NEW ISSUE, BOOK-ENTRY ONLY

Insured Ratings:
Moody's: "Aaa"
S&P: "AAA"
Fitch: "AAA"
See "RATINGS" herein

In the opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, Bond Counsel, under existing law and assuming continuing compliance with certain covenants and the accuracy of certain representations,(i) interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on the Bonds is exempt from State of California personal income taxes. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$21,000,000
City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

Dated: date of original issuance **Due: January 15, as shown below**

The $21,000,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2006 Measure G) (the "Bonds"), are being issued under the Government Code of the State of California and the Charter of the City of Oakland (the "City"). The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council of the City on May 2, 2006. See "THE BONDS--Authority for Issuance." The proceeds of the Bonds will be used for the construction and reconstruction of various improvements as described herein, and to pay for certain costs related to the issuance of the Bonds.

The Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by The Bank of New York Trust Company, N.A., as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "APPENDIX E--BOOK-ENTRY ONLY SYSTEM." The Bonds will be dated and bear interest from the date of original issuance. Interest on the Bonds will be payable semiannually on July 15 and January 15 of each year, commencing January 15, 2007. The Bonds will be subject to optional redemption prior to their respective stated maturities as described herein. See "THE BONDS--Redemption."

The Bonds represent the general obligation of the City. The City Council of the City has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property within the City subject to taxation by the City without limitation as to rate or amount (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

MATURITY SCHEDULE

Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield*	CUSIP*±	Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield*	CUSIP*±
2007	$200,000	4.500%	3.480%	672240PE2	2015	$490,000	4.000%	4.000%	672240PN2
2008	375,000	4.000	3.540	672240PF9	2016	510,000	4.000	4.050	672240PP7
2009	390,000	3.750	3.560	672240PG7	2017	530,000	4.125	4.230	672240PQ5
2010	400,000	3.750	3.600	672240PH5	2018	550,000	4.250	4.270	672240PR3
2011	415,000	4.000	3.680	672240PJ1	2019	575,000	4.250	4.310	672240PS1
2012	435,000	4.000	3.770	672240PK8	2020	595,000	4.250	4.350	672240PT9
2013	450,000	4.000	3.850	672240PL6	2021	625,000	4.500	4.380**	672240PU6
2014	470,000	4.000	3.940	672240PM4					

$3,600,000 5.000% Term Bonds Due January 15, 2026 to yield* 4.380%** CUSIP*± 672240PV4
$4,585,000 5.000% Term Bonds Due January 15, 2031 to yield* 4.500%** CUSIP*± 672240PW2
$5,805,000 4.500% Term Bonds Due January 15, 2036 to yield* 4.670% CUSIP*± 672240PXO

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds.

Ambac

The Bonds are offered when, as, and if issued by the City and accepted by the purchasers, subject to the legal opinion regarding the Bonds by Squire, Sanders & Dempsey L.L.P., San Francisco, Bond Counsel. Certain legal matters will be passed upon for the City by its City Attorney. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC, on or about June 28, 2006.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision

Bear, Stearns & Co. Inc.

Dated June 14, 2006

---

* Initial reoffering prices or yields and CUSIP numbers were provided by the Underwriter.

** Yield calculated to the first date subject to optional redemption.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. A wide variety of information, including financial information, concerning the City is available from the City, City departments and agencies, and their respective publications and websites. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

This Official Statement and the information contained herein are in a form deemed final by the City for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (except for omission of certain information permitted to be omitted under Rule 15c2-12(b)(1)). However, the information herein is subject to revision, completion or amendment in a final Official Statement.

This Official Statement is submitted in connection with the initial sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents and laws herein are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

When used in this Official Statement and in any continuing disclosure by the City, in any press release and in any oral statement made with the approval of an authorized officer of the City, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward-looking statements." The achievement of certain results or other expectations or performance contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CITY OF OAKLAND

MAYOR

EDMUND G. BROWN, JR.

CITY COUNCIL

Ignacio De La Fuente, *President*
District 5

Delsey Brooks
District 6

Henry Chang, Jr.
At-Large

Larry Reid
District 7

Jean Quan, *Vice Mayor*
District 4

Nancy Nadel
District 3

Jane Brunner
District 1

Patricia Kernighan
District 2

CITY OFFICIALS

Deborah A. Edgerly, *City Administrator*
Cheryl A.P. Thompson, *Assistant City Administrator*
Roland E. Smith, *City Auditor*
John Russo, *City Attorney*
LaTonda Simmons, *City Clerk*
William E. Noland, *Director, Finance and Management Agency*
Katano Kasaine, *Treasury Manager*

SPECIAL SERVICES

Squire, Sanders & Dempsey L.L.P.
San Francisco, California
Bond Counsel

Public Financial Management, Inc.
Los Angeles, California
Financial Advisor

The Bank of New York Trust Company, N.A.
San Francisco, California
Fiscal Agent

TABLE OF CONTENTS

$21,000,000
City of Oakland
General Obligation Bonds
(Series 2006, Measure G)

INTRODUCTION

The purpose of this Official Statement (including the cover page and appendices attached hereto) is to provide certain information concerning the initial issuance, sale and delivery by the City of Oakland, California (the "City") of the City of Oakland General Obligation Bonds (Series 2006, Measure G) (the "Bonds"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Resolution and Fiscal Agency Agreement (each defined below).

The Bonds are general obligations of the City. The City Council of the City (the "Council") has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of said Bonds and the interest thereon. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." For information on the City's tax base, tax collection system and property tax revenues, see "SECURITY FOR THE BONDS" and "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

THE BONDS

Authority for Issuance

The Bonds are issued under provisions of the Government Code of the State of California and the Charter of the City. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the Council on May 2, 2006 (the "Resolution"). Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of November 1, 2002, as supplemented by the First Supplemental Agreement, dated as of June 1, 2006 (collectively, the "Fiscal Agent Agreement"), between the City and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company), as fiscal agent (together with any successors, the "Fiscal Agent"). The Fiscal Agent will serve as the Paying Agent on the Bonds.

The Bonds constitute the second and final series of bonds to be issued from the total authorized amount of $59,000,000 of bonds ("Authorized Bonds") duly approved by at least two-thirds of the voters voting on Measure G at the City election held on March 5, 2002 (the "Authorization") to provide funds to finance certain improvements for the Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center. See "THE BONDS -- Purpose." In 2002, the City issued $38,000,000 of the Authorized Bonds.

Purpose

The Bonds are issued by the City to acquire, renovate, improve, construct and finance existing and additional educational facilities for the Oakland Museum of California and the Oakland Zoo.

The Oakland Zoo will expend 40% of proceeds of the Authorized Bonds on the acquisition and construction of new exhibit areas, including, but not limited to the following projects:

New Children's Zoo, which includes a lemur exhibit, a raptor exhibit, an otter exhibit and an insect exhibit. The New Children's Zoo will also include a Sensory Garden where children can smell and touch plants and a new animal contact yard.

Wild California Exhibit, which will feature five native ecological zones – riparian, grassland, chaparral, oak woodland and canyon and related infrastructure.

The Oakland Museum of California will expend 40% of the proceeds of the Authorized Bonds on architectural and structural improvements to its landmark building, enhancing visitor access and use, increasing educational facilities, reinstalling its main exhibition galleries, and providing for better care of collections, including, but not limited to, the following projects:

Enhanced Entrance, which will include seismic upgrades and architectural remodeling to centralize admission and visitor orientation and meet the needs of increasing numbers of schoolchildren.

Expansion of Main Galleries on California history, art and nature will be expanded and reinstalled, making them more relevant to today's audience and using up-to-date exhibit practice and technology.

New Educational Facilities, providing hands-on instruction in natural science.

Care of Collections, by providing improved security, climate control and better access to collections held in storage.

The Chabot Science & Space Center will expend 20% of the proceeds of the Authorized Bonds on the acquisition and construction of other facilities:

New Education Facility, which includes classroom laboratories, a media studio and large meeting space.

Additional Observation Deck Space, which significantly increased outdoor observing deck space for nighttime telescope viewing.

Description of the Bonds

The Bonds are being offered in the denominations of $5,000 or any integral multiples thereof (an "Authorized Denomination") at the purchase price or yields set forth on the cover page hereof. Interest on the Bonds will accrue from the date of initial issuance and will be payable on January 15, 2007 and on each July 15 and January 15 thereafter through January 15, 2036 (each, an "Interest Payment Date"). The Bonds will mature as shown on the cover page hereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be initially issued in book-entry only form through DTC's book-entry only system (the "Book-Entry Only System") and the ownership of one fully registered Bond for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Owners or Registered Owners of the Bonds will mean Cede & Co. and will not mean the beneficial owners of the Bonds through DTC's Book-Entry Only. For a description of the method of payment of principal of, premium, if any, and interest on the Bonds and matters pertaining to transfers and exchanges while the Book-Entry Only System is in place, see "APPENDIX E -- BOOK-ENTRY ONLY SYSTEM." The City and the Fiscal Agent shall treat the Registered Owner of the Bonds (which will be DTC so long as the Book-Entry Only System is in effect) as the absolute owner of the

Bonds for the purpose of payment of debt service, giving all notices of redemption and all other matters with respect to the Bonds.

Debt Service

Debt service on the Bonds (including scheduled mandatory sinking account redemption of the Term Bonds) is as follows:

CITY OF OAKLAND
General Obligation Bonds
(Series 2006, Measure G)
Debt Service

Maturity (January 15)	Principal	Interest	Aggregate Debt Service
2007	$ 200,000.00	$ 524,232.05	$ 724,232.05
2008	375,000.00	948,987.50	1,323,987.50
2009	390,000.00	933,987.50	1,323,987.50
2010	400,000.00	919,362.50	1,319,362.50
2011	415,000.00	904,362.50	1,319,362.50
2012	435,000.00	887,762.50	1,322,762.50
2013	450,000.00	870,362.50	1,320,362.50
2014	470,000.00	852,362.50	1,322,362.50
2015	490,000.00	833,562.50	1,323,562.50
2016	510,000.00	813,962.50	1,323,962.50
2017	530,000.00	793,562.50	1,323,562.50
2018	550,000.00	771,700.00	1,321,700.00
2019	575,000.00	748,325.00	1,323,325.00
2020	595,000.00	723,887.50	1,318,887.50
2021	625,000.00	698,600.00	1,323,600.00
2022*	650,000.00	670,475.00	1,320,475.00
2023*	685,000.00	637,975.00	1,322,975.00
2024*	720,000.00	603,725.00	1,323,725.00
2025*	755,000.00	567,725.00	1,322,725.00
2026	790,000.00	529,975.00	1,319,975.00
2027*	830,000.00	490,475.00	1,320,475.00
2028*	870,000.00	448,975.00	1,318,975.00
2029*	915,000.00	405,475.00	1,320,475.00
2030*	960,000.00	359,725.00	1,319,725.00
2031	1,010,000.00	311,725.00	1,321,725.00
2032*	1,060,000.00	261,225.00	1,321,225.00
2033*	1,110,000.00	213,525.00	1,323,525.00
2034*	1,160,000.00	163,575.00	1,323,575.00
2035*	1,210,000.00	111,375.00	1,321,375.00
2036	1,265,000.00	56,925.00	1,321,925.00
Total	**$21,000,000.00**	**$18,057,894.55**	**$39,057,894.55**

* Scheduled mandatory sinking account redemption.

