Oakland Redevelopment Agency. This Investment Policy applies equally to both the City and the Agency, and all references to "Portfolio" or "Fund" are deemed to include that of each respective entity.

As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not included in the Portfolio, but rather shall be invested separately pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds are not included in the Portfolio, but rather shall be invested separately pursuant to the respective policies and federal or State statutes explicitly applicable to such funds.

### ***Objectives***

#### ***Preservation of Capital (Safety)***

The first and primary goal of the Fund is the preservation of capital. Investments shall be made with the aim of avoiding losses due to market value risk, issuer default and broker default. Diversification of the Fund further ensures that potential losses on individual securities do not exceed the income generated on the remainder of the Fund.

#### ***Liquidity***

Adequate cash on hand to meet cash disbursements and payroll are to be covered through maturing investments. Cash flow modeling is an integral part of the overall cash management responsibilities of the Treasury Division.

#### ***Diversity***

Reducing overall portfolio risks while maintaining market average rates of return is essential. The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency 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 took effect 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 from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust departments, acting as a agent for the City under the terms of the Custody Agreement.

**Credit Risk (Financial Risk):** The possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance.

**Concentration of Credit Risk:** The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

**Interest Rate Risk:** The possibility that an interest rate change could adversely affect an investment's fair value. The City manages interest rate risk by measuring the duration of the portfolio as a method of gauging the degree of interest rate risk to which the portfolio is exposed. Duration 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)***

Effective January 1, 2007, the City is no longer required to submit investment reports to the California Debt and Investment Advisory Commission within 60 days after the close of the second and fourth quarters of each calendar year pursuant to Section 53466 (g) of the California Government Code.

## ***Derivatives***

Callable step-up securities and floaters (which are tied to a short-term index such as 3- or 6-month LIBOR, 3-month Treasury Bills or Fed Funds rate) are considered suitable investments.

Structured notes, capped and range floaters, floating rate notes tied to a long-term index such as the Cost of Funds Index, inverse floaters and leveraged floaters are not permitted investments of the Fund at this time.

Collateralized Mortgage Obligations or their derivatives such as interest only strips are not permitted investments at this time.

## ***General Credit Quality***

Short- term debt shall be rated at least “A-1” by Standard & Poor’s Corporation, “P-1” by Moody’s Investor Service, Inc. or “F-1” by Fitch. Long-term debt shall be rated at least “A” by Standard & Poor’s Corporation, Moody’s Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund. The Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

## ***Maturity***

The 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.                                    |

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\* 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         | A1, P1, or F1<br>(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    | No more than 10% of the total assets of the investments held by the City or Agency may be invested in any one issuer's commercial paper; and maximum 5% per issuer  |
| Credit Requirement         | Prime quality of the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO). For example, 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)  |
| Maximum Issuer Exposure    | No more than 10% of the total assets of the investments held by the City or Agency may be invested in any one issuer’s commercial paper; and maximum 5% per issuer   |
| Credit Requirement         | Rated “A1” by Standard and Poor’s, “P1” by Moody’, or “F1” by Fitch  |
| Eligibility                | <p>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.</p> <p>Program must have credit facility that provides at least 100% liquidity</p> <p>Serialized ABCP programs are not eligible</p> |

**Ratings are to be routinely monitored. The Treasurer or Treasury Manager is to perform his/her own due diligence as to creditworthiness.**

**Local Government Investment Pools**

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

|                            |        |
|----------------------------|--------|
| Maximum Maturity           | N/A    |
| Maximum Portfolio Exposure | 20%    |
| NAV Requirement            | \$1.00 |
|                            |        |

|                                   |  |
|-----------------------------------|--|
|                                   |  |
| Credit Requirement                | Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations   |
| Must retain an Investment Advisor | Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of \$500 million |
| Fund Composition                  | Comprised of instruments in accordance with the California State Government Code   |