Redemption

Optional Redemption

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

Right to Rescind Optional Redemption

The City shall have the right to rescind any optional redemption by written notice to the Owner of any Bond previously called for redemption prior to the redemption date. Any notice of optional redemption shall be rescinded if for any reason funds are not available on the date fixed for redemption of the payment in full of the Bonds then called for redemption. Notice of rescission of redemption, whether resulting from the exercise of the City's discretion or from the unavailability of sufficient funds, shall be mailed in the same manner notice of redemption was originally provided. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Mandatory Sinking Fund Redemption

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

Bond Maturing January 15, 2026

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

*Maturity

Bond Maturing January 15, 2031

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

*Maturity

Bond Maturing January 15, 2036

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

*Maturity

Notice of Redemption

The City shall, so long as DTC or its nominee is the registered owner of the Bonds, mail notice of redemption to DTC not less than 30 days and not more than 60 days prior to any redemption date. If for any reason DTC or any other securities depository shall not be engaged by the City with respect to some or all such Bonds, the Fiscal Agent shall give notice of any redemption of the Bonds by mail, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 30 and not more than 60 days prior to any redemption date. See "APPENDIX E -- BOOK-ENTRY ONLY SYSTEM."

The actual receipt by the registered owner of any bond of such notice of redemption, or failure to receive such notice, or any defect in such notice, shall not affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest on the date fixed for redemption.

Defeasance

The Bonds, or portions thereof, may be defeased and deemed paid prior to maturity by irrevocably depositing with the Fiscal Agent or other fiduciary (i) cash in an amount equal to the principal amount of all of such Bonds or portion thereof to be defeased, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as described above under "—Redemption -- Notice of Redemption" or an irrevocable election to give such notice shall have been made by the City, the amount to be deposited shall be the principal amount thereof, all unpaid interest thereon to the redemption date, and any premium due on such redemption date; or (ii) non-callable Defeasance Securities (defined below) not subject to call except as provided below in the definition thereof, maturing and paying interest at such times and in such amounts, together with cash, if required, as will, without reinvestment, as certified by an independent certified public accountant or an independent financial consulting firm of recognized standing in the field of municipal bonds, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the redemption date, as the case may be, and any premium due, on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption shall be given as described above or an irrevocable election to give such notice shall have been made by the City. Upon such deposit, and provided the City shall obtain verification from such independent accountant or financial consultant, all payment obligations of the City with respect to said Bonds, except to the extent of such deposited cash and/or Defeasance Securities, shall cease and terminate.

Defeasance Securities means any of the following which at the time of purchase are legal investments under the laws of the State for moneys proposed to be invested therein: (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation bonds which have been stripped by request to the Federal Reserve Bank of New York in book-entry form ("United States Obligations"); (ii) evidence of direct ownership of proportionate interests in future interest or principal payments of United States Obligations which meets the following conditions (a) a bank or trust company acts as custodian and holds the underlying United States Obligations, (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying United States Obligations and (c) the underlying United States Obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian or any person to whom the custodian may be obligated; and (iii) pre-refunded municipal bonds rated in the highest rating category by each Rating Agency then rating the Bonds; provided that if the Bonds are only rated by S&P (i.e., there is no Moody's or Fitch rating), then the pre-refunded bonds must have been pre-refunded with cash, direct United States or United States guaranteed obligations, or AAA rated pre-refunded municipal to satisfy this condition.

If cash or Defeasance Securities have been set aside and are held for the payment of principal of any particular Bonds at the maturity date thereof and all interest installments and any redemption premium thereon in accordance with the preceding paragraphs, then such Bonds shall be deemed defeased within the meaning and with the effect as described in the preceding paragraphs.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds, excluding accrued interest, in connection with the Bonds:

Sources	
Principal Amount of Bonds	$21,000,000.00
Reoffering Premium	203,552.50
Total Sources of Funds	$21,203,552.50
Uses	
Deposit to Project Fund	$20,816,076.58
Deposit to 2006 Debt Service Account	2,402,50
Cost of Issuance[(1)]	281,323.42
Underwriter's Compensation	103,750.00
Total Uses of Funds	$21,203,552.50

[(1)] Includes fees for services of rating agencies, financial advisor, bond counsel, premium for the bond insurance policy and other costs.

SECURITY FOR THE BONDS

General

The Bonds are general obligations of the City payable from *ad valorem* taxes levied upon all taxable property in the City. The Council has the power and is obligated to levy *ad valorem* taxes for the payment of the Bonds and interest thereon upon all property within the City that is subject to taxation by the City without limitation as to the rate or the amount (except certain property which is taxable at limited rates) for the payment of the Bonds and the interest thereon. By reason of a constitutional exception for certain voter-approved indebtedness, the City may levy such taxes in an amount sufficient to pay debt service on the Bonds without regard to provisions of the State Constitution otherwise limiting *ad valorem* tax rates of local governments. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS." Such taxes, when collected, will be deposited in the Debt Service Account for the Bonds which will be held by the City and pledged for the payment of the principal of and interest on the Bonds when due.

The annual tax rate will be based on the assessed value of taxable property in the City. Fluctuations in the annual debt service on the Bonds (and other general obligation bonds issued by the City) and in the assessed value of taxable property in the City may cause the annual tax rate to fluctuate. Economic and other factors beyond the City's control, such as economic recession, deflation of land values, a relocation out of the City or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other disasters, could cause a reduction in the assessed value of taxable property within the City and necessitate a corresponding increase in the annual tax rate. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- GENERAL FUND REVENUES -- *Property Taxation*" and "-- *Tax Levies, Collections and Delinquencies*" for information on the City's tax base, tax collection system, and property tax revenues.

For a discussion of the City's overall organization, finances and economic information, see generally "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND."

Bond Insurance

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the issuance of the Bonds. See "BOND INSURANCE" herein below. Attached hereto as Appendix G is a specimen of the Policy.

Outstanding Indebtedness

As of June 1, 2006, the City had outstanding $224,955,000 aggregate principal amount of general obligation bonds, which equals 0.69% of the net assessed valuation projected by the Alameda County Assessor for Fiscal Year 2005-06. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- DEBT OBLIGATIONS -- *Estimated Direct and Overlapping Debt*." On June 15, 2006, the City expects to make scheduled principal payments on its outstanding general obligation bonds in the amount of $5,205,000.

The City has also incurred a number of bonded lease obligations secured by revenues of the City's General Fund and consisting of lease revenue bonds and certificates of participation. As of June 1, 2006, the total principal amount of outstanding lease obligations was $543,813,667, which includes 50% of the Oakland-Alameda County Coliseum Authority Lease Revenue Bonds.

See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" for certain audited financial information with respect to the City as of June 30, 2005.

BOND INSURANCE

Payment Pursuant to the Policy

Ambac Assurance has made a commitment to issue the Policy effective as of the date of issuance of the Bonds. Under the terms of the Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Fiscal Agent. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration, except to the extent that Ambac Assurance elects, in its sole discretion, to pay all or a portion of the accelerated principal and interest accrued thereon to the date of acceleration (to the extent unpaid by the Obligor (as defined in the Policy)). Upon payment of all such accelerated principal and interest accrued to the acceleration date, Ambac Assurance's obligations under the Policy shall be fully discharged.

In the event the Fiscal Agent has notice that any payment of principal of or interest on an Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and there-tofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity;

2. payment of any redemption, prepayment or acceleration premium; or

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that Ambac Assurance were to become insolvent, any claims arising under this Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Attached hereto as Appendix G is a specimen of the Policy.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$9,417,000,000 (unaudited) and statutory capital of approximately \$5,879,000,000 (unaudited) as of March 31, 2006. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Bonds.

Ambac Assurance makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE"

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information tatements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005 and filed on March 13, 2006;

2. The Company's Current Report on Form 8-K dated and filed on April 26, 2006; and

3. The Company' s Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2006 and filed on May 10, 2006.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIII A limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition or (iii) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, acquisition, equipping or leasing of school facilities approved by 55% of the voters voting on the proposition.

Section 2 of Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIII A, which is $1.00 per $100 of assessed market value.

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

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

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in June 1979, was modified substantially by Proposition 111 in 1990. The appropriations limit of each government entity applies to "proceeds of taxes," which consist of tax revenues, state subventions and certain other funds, including proceeds from regulatory licenses, user charges or other fees to the extent that such proceeds exceed "the cost reasonably borne by such entity in providing the regulation, product or service." "Proceeds of taxes" excludes tax refunds and some benefit payments such as unemployment insurance. No limit is imposed on the appropriation of funds which are not "proceeds of taxes," such as reasonable user charges or fees, and certain other non-tax funds. Article XIII B also does not limit appropriation of local revenues to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters (such as the Bonds), appropriations required to comply with mandates of courts or the federal government, appropriations for qualified capital outlay projects, and appropriation by the State of revenues derived from any increase in gasoline taxes and motor vehicle weight fees above January 1, 1990 levels. The appropriations limit may also be exceeded in cases of emergency; however, the appropriations limit for the three years following such emergency appropriation must be reduced to the extent by which it was exceeded, unless the emergency arises from civil disturbance or natural disaster declared by the Governor, and the expenditure is approved by two-thirds of the legislative body of the local government.

The State and each local government entity has its own appropriations limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another government entity of financial responsibility for providing services.

Proposition 111 requires that each government entity's actual appropriations be tested against its limit every two years. If the aggregate "proceeds of taxes" for the preceding two year period exceeds the aggregate limit, the excess must be returned to the government entity's taxpayers through tax rate or fee reductions over the following two years.

Articles XIII C and XIII D of the California Constitution (Proposition 218)

On November 5, 1996, the voters of the State approved Proposition 218 - the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIII C and XIII D to the State Constitution, which affect the ability of local government, including charter cities (such as the City), to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. General taxes, imposed for general governmental purposes of the City, require a majority vote and special taxes, imposed for specific purposes (even if deposited in the General Fund), require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if they are approved by the voters by November 6, 1998. The voter approval requirements of Article XIII C reduce the Council's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by initiative, repeal or reduce any existing local tax, assessment, fee or charge, or limit the future imposition or increase of any local tax, assessment, fee or charge subject to certain limitations imposed by courts, and additional limitations discussed below with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which could be reduced by initiative under Article XIII C. "Assessment," "fee" and "charge" are not defined in Article XIII C and it is not clear whether the definitions of these terms in Article XIII D (which are generally property-related as described below) would be applied to Article XIII C. No assurance can be given that the voters of the City will not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges.

The State Constitution and the laws of the State impose a mandatory, statutory duty on the Council to levy a property tax sufficient to pay debt service on the Bonds coming due in each year; the initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the Bonds or to otherwise interfere with performance of the mandatory, statutory duty of the City with respect to such taxes which are pledged as security for payment of the Bonds.

Legislation adopted by the State Legislature in 1997 provides that Article XIII C shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of or consents to any initiative measure that would constitute an impairment of contractual rights under the Contracts Clause of the United States Constitution.

Article XIII D contains several new provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" for local services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property, and expressly includes standby charges. Article XIII D also includes new provisions affecting "fees" and "charges," defined for purposes of Article XIII D to mean "any levy other than an *ad valorem* tax, a special tax or an assessment, imposed by a county upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and existing property-related fees and charges must conform to specific requirements and restrictions set forth in Article XIII D. Further, before any property-related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property-related" for purposes of Article XIII D), no property-related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

The interpretation and application of Proposition 218 will ultimately be determined by the courts with respect to a number of the matters discussed above. It is not possible to predict the outcome of such determinations or their effect on City revenues.

Statutory Limitation (Proposition 62)

A statutory initiative ("Proposition 62") was adopted by the voters in the State at the November 4, 1986 election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1,1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in Santa Clara County Local Transportation Authority v. Guardino (the "Santa Clara" decision), upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax and, by implication, upheld a parallel provision requiring a majority vote in order for a local government or district to impose any general tax. The Santa Clara decision did not address the question of whether or not Proposition 62 should be applied retroactively nor whether it applies to charter cities, such as the City.

Two cases decided by the California Courts of Appeals in 1993, Fielder v. City of Los Angeles, and Fisher v. County of Alameda, held that the restriction imposed by Proposition 62 on property transfer taxes did not apply to charter cities because charter cities derive their power to enact such taxes under Article XI, Section 5 of the California Constitution relating to municipal affairs.

On December 15, 1997, the Court of Appeals for the State of California, Fourth Appellate District, in McBrearty v. City of Brawley, concluded that the Santa Clara decision is to be applied retroactively to require voter approval of previously enacted taxes. On June 4, 2001, the California Supreme Court concluded in Jarvis Taxpayers Association v. City of La Habra that the three-year statute of limitations on court challenges to special taxes begins to run from each collection of the tax, not its original imposition.

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. However, Proposition 218, as a constitutional amendment, is applicable to charter cities and supersedes many of the provisions of Proposition 62.

Several questions raised by the Santa Clara, McBrearty and La Habra decisions remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general ad valorem property tax levy allocated to that jurisdiction is reduced by \$1 for every \$1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by these decisions.

Proposition 1A

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

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

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D, Proposition 62 and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., San Francisco, California, Bond Counsel, under existing law (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications and continuing compliance with certain covenants of the City and of certain users of the facilities financed with the proceeds of the Bonds to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations of the City or such users or the continuing compliance with the covenants of the City or such users.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal opinion as to exclusion of interest on the Bonds from gross income for federal income tax purposes. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS. There can be no assurance that legislation or regulations, enacted or proposed after the date of issuance of the Bonds, will not have an adverse effect on the tax status of interest on the Bonds or the market prices of the Bonds.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance. Noncompliance with these requirements by the City may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City has covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds.

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

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

Original Issue Premium

Certain of the Bonds ("Premium Bonds") as indicated on the cover of this Official Statement were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over a period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Bond) will realize no gain or loss upon the retirement of that Bond.

Owners of Premium Bonds should consult with their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and the treatment of bond premium for state and local income tax purposes.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax-exempt status of the interest on the Bonds (see "TAX MATTERS") are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. The signed legal opinion of Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds will be delivered to the Underwriter at the time of original delivery of the Bonds.

The proposed form of the legal opinion of Bond Counsel is set forth as APPENDIX F. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distributions of it by recirculation of this Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering its opinion, Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings which Bond Counsel will not have independently verified.

Bond Counsel undertakes no responsibility to bondholders for the accuracy, completeness or fairness of this Official Statement. Bond Counsel will receive compensation from the City contingent upon the sale and delivery of the Bonds.

Certain legal matters will be passed upon for the City by the City Attorney.

FINANCIAL ADVISOR

Public Financial Management, Inc. is acting as Financial Advisor to the City with respect to the Bonds. The Financial Advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. Because of its limited participation in reviewing this Official Statement, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

ABSENCE OF LITIGATION

No litigation is pending, with service of process having been accomplished or, to the knowledge of the City, threatened, concerning the validity of the Bonds, the corporate existence of the City, or the title of the officers of the City who will execute the Bonds as to their respective offices. The City will furnish to the initial purchaser or purchasers of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds. For a discussion of other litigation involving the City, see "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- LITIGATION"

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City not later than nine months after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for Fiscal Year 2006-07 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally

Recognized Municipal Securities Information Repository and State Repository, if any, or with the DisclosureUSA maintained by the Municipal Advisory Council of Texas or any successor thereto. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX D -- FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchasers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

The City has never failed to comply in all material respects with any previous undertakings with regard to such Rule to provide annual reports or notices of material events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report on the City's web site at www.oaklandnet.com. In addition, a wide variety of information concerning the City, including financial information in addition to the City's Comprehensive Annual Financial Report, may be available from time to time from the City, City departments and agencies, and their respective publications and websites. Such information may be derived from a number of other sources which the City or City departments and agencies believe to be reliable; however, no representation can or will be made by the City regarding the truth or accuracy of such other information. Any information that is inconsistent with the information set forth in the City's Annual Reports or notices of material events, should be disregarded. No such information is a part of or incorporated into the City's Annual Reports or notices of material events, except as expressly noted therein.

FINANCIAL STATEMENTS

The audited financial statements of the City for the fiscal year ending June 30, 2005, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias, Gini & Company, LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Macias, Gini & Company, LLP has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any actions intended or likely to illicit information concerning the accuracy, completeness or fairness of the statements in this Official Statement, and no opinion is expressed by Macias, Gini & Company, LLP with respect to any event subsequent to its report dated December 16, 2005.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch Ratings ("Fitch"), have given the Bonds ratings of "Aaa," "AAA" and "AAA," respectively, with the understanding that upon the delivery of the Bonds, Ambac Assurance will issue the Policy. Moody's, S&P and Fitch have given the Bonds underlying and uninsured ratings of "A1," "A+" and "A+," respectively.

Credit ratings reflect the views of the respective rating agencies and any explanation of the significance of ratings should be obtained directly from the agencies. In order to obtain such ratings, the City furnished to the rating agencies certain information and materials, some of which has not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on their own investigation, studies and assumptions. There is no assurance that any ratings assigned to the Bonds by any rating agency will be continued for any given period of time or that they will not be lowered or withdrawn entirely by such rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

The City expects to furnish to each rating agency such information and materials as it may request. The City, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

SALE OF THE BONDS

The Bonds were sold at competitive bid on June 14, 2006 and awarded to Bear Stearns Securities Corporation (the "Underwriter") at a purchase price of $21,002,402.50, which is equal to the aggregate principal amount of the Bonds, plus an original issue premium in the amount of $203,552.50, less an Underwriter's discount in the amount of $103,750.00 and less the premium paid to Ambac Assurance for the Policy. The Official Notice Inviting Bids provides that all Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice Inviting Bids, the legal opinion of Bond Counsel, and certain other conditions. The Underwriter of the Bonds has represented to the City that the Bonds have been re-offered to the public at the prices or yields stated on the cover page hereof.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to the initial purchasers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution, the Fiscal Agent Agreement, other documents and laws contained herein do not purport to be complete, and reference is hereby made to said documents and laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

All data contained herein have been taken or construction from the City's records and other sources. The appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The appropriate City official will execute a certificate to this effect upon delivery of the Bonds. This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

CITY OF OAKLAND, CALIFORNIA

By: /s/ Deborah A. Edgerly
City Administrator

APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

GENERAL INFORMATION

Overview

The City of Oakland (the "City") is located in the County of Alameda (the "County") on the east side of the San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay on the west to suburban foothills in the east. Formerly the industrial heart of the San Francisco Bay Area, the City has developed into a diversified financial, commercial and governmental center. The City is also the hub of an extensive transportation network, which includes a freeway system and the western terminals of major railroads and trucking operations, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State of California (the "State").

City Government

The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City of Oakland became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employees' pension funds; and the creation and organization of the Port of Oakland (the "Port"). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The current Mayor, Jerry Brown, is serving his second consecutive term, which expires in January 2007. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Roland E. Smith, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2009.

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

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

FINANCIAL INFORMATION

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

In advance of each two-year cycle, the City Administrator and Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

During the off-year of the two-year budget cycle, the City conducts a mid-cycle (end of year one) budget review limited to significant variances in estimated revenue and/or revised mandates arising from Federal, State or court actions.

The City's Adopted Policy Budget for Fiscal Years 2005-06 and 2006-07 was approved on June 21, 2005, and a mid-cycle review will be conducted by the end of Fiscal Year 2005-06. To preserve core programs and services and to minimize the necessity for employee layoffs or service reductions, the City has utilized strategies that reduce the cost of doing business and raise certain fees and fines. At the core of the budget is restructuring and streamlining of City government to maximize the efficient delivery of services while minimizing reductions in such services.

City Financial Statement

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2004-05 was Macias, Gini & Company, LLP.

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

State Budget

Several of the City's revenue streams, including property tax, sales tax and the motor vehicle license fee, are collected or allocated in accordance with State law. In the past, the State has amended such laws, in part to address its own budgetary requirements. The following information concerning the State of California's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst (the "LAO") at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City and the City can take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2005-06. The 2005-06 Budget Act was passed by the State Legislature on July 7, 2005 and signed by the Governor on July 11, 2005. The 2005-06 Budget Act authorized $113 billion in spending, of which $90 billion was from the General Fund and $23 billion was from special funds, and reflected an improving State fiscal outlook resulting from better-than-expected growth in General Fund Revenues.

Fiscal Year 2004-05 began with a prior-year balance of $7.3 billion, which amount included approximately $4 billion in amnesty-related payments. General Fund Revenues, including transfers, were estimated to total $79.9 billion in Fiscal Year 2004-05 and $84.5 billion in Fiscal Year 2005-06, which amounts assumed the approximately $1 billion reduction in tax collections for each of Fiscal Year 2004-05 and Fiscal Year 2005-06. The 2005-06 Budget Act includes $525 million in one-time revenues from the refinancing of a previous tobacco-settlement backed bond, a $428 million loan to fund a settlement relating to flood-related damage that occurred in 1986 and the retention of $380 million in transportation-related sales tax proceeds in the General Fund. The 2005-06 Budget Act also included approximately $6 billion in savings and related budget solutions, about one-half of which related to holding 2004-05 Proposition 98 funding at the level set forth in the 2004-05 Budget Act and $450 million of which related to reductions in social services programs.

The repayment of the Vehicle License Fee ("VLF") revenues diverted by the State in fiscal year 2003-04 have been received in fiscal year 2005-06 by the City in the amount of approximately $6.9 million.

The 2005-06 Budget Act included projected expenditures of approximately $81.7 billion in Fiscal Year 2004-05 and approximately $90 billion in Fiscal Year 2005-06. The increase in projected expenditures partly reflected (1) the Proposition 42 transfers, which were deferred in Fiscal Year 2004-05 but fully funded in Fiscal Year 2005-06, (2) the prepayment of the $1.2 billion local government loan in Fiscal Year 2005-06 and (3) increases in both kindergarten through twelfth grade and higher education. The excess of expenditures over revenues in both Fiscal Year 2004-05 and 2005-06 was expected to decrease the General Fund reserve to approximately $1.3 billion by the end of Fiscal Year 2005-06.