### **Medium Term Notes**

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

|                            |   |
|----------------------------|---|
| Maximum Maturity           | 5 years (additional limitations based on credit, below)   |
| Maximum Portfolio Exposure | 30%   |
| Maximum Issuer Exposure    | Prudent person standard applies overall; maximum 5% per issuer  |
| Credit Requirement         | Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest. Maturity no greater than 24 months ("A" category) or 36 months ("AA" category)                              |
| Eligibility                | Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States |



### **Negotiable Certificates of Deposit**

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

|                            |  |
|----------------------------|--|
| Maximum Maturity           | 5 years  |
| Maximum Portfolio Exposure | 30%  |
| Maximum Issuer Exposure    | Prudent person standard applies overall; maximum 5% per issuer   |
| Credit Requirement         | Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise, for Domestic Banks and Savings & Loans a minimum of C (Thomson Bank Watch) and for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings |

### **Repurchase Agreements**

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

|                            |  |
|----------------------------|--|
| Maximum Maturity           | 360 days   |
| Maximum Portfolio Exposure | None   |
| Maximum Dealer Exposure    | Prudent person standard applies overall; maximum 5% per issuer   |
| Collateral Requirements    | Collateral limited to Treasury and Agency securities; must be 102% or greater  |
| Mark-to-market             | Daily  |
| Eligibility                | Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency |

### **Reverse Repurchase Agreements**

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

|                            |  |
|----------------------------|--|
| Maximum Maturity           | 92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)   |
| Maximum Portfolio Exposure | 20% of the base value of the portfolio   |
| Eligibility                | Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City |

### **Secured Obligations and Agreements**

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

|                                  |   |
|----------------------------------|---|
| Maximum Maturity                 | 2 years   |
| Maximum Portfolio Exposure       | 20%   |
| Maximum Issued/Provider Exposure | Prudent person standard applies overall; maximum 5% per issue   |
| Collateral Requirements          | Collateral limited to Treasury and Agency securities; must be 102% or greater   |
| Mark-to-market                   | Daily   |
| Credit Requirement               | Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company |
| Eligibility                      | Banks, insurance companies, insurance holding companies and other financial institutions                                  |

### Certificates of Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to \$250,000 until December 31, 2009. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and federal law or rulings) pursuant to the following conditions:

|                            |   |
|----------------------------|---|
| Maximum Maturity           | 360 days  |
| Maximum Portfolio Exposure | Prudent person standard applies.  |
| Maximum Issuer Exposure    | Prudent person standard applies.  |
| Credit Requirement         | For deposits over \$250,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/ Fitch) being the lowest, if rated by S&P, Moody's or Fitch; otherwise, for Domestic Banks and Savings & Loans, a minimum standard of C (Thompson Bank Watch) and for Foreign Banks a minimum of B (Thompson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings |
| Deposit Limit              | For federally insured deposits of \$250,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution. For deposits over \$250,000, it must be collateralized.  |
| Depository Selection       | Highest available rate of interest  |
| Institution Requirements   | Most recent Annual Report   |

Note: Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee

### **Money Market Mutual Funds**

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

|   |  |
|---|--|
| Maximum Maturity                          | N/A  |
| Maximum Portfolio Exposure                | 20%  |
| NAV Requirement                           | \$1.00   |
| Credit Requirement                        | Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations   |
| Investment Advisor Alternative to Ratings | Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of \$500 million |
| Fund Composition                          | Comprised of instruments in accordance with the California State Government Code   |

### **State Investment Pool (Local Agency Investment Fund)**

A pooled investment 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 1<sup>st</sup> of each new fiscal year. As of June 20, 2005, commercial paper of a limited liability corporation is a legal investment for LAIF, per Chapter 16, Statutes of 2005 (AB 279, Calderon).

|                  |     |
|------------------|-----|
| Maximum Maturity | N/A |
|------------------|-----|

|                            |      |
|----------------------------|------|
| Maximum Portfolio Exposure | None |
|----------------------------|------|

**Local City/Agency Bonds**

Bonds issued by the City of Oakland, the Redevelopment Agency or any department, board, agency or authority of the City or the Redevelopment Agency.