According to the LAO, the savings included in the 2005-06 Budget Act would address part of the State's ongoing structural budget shortfalls, but the legally required expenditures would exceed projected revenues by approximately $6.9 billion in Fiscal Year 2006-07, including an $880 million transfer to the Budget Stabilization Account required by Proposition 58. Absent corrective actions, the remaining year-end shortfall projected for Fiscal Year 2006-07 would be approximately $4.8 billion, which amount assumed the availability of the $1.3 billion reserve projected for the end of Fiscal Year 2005-06.

Governor Proposed Budget for Fiscal Year 2006-07. The Governor's revised proposed budget for Fiscal Year 2006-07 was released on May 12, 2006. As a result of a strong California economy and higher than expected state revenues, the Governor's budget proposes additional revenues for California cities. The additional revenues will be used to pay down State debts, and provide additional funding for city programs, such as the Citizens Option for Public Safety (COPS), the juvenile Justice Crime Prevention Act (JJCPA), and local libraries.

The revised proposed budget calls for a prepayment in Fiscal Year 2006-07 of an additional $87 million for the cost of unfunded mandates to local governments (not including school districts). Additionally, the revised budget proposal increases funding to cities for the COPS and JJCPA Programs by a total of $42.6 million, $21.3 million to each program. The City of Oakland's share of these funds is yet to be determined.

In other budgetary areas, the revised budget proposes to fully fund Proposition 42, including prepayment of $920 million of a transportation loan that was borrowed in Fiscal Year 2004-05. This would include $127 million for cities, which would provide approximately $1.74 million for the City of Oakland.

Future State Budgets. No prediction can be made by the City as to whether the State will encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

City Investment Policy

The authority to invest the City's pooled moneys (the "Pooled Operating Portfolio") is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City expects to adopt an investment policy for Fiscal Year 2006-07 on June 20, 2006. The City Council adopted an investment policy for Fiscal Year 2005-06 on June 21, 2005. The investment policy may be revised by the City Council at any time.

The objectives of the investment policy are to preserve capital, to provide adequate liquidity to meet cash disbursements of the City and to reduce overall portfolio risks while maintaining market rates of return.

Current Investment Portfolio

The City currently maintains approximately $348 million in operating funds, excluding certain restricted special revenue and pension trust funds. The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the investment policy. The composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of April 30, 2006.

Fitch Inc. ("Fitch") has assigned a managed fund credit rating of "AAA" and a market-risk rating of "V-1+" to the City's Pooled Operating Portfolio. Fitch's managed-fund credit ratings are an assessment of the overall credit quality of a fund's portfolio. Ratings are based on an evaluation of several factors, including credit quality and diversification of assets in the portfolio, management strength and operational capabilities. Fitch's managed-funds market risk ratings are an assessment of relative market risks and total return stability in the portfolio. Market-risk ratings are based on, but not limited to, analysis of interest rate, derivative, liquidity, spread and leverage risk. Fitch's managed-fund credit and market risk ratings are based on information provided to Fitch by the City. Fitch does not verify the underlying accuracy of this information. These ratings do not constitute recommendations to purchase, sell or hold any security.

Table 1
City of Oakland
Pooled Operating
Portfolio
April 30, 2006

Investments	Market Value	Book Value	Percent of Portfolio	Term	Days to Maturity	360-Day Equivalent	365-Day Equivalent
Federal Agency Issues - Coupon	$184,220,958.40	$188,601,012.13	54.05%	1,259	525	3.230%	3.275%
Federal Agency Issues - Discount	26,493,650.00	26,493,650.00	7.59	138	124	4.962	5.030
Medium Term Notes	2,996,441.80	3,025,675.00	0.87	730	153	2.712	2.750
Money Market	62,310,000.00	62,310,000.00	17.86	1	1	4.675	4.740
Local Agency Investment Funds	27,000,000.00	27,000,000.00	7.74	1	1	4.379	4.440
Certificates of Deposit	199,000.00	199,000.00	0.06	182	50	3.948	4.003
Commercial Paper - Discount	41,495,581.50	41,329,674.71	11.84	115	102	45.046	5.116
Total/Average	$344,715,631.70	$348,959,011.84	100.00%	762	343	3.919%	3.974%

Source: City of Oakland, Finance and Management Agency.

GENERAL FUND REVENUES

The City's General Fund receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The major General Fund revenues are discussed below.

Property Taxation

Ad Valorem Property Taxes. Property taxes are assessed and collected by the County. Taxes arising from the general one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law, which reflects the average tax rate levied by the taxing agency for the three years before Proposition 13 was adopted. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The City levies taxes for two forms of voter-approved indebtedness, general obligation bonds and for pension obligations.

The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 0.41% of taxes collected for tax collection services provided in Fiscal Year 2004-05.

The State Budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of VLF revenues, and the temporary ERAF transfers (see "FINANCIAL INFORMATION -- *State Budget,"* and *"-- Other Taxes,"* herein).

Assessed Valuations. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at $7,000 of full value of owner-occupied dwellings and 100% of business inventories. Revenue losses to the City from the homeowner's exemption are replaced by the State.

Future assessed valuation growth allowed under Article XIIIA (new construction, certain changes of ownership, 2% inflation) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year. The availability to such entities of revenue from growth in tax bases may be affected by the establishment of redevelopment project areas which, under certain circumstances, may be entitled to revenues resulting from the increase in certain property values.

The following table represents a five-year history of assessed valuations in the City:

Table 2
City of Oakland
Assessed Valuations
(in $000s)

Fiscal Year	Local Secured [1]	Utility	Unsecured	Total
2001-02	$20,529,197	$53,823	$2,719,940	$23,302,960
2002-03	22,468,401	49,548	2,655,756	25,173,705
2003-04	24,592,384	66,993	2,755,382	27,414,759
2004-05	26,812,360	79,048	2,750,645	29,642,053
2005-06	29,648,879	77,961	2,884,779	32,611,619

(1) Net of exemptions other than homeowners' exemptions.

Source: Alameda County Auditor-Controller.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. A supplemental roll is developed when property changes hands or new construction is completed that produces additional revenue.

Secured property taxes are due on November 1 and March 1 and become delinquent if not paid by December 10 and April 10, respectively. A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus interest at 1.5% per month from the July 1 first following the default. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of 1.5% per month begins to accrue beginning November 1 of the fiscal year, and a lien is recorded against the assessee. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's Office in order to obtain a lien on specified property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

The City does not participate in a Teeter Plan. The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City. Included in these collections are the City's share of the 1 % tax rate and levies for voter-approved indebtedness.

Table 3
City of Oakland
Property Tax Levies and Collections
(in $000s)

Fiscal Year	City's Share of 1%	Levy Voter-Approved	Total	Total Collected	Percent Collected	Delinquent Collections
2000-01	$53,376	$42,225	$ 95,601	$ 91,868	96.10%	$3,733
2001-02	56,947	49,024	105,921	102,119	96.37	3,851
2002-03	61,164	48,441	109,605	105,277	96.05	4,328
2003-04	65,248	61,760	127,008	123,148	96.96	3,860
2004-05	68,095	59,673	127,768	123,859	96.91	3,909

Source: Alameda County Auditor-Controller.

Tax Rates

The City is divided into 33 Tax Rate Areas ("TRAs"). TRA 17-001 is the largest tax rate area in the City. TRA 17-001 provides almost 50% of the City's *ad valorem* revenues and the distribution of its tax rates among the City, the County, and other taxing jurisdictions is typical for most of the City's TRAs. A five-year history of the property tax rates for TRA 17-001 is shown below.

Table 4
City of Oakland
Property Tax Rates (TRA 17-001) (1)

Fiscal Year Ended June 30	City of Oakland	Alameda County	Others (2)	Total
2002	0.4856	0.1570	0.6817	1.3243
2003	0.4625	0.1570	0.6845	1.3040
2004	0.5054	0.1570	0.6761	1.3385
2005	0.4777	0.1570	0.6710	1.3057
2006	0.4762	0.1570	0.6897	1.3229

(1) Includes the allocation of the 1% basic property tax rate to various taxing entities pursuant to State law (AB 8), as adjusted for transfers to the Education Revenue Augmentation Fund (ERAF). Also includes local levies for voter approved indebtedness.

(2) Includes: Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo. Also includes allocations to ERAF.

Sources: Alameda County, Office of the Auditor-Controller and City of Oakland, Finance and Management Agency.

Principal Property Taxpayers

A summary of the City's Fiscal Year 2005-06 largest secured taxpayers is presented below:

Table 5
City of Oakland
Top Ten Taxpayers, 2005-06 (1)

	Property Owner	Type of Business	2005-06 Assessed Valuation	Percentage of Total Assessed Valuation(1)
1.	OCC (Oakland City Ctr.) Venture LLC	Office Building	$ 202,490,342	0.68%
2.	Kaiser Foundation Health Plan	Office Building	133,635,543	0.45
3.	Prentiss Properties Acquisition Partners/Prentiss Properties Lake Merritt LLC	Office Building	130,299,001	0.44
4.	Kaiser Center	Office Building	116,687,504	0.39
5.	1800 Harrison Foundation	Office Building	112,647,611	0.38
6.	555 Twelfth Street, Venture LLC	Office Building	108,696,836	0.37
7.	LMP I LLC	Office Building	103,668,725	0.35
8.	Clorox Company	Office Building	91,935,112	0.31
9.	KSL Claremont Resort Inc.	Hotel	82,535,524	0.28
10.	Sodalite LP	Office Building	64,750,000	0.22
	Cumulative Sub-total		$ 1,152,451,291	3.87%

(1) City of Oakland 2005-06 Local Secured Assessed Valuation: $29,648,879,226.

Source: California Municipal Statistics, Inc.

Other Taxes

The City's General Fund has seven other sources of taxes, in addition to property taxes. They are sales and use, utility consumption, business license, real estate transfer, transient occupancy, motor vehicle in lieu, and parking taxes.

Sales & Use Taxes. The current sales tax rate in Alameda County is 8.75%. The City's General Fund traditionally receives one percent of the 8.75% under State "Bradley-Burns" law, which is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Bums 1% city sales tax was modified by a State budgetary change known as the "triple flip." The "triple flip" puts in place a complex revenue swap to fund the State's deficit bonds approved by the electorate in March 2004 to balance the State budget. The "triple flip" trades 0.25% of the 1% city share of the Bradley-Bums sales tax for an equal share of property taxes from the countywide Education Revenue Augmentation Fund (ERAF) until the State's deficit bonds are retired. See "GENERAL INFORMATION -- *State Budget*" herein.

The City's General Fund also receives as a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993 for public safety. The City also receives a portion of the 0.50% countywide transportation sales tax, which are deposited in a special revenue fund.

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

Business License. The City's business license tax is charged annually to businesses based in the City, and is applied to gross receipts or payroll, depending on the type of business. The business license tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts, and is 0.048% when applied to payroll.