|                            |   |
|----------------------------|---|
| Maximum Maturity           | 5 years   |
| Maximum Portfolio Exposure | None  |
| Maximum Issuer Exposure    | Prudent person standard applies overall;<br>maximum 5% per issuer |
| Credit Requirement         | Prudent person standard applies                                   |

**State of California Obligations and Others**

State of California and any other of the 49 United States registered state warrants, treasury notes, or bonds issued by a State.

|                            |   |
|----------------------------|---|
| Maximum Maturity           | 5 years   |
| Maximum Portfolio Exposure | None  |
| Maximum Issuer Exposure    | Prudent person standard applies overall;<br>maximum 5% per issuer |
| Credit Requirement         | Prudent person standard applies                                   |

**Other Local Agency Bonds**

Bonds, notes, warrants or other evidences of indebtedness of any local agency within the state.

|                            |   |
|----------------------------|---|
| Maximum Maturity           | 5 years   |
| Maximum Portfolio Exposure | Prudent person standard applied overall;<br>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 \$64,545,000 City of Oakland General Obligation Bonds (Series 2009B, Measure DD) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Fiscal Agent Agreement, dated as of July 1, 2009, between the City and Wells Fargo Bank, National Association, as fiscal agent (the "Fiscal Agent") (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 Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

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.

"Annual Report Date" shall mean the date that is nine months after the end of the City's fiscal year (currently March 31 based on the City's fiscal year end of June 30).

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

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

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

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

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2010, with the report for the 2008-09 fiscal year, provide to the

MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the City) has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City hereunder.

(b) If the City does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the City shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to the Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

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

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

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the City's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following additional items:

1. The assessed valuation of taxable property in the City;
2. Property taxes (including the Tax Override Revenues) due, property taxes collected and property taxes delinquent;
3. Property tax levy rate per \$1,000 of assessed valuation; and
4. Outstanding general obligation debt of the City.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be



necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference.

Section 5. Material Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of the Owners 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.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law. Any event under subsections 5(a)(1) or 5(a)(6) above will always be deemed by the City to be material.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material, the City shall promptly file, or cause the Dissemination Agent to promptly file, a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB. Notwithstanding the foregoing, notice of Listed Events described in subsections 5(a)(8) and 5(a)(9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Fiscal Agent Agreement.

(d) Nothing in this Section shall be deemed to prevent the City from disseminating any other information, or including any other information in any 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 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 notice of occurrence of a Listed Event.

In the event of a failure of the City to comply with any provision of this Section 5, any Owner may take such actions as may be necessary and appropriate, including applicable legal remedies to cause the City to comply with its obligations under this Section 5. A default under this Section 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 Section shall be an action to compel performance.

This Section shall inure solely to the benefit of the City, the Participating Underwriters and Owners from time to time of the Bonds and no other person shall have any rights hereunder.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. 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 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate; and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3, 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; and

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

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

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The

comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 9. 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 Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 10. 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 11. 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 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the 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 14. Prior Undertakings. The City hereby certifies that in the previous five years, it has been in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 15. Effective Date. This Disclosure Certificate shall be effective on and as of the date of issuance and delivery of the Bonds.

Section 16. 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) 238-2989  
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 17. 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 July, 2009.

CITY OF OAKLAND, CALIFORNIA

By: \_\_\_\_\_  
Treasury Manager

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Obligor: CITY OF OAKLAND, CALIFORNIA  
Name of Bond Issue: \$64,545,000 City of Oakland  
General Obligation Bonds  
(Series 2009B, Measure DD) (the "Bonds")  
Date of Delivery: July \_\_, 2009

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board 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 Fiscal Agent Agreement, dated as of July 1, 2009, 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 only system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. Accordingly, the Direct Participants, the Indirect Participants and the Beneficial Owners should not rely on the information in this Appendix E with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below) (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with Direct Participants are on file with DTC.*

*Neither the City nor the Fiscal Agent will have any responsibility or obligations to the DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the 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.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of each Series of Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial

relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). The information set forth on such websites is not incorporated by reference.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Fiscal Agent Agreement. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Fiscal Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a Series of Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments, redemption proceeds, and premiums, if any, and purchase prices, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be



requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or the bond trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Fiscal Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, redemption prices and premiums, if any, and purchase prices, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fiscal 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

#### **Discontinuation of Book-Entry Only System; Payment to the Beneficial Owners**

In the event that the book-entry only system described above is no longer used with respect to the Bonds, the provisions of the Fiscal Agent Agreement relating to the 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 or the Fiscal Agent for further information regarding such provisions of the Fiscal Agent Agreement.

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**APPENDIX F**

**FORM OF OPINION OF CO-BOND COUNSEL**

\_\_\_\_\_, 2009

City of Oakland  
Oakland, California

Re: \$64,545,000 City of Oakland General Obligation Bonds  
(Series 2009B, Measure DD)

Ladies and Gentlemen:

We have acted as co-bond counsel to the City of Oakland (the “City”) in connection with the issuance of its \$64,545,000 City of Oakland General Obligation Bonds (Series 2009B, Measure DD) (the “Bonds”). The Bonds are issued under the Charter of the City (the “Charter”) and pursuant to the Government Code of the State of California. The issuance of the Bonds has been authorized and approved by Ordinance No. 12931 (the “Ordinance”) adopted by the City Council of the City (the “City Council”) on May 19, 2009 and Resolution No. 82097 (the “Resolution”) adopted by the City Council on June 16, 2009.

In our capacity as co-bond counsel to the City, we have reviewed: the Ordinance; the Resolution; the Fiscal Agent Agreement, dated as of July 1, 2009, (the “Fiscal Agent Agreement”), by and between the City and Wells Fargo Bank, National Association (the “Fiscal Agent”); a tax certificate of the City and a certificate of the financial advisor of the City and a certificate of the underwriters of the Bonds (the “Underwriters”) relating thereto, each dated the date hereof (collectively, the “Tax Certificate”); other certificates of the City, the Underwriters and others; the Charter and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions, and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur or of any other matters that come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their execution and delivery, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in

the second paragraph above. Furthermore, we have assumed compliance with all covenants and agreements contained in the documents, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for Federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Bonds, the Fiscal Agent Agreement and the Tax Certificate, and their enforceability are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against public agencies 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. We undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto in this letter.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.
2. The City Council has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain personal property which is taxable at limited rates) for payment of the Bonds and interest thereon.
3. Under existing statutes and court decisions, interest on the Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering this opinion, we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the City in connection with the Bonds, and we have assumed compliance by the City with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest from gross income under Section 103 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Bonds in order that, for Federal income tax purposes, interest on the Bonds not be included in gross income pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of Bond proceeds, restrictions on the investment of Bond proceeds prior to expenditure and the requirement that certain earnings be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Bonds to become subject to Federal income taxation retroactive to their date of execution and delivery, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the City will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the City covenants that the City will comply with the provisions and procedures set forth therein and that the City will do and perform all acts and things necessary or desirable to assure that interest paid on the Bonds will, for Federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 3, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of interest paid on the Bonds, and (ii) compliance by the City and the users of the Project with the procedures and covenants set forth in the Tax Certificate as to such tax matters.

4. Under existing statutes, interest on the Bonds is exempt from State of California personal income taxes.

The opinion set forth in paragraph 1 assumes that the Fiscal Agent has duly authenticated the Bonds. Except as stated in paragraphs 3 and 4 above, we express no opinion as to any Federal, state or local tax consequences arising with respect to the Bonds or the ownership or disposition thereof. Furthermore, we express no opinion as to the effect of any action hereafter taken or not taken in reliance upon an opinion of counsel other than ourselves on the exclusion from gross income for Federal income tax purposes of interest on the Bonds, or under state or local tax law.

This opinion is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, or any facts or circumstances, or any changes in law or in interpretations thereof, that may hereafter arise or occur, or for any other reason.

Respectfully submitted,