Real Estate Transfer. Real estate transfer tax revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a county portion: 0.11 % is allocated to Alameda County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. Recently, Real Estate Transfer Tax revenues have exceeded budgeted expectations, but it is unlikely that such revenues will be sustained at current levels.

Transient Occupancy. The transient occupancy tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn or other lodging facility, and is collected by the lodging facility operator, who then remits the collected tax to the City. The City's TOT rate is 11%.

Motor Vehicle In Lieu Fee. Motor vehicle license fees ("VLF") are collected by the State in lieu of property taxes on vehicles and apportioned to cities and counties based on their population. The fee applies to all vehicles subject to registration in the State.

In 1999, the State started implementing a gradual, multi-phase reduction in the VLF fee, backfilling lost local receipts out of its general fund. As part of the State's Fiscal Year 2004-05 Budget, the VLF rate was permanently reduced to 0.65%, with the lost revenue replaced by an incremental allocation of property tax. The City received approximately $6.9 million from the State in July 2005 for its share of the VLF payment.

Parking. The City's parking tax is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate is 10 % and is applied to the gross receipts of parking facility operators.

General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. The City's fiscal year ends on June 30.

Table 6
City of Oakland
Revenues and Expenditures
General Fund
(in $000s)

	Fiscal Years				
Revenues	2000-01	2000-02	2002-03	2003-04	2004-05
Taxes					
Property [1]	$95,440	$94,306	$114,742	$109,927	$143,436
Sales and Use	42,256	38,447	38,162	36,464	41,651
Motor Vehicle In-Lieu	21,361	22,854	24,259	18,178	9,656
Business License	38,738	42,094	42,020	44,243	43,902
Utility Consumption	48,703	49,547	46,581	48,056	49,781
Real Estate Transfer	38,309	37,272	42,088	55,665	77,722
Transient Occupancy	12,766	10,530	10,863	9,857	10,926
Parking	6,762	7,525	8,242	9,799	7,029
Franchise	10,396	10,944	10,824	11,592	11,128
Total Taxes	314,731	313,519	337,781	343,761	395,231
Licenses and Permits	11,418	11,738	13,074	13,453	15,652
Traffic Fines and Various	16,150	12,277	18,543	26,817	24,632
Interest Income (Loss) [2]	6,530	11,442	16,996	(5,100)	20,845
Revenue from Current Services	40,962	48,442	51,708	56,883	66,375
Grant Revenue	5,385	2,842	1,794	2,147	591
Other Revenue, incl. Transfers	11,056	14,025	17,927	23,276	21,896
Annuity Income	--	16,568	15,851	--	--
Total Revenues	$406,232	$434,899	$473,674	$461,237	$545,222
Expenditures					
General Government [3]	$44,110	$47,219	$44,251	$51,673	$53,433
Public Safety [4]	207,392	225,407	238,568	247,630	262,081
Public Works [5]	24,185	26,052	23,261	27,475	28,909
Life Enrichment [6]	37,149	36,320	37,526	41,359	37,581
Economic and Community Development [7]	20,288	22,512	26,701	20,152	18,902
Other [8]	33,112	28,889	21,353	24,902	31,237
Transfers/other sources and uses	364	--	--	--	--
Total Expenditures	$366,600	$386,399	$391,660	$413,191	$432,143
Excess of Revenues and Other Sources over Expenditures and Other Uses	$ 39,362	$ 48,500	$ 82,014	$ 48,046	$113,079

(1) Includes voter-approved tax override for pension obligation, but excludes tax levy for general obligation bonds.
(2) Loss relates to mark-to-market accounting.
(3) Includes elected and appointed officials, general governmental agencies and administrative services.
(4) Includes police and fire services.
(5) Includes Design and Construction Services, Infrastructure and Operations, Facilities and Environment.
(6) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.
(7) Includes Planning and Building, Housing and Neighborhood Development, and Economic Development and Employment.
(8) Includes capital outlays and certain debt service charges.

Source: City of Oakland Comprehensive Annual Financial Reports, Fiscal Year Ended June 30.

Table 7
City of Oakland
Balance Sheet
General Fund
(in $000s)

	June 30				
	2001	2002	2003	2004	2005
ASSETS					
Cash and investments	$ 8,073	$ 16,837	$ 38,566	$ 51,902	$79,445
Receivables					
Accrued interest	108	345	87	429	418
Property taxes	17,411	10,391	7,125	3,161	5,484
Accounts receivable	58,739	53,367	51,391	49,669	65,855
Due from component unit	12,172	19,573	11,377	24,527	20,367
Due from other funds		89,147	87,652	67,378	68,721
Notes and loans receivable	28,295	14,826	15,034	37,059	38,619
Restricted cash and investments (1)	9	181,055	196,035	172,468	175,198
Other	1,498	33	35	35	1,887
TOTAL ASSETS	210,063	385,574	407,302	406,628	455,994
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other accrued liabilities	101,479	84,027	92,433	114,151	102,181
Due to other funds	1,474	1,267	451	23,571	25,110
Deferred revenue	83,971	73,463	57,483	31,633	29,882
Other	343	1,084	3,817	3,965	6,963
TOTAL LIABILITIES	187,267	159,841	154,184	173,320	164,157
Fund Balances					
Reserved:					
Encumbrances	--	1,744	3,227	4,779	4,115
Long term receivables	--	--	--	6,000	6,000
Debt service (1)	--	181,679	198,058	--	3,379
Capital project	--	12,644	13,032	--	--
Total Reserved	1,664	196,067	214,317	10,799	13,494
Unreserved (1)	21,132	29,666	38,801	222,529	140,343
TOTAL FUND BALANCES	$22,796	$225,733	$253,118	$233,328	291,837
TOTAL LIABILITIES AND FUND BALANCES	$210,063	$385,574	$407,302	$406,628	$455,994

(1) The large increase in restricted cash as of June 30, 2002, and corresponding increases in reservation for debt service for Fiscal Years 2001-02 and 2002-03 and for unreserved fund balance for Fiscal Year 2003-04 represent changes in accounting recording. The unreserved fund balance for Fiscal Year 2003-04 includes $174.47 million retirement annuity and debt service, $39.80 million in undesignated fund balance, and $8.26 million in designations for capital projects.

Source: City of Oakland Comprehensive Annual Financial Reports, Fiscal Year Ended June 30.

DEBT OBLIGATIONS

The City has never defaulted on the payment of principal of or interest on any of its indebtedness or lease obligations.

General Obligation Debt

As of June 30, 2005, the City had outstanding a total of $227,010,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thirds of the voters. The City has the power and is obligated to levy ad valorem taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of principal and interest on these bonds.

Table 8
City of Oakland
General Obligation Bonds
As of June 30, 2005
(in $000's)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
General Obligation Bonds, Series 2002A (Measure G)	11/6/2002	2032	$ 38,000	$ 37,215
General Obligation Bonds, Series 2003A (Measure DD)	8/6/2003	2033	71,450	62,525
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	6/16/2005	2025	122,170	122,170
Total				$227,010

All of the City's general obligation debt is authorized by voter approval of certain measures. The table below summarizes all of the voter-approved measures that have outstanding general obligation debt. After the issuance of the Bonds, the City will have a total of $126,800,000 remaining in bond authorizations under Measure DD.

Table 9
City of Oakland
General Obligation Bond Remaining Authorization
As of June 30, 2005
(in $000's)

Authorization	Date Passed	Use	BondAuthorization Total	Remaining
Measure G [1]	3/5/2002	Museum and zoo facilities	$ 59,000	$ 21,000
Measure DD	11/5/2002	Recreational and aquatic facilities	198,250	126,800
Total				$147,800

[1] After the issuance of the Bonds, the remaining bond authorization with respect to Measure G will be $0.

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last 12 Fiscal Years, including the issuance of $65,000,000 aggregate principal amount Tax and Revenue Anticipation Notes during Fiscal Year 2004-05. The City anticipates issuing Tax and Revenue Anticipation Notes before the end of Fiscal Year 2005-06. The City has never defaulted on the payment of any of these notes. The following table shows a five-year history of the par amount of tax and revenue anticipation notes issued each year.

Table 10
City of Oakland
Tax and Revenue Anticipation Notes
(in $000's)

Fiscal Year	Par Amount
2001-02	$65,000
2002-03	53,965
2003-04	76,325
2004-05	65,000
2005-06	70,000

Lease Obligations

The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, to occupy public buildings or use equipment. The table below summarizes the City's outstanding long-term lease obligations.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 11
City of Oakland
Lease Obligations
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding	Leased Asset
Civic Improvement Corporation Variable Rate Demand COPS, 1985	1/13/1986	2015	$ 52,300	$31,800	Portion of sewer system
City of Oakland Refunding COP, (Oakland Museum), Series 1992	6/9/1992	2012	39,408	2,203	Oakland Museum
Oakland -Alameda County Coliseum Authority Lease Revenue Bonds (Arena Project), Series 1996 (1) Series A1 & A2	8/2/1996	2026	70,000	61,800	Coliseum Arena
	8/2/1996	2022	70,000	61,800	
Oakland -Alameda County Coliseum Authority Lease Revenue Bonds, Series 2000 C-1, C-2, & D (1)	5/25/2000	2025	75,400	75,400	Coliseum Stadium
		2025	75,400	75,400	
		2011	50,500	50,500	
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Convention Center) Series 2001	6/14/2001	2014	134,890	100,465	Oakland Convention Center
City of Oakland Refunding Certificates of Participation, Series 2002	3/21/2002	2012	16,295	16,295	Oakland Museum
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Administration Buildings), Series 2004 (2)	6/10/2004	2026	117,200	117,200	Oakland Buildings
Oakland Joint Powers Financing Authority Lease Revenue Bonds, 2005 Series A-1, A-2, and B (2) (3)	6/21/2005	2017	65,500	63,500	Portion of sewer system
			63,475	63,475	
			17,975	17,975	
Total				$714,413	

(1) The lease payments securing these bonds are joint and several obligations of both the City and the County of Alameda. Each entity has covenanted to budget and appropriate one-half of the annual lease payments, and to take supplemental budget action if required to cure any deficiency. Principal amounts shown represent half of total original and outstanding par, representing the amount that is directly attributable to the City.

(2) The City entered into a floating-to-fixed swap in conjunction with these bonds issue to create a "synthetic-fixed-rate" obligation.

(3) Refunded a prior lease obligation, which had refunded a pension obligation bond.

Swaps

The City has entered into several interest rate swap agreements in conjunction with variable-rate bond issues to create "synthetic-fixed-rate" obligations. The City entered into a $170,000,000 forward-starting, floating-to-fixed-rate swap with Goldman Sachs in conjunction with the $187,500,000 Oakland Joint Powers Financing Authority, 1998 Series A-l/A-2 bonds, which were issued in variable-rate mode. The agreement commenced on July 31, 1998. On March 27, 2003, the City entered into an Amended and Revised Confirmation with GS Financing Products, U.S., L.P., which changed the index on which the swap is based. The City now receives 65% of the one-month London Interbank Offer Rate ("LIBOR") and still pays the fixed rate of 5.6775%. As a result of the change in the index, the City received an up-front payment, which partially compensates the City for assuming a potentially greater basis risk. The City refunded the underlying bonds with proceeds from the sale of 144,950,000 aggregate principal amount Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 (the "2005 JPFA Bonds"). The swap that was entered into on July 31, 1998 remains in effect and is set to terminate on July 31, 2021.

The City has entered into two interest rate swap agreements in conjunction with the $117,200,000 aggregate principal amount Series A-1/A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2004 (the "2004 Series A-1 Bonds" and the "2004 Series A-2 Bonds"), which were sold as auction rate securities. The swap agreements are with Bank of America, N.A. and UBS AG and relate to the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds, respectively, to create a synthetic fixed interest rate until August 1, 2026, for Base Rental Payments corresponding to the $58,600,000 initial aggregate principal amounts for each of the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds. The City pays each of the counterparties a fixed rate of 3.533% and receives 58% of the one-month LIBOR rate plus 35 basis points.

For further discussion of the structure and risks associated with these swaps, please see the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2005.

Pension Obligation Bonds

The City has issued two series of pension obligation bonds to fund a portion of the current balance of the City's Unfunded Actuarial Accrued Liability ("UAAL") for retirement benefits to members of the Oakland Police and Fire Retirement System ("PFRS"). The second series, issued in 2001, was part of a plan of finance undertaken by the City to extend the maturity of the 1997 pension obligation bonds and to reduce the annual debt service on the bonds and so minimize the need for the City to use general fund revenues other than property tax override funds to pay debt service on the 1997 and 2001 Bonds. The 1997 and 2001 Bonds are secured by a senior pledge of certain tax override revenues. In June 2005, the Oakland Joint Powers Financing Authority issued the 2005 JPFA Bonds. The 2005 JPFA Bonds are secured, in part, by a subordinate pledge of such tax override revenues. The table below summarizes the two currently outstanding pension obligation bond issues.

Table 13
City of Oakland
Pension Obligation Bonds
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
City of Oakland Taxable Pension Obligation Bonds, Series 1997 A&B	2/5/1997	2010	$436,289	$176,205
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	195,636	195,636
Total				$371,841

The table below summarizes the City's payments for pension obligation bonds for the next five years. The maximum debt service payment for these bonds is $53,130,000 in Fiscal Year 2022-23.

Table 14
City of Oakland
Annual Payments for Pension Obligation Bonds

Fiscal Year	Annual Payment
2005-06	$34,947,586
2006-07	35,967,615
2007-08	37,011,289
2008-09	38,082,816
2009-10	39,181,314

For additional information on the City's pension systems, see "OTHER FISCAL INFORMATION -- *Retirement Programs*" herein.

Limited Obligations

The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City. These obligations are summarized below.

Redevelopment Agency of the City of Oakland

The City's Redevelopment Agency has issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City, or for the construction of low-income housing. The bonds are payable from tax increment revenues received from the specific redevelopment project areas they support. Existing tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area and the Coliseum Area Redevelopment Project Area. The following table summarizes the City's outstanding tax allocation bonds.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 15
City of Oakland
Redevelopment Agency
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Redevelopment Agency of the City of Oakland, Acorn Redevelopment Project, 1988 Tax Allocation Refunding	11/16/1988	2007	$ 3,375	$ 715
Redevelopment Agency of the City of Oakland, Central District Project, Senior Tax Allocation Refunding Bonds, Series 1992	12/17/1992	2014	97,655	52,365
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	110,080
Redevelopment Agency of the City of Oakland, Coliseum Area Project Tax Allocation Bonds, Series 2003	1/9/2003	2033	23,085	22,305
Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2000T	5/16/2000	2018	39,395	36,645
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2005	2/8/2005	2022	44,360	44,360
Total				$266,470

Special Assessments

The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts. The City is not responsible for debt service on the bonds in the event that assessment collections are not sufficient. The table below summarizes the City's outstanding assessment bonds.

Table 16
City of Oakland
Special Assessments
As of June 30, 2005
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/22/1996	2020	$ 465	$ 220
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997	12/3/1997	2012	1,250	720
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	6,350
Total				$7,290

Enterprise Revenue Bonds

The City has also issued bonds secured by revenues of its sewer system. These bonds, issued on December 14, 2004 in the par amount of $62,330,000, mature in June 2029.

Estimated Direct and Overlapping Debt

Located within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of April 30, 2006, according to California Municipal Statistics, Inc., is shown below. The City makes no representations as to the accuracy of the following table; inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 17
City of Oakland
Statement of Direct and Overlapping Debt
As of April 30, 2006

2005-06 Assessed Valuation:	$32,611,618,917
Redevelopment Incremental Valuation:	6,348,493,148
Adjusted Assessed Valuation:	$26,263,125,769

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/30/06	
Bay Area Rapid Transit District	7.260%	$ 7,260,000	
East Bay Municipal Utility District	20.587	432,327	
East Bay Municipal Utility District, Special District No. 1	52.256	19,076,053	
East Bay Regional Park District	10.620	14,585,508	
Chabot-Las Positas Community College District	1.298	1,211,488	
Peralta Community College District	54.923	108,851,894	
Berkeley and Castro Valley Unified School Districts	0.005 & 0.140	77,652	
Oakland Unified School District	99.996	447,016,328	
San Leandro Unified School District	12.693	5,839,293	
City of Oakland	**100.000**	**225,261,041**	(1)
City of Oakland 1915 Act Bonds	100.000	7,010,000	
City of Emeryville 1915 Act Bonds	4.183	478,744	
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$837,100,328	
Less: East Bay Municipal Utility District (100% self-supporting)		432,327	
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$836,668,001	

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Alameda County and Coliseum Authority General Fund Obligations	18.172%	$ 113,138,509	
Alameda County Pension Obligations	18.172	51,259,201	
Alameda County Board of Education Public Facilities Corporation	18.172	233,510	
Alameda-Contra Costa Transit District Certificates of Participation	21.739	4,316,278	
Chabot-Las Positas Community College District General Fund Obligations	1.298	101,504	
Oakland Unified School District Certificates of Participation	99.996	24,549,018	
San Leandro Unified School District Certificates of Participation	12.693	229,743	
Castro Valley Unified School District Certificates of Participation	0.140	1,820	
City of Oakland and Coliseum Authority General Fund Obligations	**100.000**	**543,813,667**	
City of Oakland Pension Obligations	**100.000**	**341,474,842**	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,079,118,092	
GROSS COMBINED TOTAL DEBT		$1,916,218,420	(2)
NET COMBINED TOTAL DEBT		$1,915,786,093	

(1) Excludes general obligation bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2005-06 Assessed Valuation:
Direct Debt ($225,261,041) 0.69%
Total Gross Direct and Overlapping Tax and Assessment Debt..............2.57%
Total Net Direct and Overlapping Tax and Assessment Debt 2.57%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($1,110,549,550)...4.23%
Gross Combined Total Debt..7.30%
Net Combined Total Debt 7.29%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/05: $113,677

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $25,000,000 after a $2,000,000 per occurrence self-insured retention for the risks of general liability, malpractice liability, and auto liability. All properties are insured against damage from fire and other forced perils at full replacement value after a $10,000 deductible to be paid by the City. The City does not insure for damage from earthquakes and floods. As of June 30, 2005, the amount of all self-insured general liability exposure is valued at approximately $43,099,000. Of this amount, approximately $13,992,000 is estimated to be due within one year. The City is self-insured for its Workers' Compensation liabilities. Payment of Worker's Compensation claims is provided through annual appropriations. As of June 30, 2005, the amount of Workers' Compensation liability determined to be probable is approximately $96,166,000. Of this amount, $17,562,000 is estimated to be due within one year.

Labor Relations

City employees are represented by seven labor unions and associations, identified in the table below, the largest one being the Service Employees International Union (Local 790), which represents approximately 57% of all City employees. Approximately 95% of all City employees are covered by negotiated agreements, as detailed in the following table. Memoranda of Understanding effective July 1, 2002, were entered into with all non-sworn employee organizations. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milias-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 18
City of Oakland
Labor Relations
As of June 30, 2005

Employee Organization/Bargaining Unit *	Number of Employees	Contract Termination
International Association of Firefighters (Local 55)	466	6/30/07
International Brotherhood of Electrical Workers (Local 1245)	24	6/30/08
International Federation of Professional and Technical Engineers (Local 21)/Units A, W, and F	495	6/30/08
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	385	6/30/08
IFPTE, Local 21 (Deputy City Attorneys)	27	6/30/08
Oakland Police Officers Association	718	6/30/06
Service Employees International Union (Local 790)/full-time	1,414	6/30/08
Service Employees International Union (Local 790)/part-time	1,254	6/30/08
Oakland Park Rangers Association	7	6/30/06
Deputy City Attorney V & Special Counsel Association	9	6/30/06
	4,799	

* The City has negotiated the following cost of living adjustments with employee organizations:

- Local 55, based on CPI;
- Locals 1245, 21 & 790, increases of 4% each year until contract termination;
- Oakland Police Officers Association, increase of 5% on 1/1/06; and,
- Oakland Park Rangers Association, increase of 4% on 7/2/05.

Source: City of Oakland Office of Personnel and Resource Management

Retirement Programs

The City maintains two closed pension systems, the Police and Fire Retirement System ("PFRS") and the Oakland Municipal Employees Retirement System. In addition, the City is a member of the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees.

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "Retirement Board"). The PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of June 30, 2005, PFRS covered three current employees and 1,403 retired employees. On December 12, 2000, the voters of the City amended the City Charter to give active members of the Retirement System the option to terminate their membership and transfer to PERS upon certain conditions. As a result, 126 former members transferred to PERS.

In accordance with voter-approved measures adopting the City Charter provisions that govern PFRS, the City annually levies an *ad valorem* tax (the "Tax Override") on all property within the City subject to taxation by the City to help fund its pension obligations. State law limits the City's tax rate for this purpose at the rate of 0.1575%, the level at which the City has levied the tax since 1983. The City is allowed to levy the Tax Override through 2026.

In 1997, the City of Oakland issued $436.3 million in Pension Obligation Bonds, sized to represent the actuarial present value of the City's expected contributions to PFRS from March of 1997 through June of 2011. PFRS received a deposit of $417 million from the bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City will not be required to make any further payments to PFRS for UAAL through June 30, 2011. A voluntary payment of $17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to its police and fire system. The next City contribution to PFRS will be in July of 2011, if necessary, as determined by the actuarial valuation as of July 1, 2010. The City pays debt service on the Pension Obligation Bonds from proceeds of the Tax Override.

On October 3, 2001, the City issued $195.6 million in Pension Obligation Bonds, the proceeds of which were primarily used to purchase at tender for cancellation and to defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's Pension Obligation Bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

An actuarial valuation on the PFRS benefit plan is conducted every two years; the most recent complete valuation was for the period ended June 30, 2005. PFRS utilizes the aggregate actuarial cost method for its actuarial calculations. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. The allocation is performed for the group as a whole, not as a sum of individual allocations. The City's actuaries do not make an allocation of the contribution amount between normal cost and the UAAL because the PFRS plan is closed. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 4.5%, and a general inflation rate of 3.5%.

The following schedule shows PFRS's recent funding progress.

Table 19
Schedule of Funding Progress
Police and Fire Retirement System
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll [1]
2002	$875.5	$674.7	$200.8	77.1%	$2.6
2003	890.6	615.1	275.5	69.1%	0.4
2004	890.3	621.6	268.6	69.8%	0.3
2005	883.6	614.9	268.7	69.6%	0.3

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

Source: Actuary's Report as of June 30, 2005.

In light of the contribution holiday funded by proceeds of Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2010 is primarily to track the relationship between the available assets and the estimated liabilities so that the City will be prepared for the necessary contributions, if any, in July of 2011. The Actuary's Report, as of June 30, 2005, contains a projection of the annual contributions necessary beginning in 2011 based on the valuation assumptions. The results of that projection are in the table below.

Table 20
Police and Fire Retirement System
Projection of Future Contributions

	Valuation Assumptions	Unfavorable Experience	Favorable Experience
Investment Return	8.00%	8.00%	8.00%
Wage Growth	4.50%	5.00%	4.00%
Annual City Contribution			
2011-2012 Amount	$37 million	$41 million	$32 million

Source: Actuary's Report as of June 30, 2005.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a second closed system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to PERS. The program covers no active employees and 96 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent complete valuation was for the period ended June 30, 2005. OMERS utilizes the aggregate actuarial cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 3.0%, and a general inflation rate of 3.5%. As of June 30, 2005, the actuarially determined surplus was $5.3 million. During Fiscal Year 2004-05 the City, in accordance with actuarially determined contribution requirements, did not contribute to OMERS, as the plan is fully funded.

California Public Employees Retirement System. PERS is a defined benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970, as well as former members of PFRS and OMERS except those who have not elected to transfer from OMERS. PERS acts as a common investment and administrative agent for public entities participating with the state of California. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with PERS.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 8% and 9%, respectively, of their annual salary to PERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Historically, the City had paid the entire amount of its employees' contributions for miscellaneous and safety employees. However, under current bargaining agreements, sworn fire personnel contribute at a 4% rate and all non-sworn personnel make a 3% contribution since July 2002.

In Fiscal Year 2002, the City increased its benefits for public safety employees to provide 3.0% of highest salary per year of employment at age 55. In Fiscal Year 2004, benefits were further increased for safety members to provide 3.0% of highest salary at age 50. In Fiscal Year 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% of highest salary at age 55. The following represents the City of Oakland's employer contribution rates as determined by PERS for the past four years, as well as PERS' projection for Fiscal Year 2006-07.

Table 21
Contribution Rates
Public Employees Retirement System
City of Oakland

	2002-03	2003-04	2004-05	2005-06	2006-07 (Projected)
Miscellaneous Plan	0.00%	0.00%	15.04%	18.55%	18.40%
Safety Plan	15.17%	25.29%	29.83%	29.71%	29.80%

Source: California Public Employees' Retirement System ("CPERS")

PERS uses an actuarial method that takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. Major actuarial assumptions include a 3.0% inflation rate and a 7.75% investment return.

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits, and prior asset losses in PERS investments recognized on an actuarial basis over a three-year "smoothing" period.

Table 22
Schedule of Funding Progress
Public Employees Retirement System
Public Safety Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2001	$432.1	$363.7	$ 68.4	84.2%	$92.1	74.2%
2002	563.2	373.7	189.9	66.3	104.0	183.5
2003	631.5	454.7	176.8	72.0	111.0	159.2

Source: CPERS.

Table 23
Schedule of Funding Progress
Public Employees Retirement System
Miscellaneous Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as of Payroll
2001	$ 883.3	$1,059.6	$(176.3)	120.0%	$171.9	(102.6%)
2002	952.4	1,003.3	(50.9)	105.3	197.4	(25.8)
2003	1,197.3	1,010.7	186.7	84.4	207.9	89.8
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5

Source: CPERS.

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

Table 24
Annual Pension Cost
Public Employees Retirement System
($millions)

Fiscal Year Ended July 30	Annual Cost July
2000	$23.6
2001	$24.0
2002	$26.9
2003	$37.0
2004	$48.4
2005	$87.4

Source: City of Oakland Comprehensive Annual Financial Reports.

Post-Retirement Health Benefits

The City provides certain post-retirement health insurance benefits to qualifying retired employees. A portion of the health insurance premiums are paid by the City for all retirees from City employment receiving a pension annuity earned through City service and who participate in a City sponsored PERS health benefit plan. These contributions are funded on a pay-as-you-go basis. Approximately $2.6 million was paid on behalf of 767 retirees under this program during Fiscal Year 2004-05.

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that local governments account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most local governments will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 may be applied prospectively and do not require governments to fund their OPEB plans. A local government may establish its OPEB liability at zero as of the beginning of the initial year of implementation. However, the unfunded actuarial liability is required to be amortized over future periods on the local government's income statement. GASB 45 also established disclosure requirements for information about the plans in which a local government participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain local governments, the extent to which the plan has been funded over time. Accounting for these benefits – primarily postretirement medical benefits – can have significant impacts on state and local government financial statements.

These disclosure requirements will be effective for the City beginning in Fiscal Year 2007-08. The City will obtain an actuarial valuation of its Post-Employment Health Benefits obligations and plans to work with its actuary to review its liabilities and take appropriate actions to manage the impact.

Natural Hazard Risks

The City is in a seismically active area, located near or on three major active earthquake faults (the Hayward, Calaveras and San Andreas faults). During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas Fault, which passes though the San Francisco Peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake, also on the San Andreas Fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of Oakland. Both the San Francisco and Oakland areas sustained significant damage. The City experienced significant damage to the elevated Cypress freeway and to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and prior to current building code requirements. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction, a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes.

A substantial portion of the City is built in partly-wooded hillside areas, which are naturally prone to wildfire. In October, 1991 a fire in the Oakland/Berkeley Hills damaged 1,990 acres of forest and residential property, destroying 2,354 homes and 456 apartment units, most of which were in Oakland. The City has established a wildfire prevention assessment district covering portions of the City, which was approved by voters in January 2004, and which finances fire hazard inspections, brush and debris removal, wood chipping and public education.

ECONOMIC HIGHLIGHTS

The City of Oakland, located immediately east of the City and County of San Francisco, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, the City is served by two major interstate freeways, lies at the crossroads of the Bay Area Transit System and major railroads, and boasts a world-class seaport and a growing international airport. Oakland is California's most strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace. In 2002, the City was rated by Forbes as the eighth best city for business in the nation.[1]

As the 19th largest metropolitan economy in the United States[2], Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life,

[1] Forbes/Milkin Institute List of Best Places for Business and Careers, Forbes, May 27, 2002.
[2] U.S. Metro Economies: The Engines of America's Growth, DRI-WEFA, June 2002.

comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – ranked the eighth most educated in the nation.[1]

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

Housing Development

A cornerstone of the City's economic development program since the inauguration of Mayor Jerry Brown in 1999 is the "10K Initiative," a multi-phase program to develop housing for 10,000 new residents in downtown Oakland by 2006. This goal translates to a target of developing 6,000 new residential units. On December 7, 2005, the 10K goal was met when the Planning Commission approved two new projects. Since the initiation of this program, 17 projects with 1,663 units have been completed, 15 projects with 2,144 units are under construction, 20 additional projects with 2,196 units have planning approval and 10 projects with 1,366 units are in the planning process. With 7,369 units completed or underway, the City has exceeded the 10K goal by 25%.

Commercial and Industrial Development

The City has facilitated a number of major commercial developments throughout the City. Several recent surveys have ranked Oakland as among the top ten office markets in the nation. Since 2001, Oakland has experienced a 22% increase in new businesses reporting Oakland as a primary location.

The Fruitvale BART Transit Village, a mixed-use development, opened in May 2004. The project offers 38,000 square feet of retail, 47 residential units including 10 affordable units, a child development facility, the new Cesar Chavez Public Library, a new medical clinic, a multipurpose senior center, and 114,500 square feet of office lease space. The Fruitvale Village project is nationally recognized as a leading smart-growth initiative and as one of the leading neighborhoods in the National Main Street Program. The project has won several awards, including the 2003 San Francisco Business Times Award and the 2004 Best in American Living Award in the Best Urban Smart Growth Neighborhood/Community category.

Hegenberger Gateway, which opened in 2005, offers 250,000 square feet of retail space. This $45 million development is anchored by Wal-Mart and also complemented by Starbucks, Panda Express and In-N-Out Burger. This key retail development is strategically located along the busy stretch of road that connects I-880 with the Oakland International Airport.

The Oakland Coliseum Intercity Amtrak Station Project consists of a passenger platform constructed along the existing Amtrak/Capitol Corridor passenger rail route located between the Coliseum Stadium and the Coliseum BART station. The new pedestrian ramp will connect the passenger platform to the existing Coliseum-BART pedestrian bridge. The total project cost is approximately $6.6 million. Construction began in June 2004, with the facility opening in May 2005.

The Infiniti of Oakland Dealership was completed in May 2005 and this 4.35-acre parcel is part of the Coliseum Auto Mile. The $7.5 million dollar facility employs about 50 people. By locating the Infiniti of Oakland adjacent to the Coliseum Lexus dealership, which opened in November 2002, the City is creating a cluster of Oakland's luxury automotive dealers.

---

[1] 2000 U.S. Census.

Transportation

During the 2004-2005 fiscal year, Oakland International Airport (the "Airport") marked its seventh consecutive year of passenger growth, making it one of the few airports in the country and the only one in the Bay Area whose utilization has grown in the post-9/11 environment. The Airport is served by 16 airlines with more than 200 daily nonstop flights to 38 domestic and international destinations, including Atlanta, New York, Washington D.C., Hawaii and Mexico. It is ranked third among U.S. airports for serving the highest proportion of domestic passengers using "low-cost" service (at 74%). Originally designed for approximately eight million passengers annually, the Airport served 14.1 million passengers last year.

As of June 30, 2004, the Airport completed the 98th Avenue/Doolittle Road intersection reconstruction, including a new underpass into the airport. This project was part of the Airport's expansion program, which widened the 98th Avenue/Airport Access Road to a six-lane parkway between the Airport, Bay Farm Island (Alameda) and Interstate 880.

The Airport will spend approximately $150 million over the next 2-3 years on its Terminal Improvement Program. This project includes a five-gate extension to Terminal 2 with a new concourse and waiting areas, expanded ticketing, security and baggage claim facilities. It also includes renovations to the existing facility and new utilities. The Airport will also improve the terminal roadways and curbside areas to ease congestion in front of the terminals. The program is expected to be complete by fall 2007.

The Port of Oakland was among the first ports globally to specialize in the inter-modal container operations that have revolutionized international trade and created the global economy. The seaport ranks among the top four in the nation and 20 in the world in terms of annual container traffic. The Port proudly welcomed the arrival of one of the world's largest container ships and the first 8,000 plus TEU (twenty-foot-equivalent) ship to enter the San Francisco Bay. The 8,200 TEU Hugo made its maiden voyage to the Port of Oakland on August 21, 2004.

The Port completed construction of the 37-acre Middle Harbor Shoreline Park and a 180-acre shallow-water habitat restoration. These projects, which opened to the public in September 2004, expand waterfront access for residents of Oakland and the Bay Area. In April 2005, Oakland became the first port in the nation where radiation portal monitors are completely installed and operable. The twenty-five portals will screen all international container traffic passing through the Port of Oakland for sources of radiation.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2005, at 412,300. This figure represents 27.35% of the corresponding County figure and 1.12% of the corresponding State figure. The City's population has grown over 20% in the twenty-four years since 1980. The following table illustrates the City's population relative to the population of Alameda County and the State of California.

Table 25
City of Oakland, County of Alameda and State of California
Population

Year	City of Oakland	County of Alameda	State of California
1980	339,337	1,109,500	23,782,000
1990	372,242	1,276,702	29,758,213
2000	399,566	1,443,939	33,873,086
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000
2005	412,300	1,507,500	36,810,000

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2005 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

Employment

The following table shows the labor patterns in the City, the State of California, and the United States for the past five years.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK]

Table 26
City of Oakland, State of California and United States
Civilian Labor Force, Employment, and
Unemployment[1] June 2001 through June 2005

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
June 2001				
Oakland	196,870	182,340	14,530	7.4
California	17,181,800	16,275,700	906,100	5.3
United States	141,354,000	134,932,000	6,422,000	4.5
June 2002				
Oakland	202,340	179,780	22,560	11.2
California	17,397,200	16,216,700	1,180,600	6.8
United States	142,476,000	134,053,000	8,423,000	5.9
June 2003				
Oakland	200,650	177,930	22,720	11.3
California	17,486,500	16,288,300	1,198,000	6.9
United States	148,117,000	138,468,000	9,649,000	6.5
June 2004				
Oakland	199,070	180,220	18,850	9.5
California	17,683,000	16,555,400	1,127,900	6.4
United States	148,478,000	139,861,000	8,616,000	5.8
June 2005				
Oakland	200,100	184,300	15,800	7.9
California	17,811,200	16,845,200	965,900	5.4
United States	149,123,000	141,638,000	7,486,000	5.0

(1) Civilian labor force data are by place of residence, and include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Preliminary.

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics. United States figures as of December of each year.

Commercial Activity

A five-year history of total taxable transactions for the City is shown in the following table.

Table 29
City of Oakland
Taxable Transactions, 1999-2004
(Taxable Transactions in $000s)

Year	Taxable Transactions
1999	$3,085,079
2000	3,453,695
2001	3,287,050
2002	3,226,210
2003	3,402,977
2004	3,822,822

Source: State Board of Equalization.

Construction Activity

A five-year history of building permits and valuation (including electrical, plumbing, and mechanical permits) appears in the following table.

Table 30
City of Oakland
Building Permits and Valuations, Fiscal Years 2001-2005

Fiscal Year	Number Issued	Authorized New Dwelling Units	Residential Valuation (in $000s)	Nonresidential Valuation (in $000s)
2000-01	16,879	954	$138,570	$481,635
2001-02	15,805	757	317,792	165,731
2002-03	15,910	930	170,527	260,000
2003-04	16,424	857	268,600	156,699
2004-05	15,942	1,350	356,256	173,292

Source: Comprehensive Annual Financial Report.

Median Household Income

Effective Buying Income ("EBI") is defined as personal income less personal income tax and non-tax payments, such as fines, fees, or penalties. Median household EBI for the City is shown in the table below.

Table 31
City of Oakland, Alameda County,
State of California and United States of America
Median Household
Effective Buying Income

Year[(a)]	City of Oakland	Alameda County	State of California	United States of America
1999[(b)]	$32,751	$44,730	$39,492	$37,233
2000	38,602	50,631	44,464	39,129
2001	39,567	54,076	43,532	38,365
2002	37,095	49,574	42,484	38,035
2003	37,558	50,431	42,924	38,201
2004	38,517	51,415	43,915	39,324

(a) As of January 1.

(b) Changes in market rankings, retail sales, total retail sales, merchandise line sales and metro markets make it impossible to trend the 1999 and 2000 Survey of Buying Power numbers. The changes are so significant that any attempt at trending will produce misleading results.

Source: "Survey of Buying Power", Sales and Marketing Management Magazine.

LITIGATION

The City is involved in certain litigation and disputes relating to its operation. Upon the basis of information presently available, the City Attorney believes, except for the Oakland Raiders litigation, discussed below, there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the financial position or results of operation of the City.

Oakland Raiders Litigation. On September 29, 1997, the City, the County of Alameda and the Oakland Alameda County Coliseum Authority (the "Authority"), collectively known as the "East Bay Entities," filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage.

Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. The Authority prevailed on its declaratory relief claims that the Raiders were contractually obligated to remain in Oakland for the term of the contract. In a series of decisions, the court has ruled that (1) Raider Management cannot rescind or terminate the lease; (2) the East Bay Entities do not have claims for damages and (3) Raider Management does not have claims for damages against the City, the County or the Authority. The court later dismissed the City and the County of Alameda from the case on the basis that Raider Management failed to comply with the California Torts Claims Act.

On March 24, 2003, trial began on Raider Management's claims for damages of $1.1 billion for fraudulent inducement against the Oakland-Alameda County Coliseum Authority and one of its former directors. The trial resulted in a $34,000,000 verdict in favor of Raider Management and against the Authority. The former Authority Director, who the City had agreed to indemnify, was not found liable.

The Authority's motion for a judgment notwithstanding the verdict was denied on November 18, 2003. The Authority has appealed the judgment against it and the Raiders have appealed the verdicts against it. The trial court stayed the judgments pending appeal and the Raiders filed a motion to set aside the stay. In May 2004, the Court of Appeals denied the Raiders' motion to set aside the stay of the action. Appellate briefs have been filed and the matter is scheduled for hearing on August 22, 2006. It is too early to assess whether the City will have to contribute funds to the Authority if the Court of Appeals upholds the trial court verdicts. Even then, the litigation may continue for years before the issue of ultimate liability is resolved.

APPENDIX B

CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2005 AND CERTAIN OTHER INFORMATION EXCERPTED FROM THE CITY'S COMPREHENSIVE ANNUAL FINANCIAL REPORT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

WILLIAM E. NOLAND, DIRECTOR

LARAE BROWN, CONTROLLER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

Page

Notes to Basic Financial Statements:

REQUIRED SUPPLEMENTARY INFORMATION:

[THIS PAGE INTENTIONALLY LEFT BLANK]

FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION

150 FRANK H. OGAWA PLAZA, SUITE 6353
OAKLAND, CALIFORNIA 94612
(510) 238-3264

December 16, 2005

Citizens of the City of Oakland
The Honorable Mayor and
Members of the City Council

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in financial position for the fiscal year ended June 30, 2005, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

The **Introductory Section** includes the transmittal letter, information about the organizational structure of the City, the profile of the government, information useful in assessing the financial condition of the City, and the Government Finance Officers Association's (GFOA) Certificate of Achievement.

The **Financial Section** is prepared in accordance with the GASB 34 requirements by including the Management's Discussion and Analysis (MD&A), the Basic Financial Statements including notes and the Required Supplementary Information. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial information of each of the City's major funds, as well as non-major governmental, and fiduciary funds. Also included in this section is the Independent Auditors' Report on the basic financial statements.

The **Statistical Section** includes ten years of unaudited summary financial data, debt computations, and a variety of demographic, economic and social information that may be of interest to potential investors in the City's bonds and to other inquiring readers.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2005, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2005. The Independent Auditors Report is presented as the first component of the Financial Section of this report.

GASB Statement No. 34 (GASB 34) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

The Reporting Entity and Its Services

The City has defined its reporting entity in accordance with generally accepted accounting principles that provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. These Basic Financial Statements present information on the activities of the City and its component units.

GASB 34, Basic Financial Statements - and Management Discussion and Analysis - for State and Local Governments, retains many of the most popular features of the traditional reporting for state and local governments. It also incorporates these important new features:

- Government-wide financial reporting;
- Management's Discussion and Analysis (MD&A);
- Separate presentation of major funds; and
- Expanded budgetary reporting.

Moreover, GASB 34 requires that states and local governments annually disclose the full net value of all capital assets, including infrastructure assets, in order to comply with generally accepted accounting principles.

GAAP require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the Primary Government. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City operations.

Accordingly, we have included the operations of the Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), and the Oakland Redevelopment Agency (Agency) as blended component units. The operations of the Port of Oakland (including the Oakland International Airport) and the Oakland Base Reuse Authority (OBRA) are presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda.

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

Profile of the Government

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

In November 1998, the citizens of Oakland passed Measure X changing the form of government from Council-City Administrator to Mayor-Council through a charter amendment. Legislative authority is vested in the City Council and executive authority is vested in the Mayor. The City Administrator, appointed by and under the direction of the Mayor, has administrative authority to manage the day-to-day administrative and fiscal operations of the City. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

The Mayor and City Council are the governing body of the City and comprises eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms.

On March 2, 2004, the citizens of Oakland passed Measure P: (1) to repeal the sunset provision of Measure X passed in November 1998 to retain the Mayor-Council form of government; (2) to change the term limit for Mayor from two terms to two consecutive terms; (3) to reduce the number of votes needed for the City Council to pass an ordinance on reconsideration from six votes to five votes; (4) to eliminate the prohibition on paying the Mayor more than the City Administrator; (5) to remove the rule that the Mayor vacates his or her office by missing ten consecutive City Council meetings; (6) to require the Mayor to advise the City Council before removing the City Administrator; and (7) to change the title of the City Manager to "City Administrator".

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 29, 2004, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2004-05.

The City Charter prohibits expending monies for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level, although for management purposes, the line item budget is controlled at the departmental level within funds. The City Administrator is authorized to administer the budget and may transfer monies from one activity, program or project to another within the same agency and fund. Supplemental appropriations or transfers of appropriations between funds or agencies must be approved by the City Council.

The City also maintains an encumbrance accounting system to provide budgetary controls for governmental funds. Encumbrances which would result in an overrun of an account balance are suspended in the system until additional funding is made available via budget change requests or withdrawn due to lack of funding. Encumbrances outstanding at June 30 and carried forward are reported as reservations of the appropriate governmental fund's fund balance since they do not constitute expenditures or liabilities. Encumbrances that do not lapse but are brought forward to the new fiscal year are incorporated as part of the budget adopted by City Council for that year.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy. The City of Oakland has transformed itself into one of the most desirable communities to live and to do business in the country. Testimony to this transformation is well publicized in various magazines and comments by public officials. For example, the City is:

- "....4th Best commercial real estate market in the country" (Moody's Investors 2003)
- "....8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "....7th Most Creative City in America" (Carnegie Mellon);

- "….6th Best City to live in the U.S." (Money, Dec. 2002);
- "….leader among America's top ten technology cities." (Newsweek, April 30, 2001); and
- "….uniquely positioned as an excellent point for international business." (Mickey Kantor, former U.S. Secretary of Commerce)

These statements are a testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8th as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Jerry Brown's leadership that enthusiastically supports and embraces sustainable economic development. Moreover, transportation systems such as four freeways (I-880, I-580, Hwy. 13, and Hwy. 24), railroad, trucking, shipping (4th largest port in the nation), air transportation, and public transit converge in the City of Oakland to make it the hub of interstate and international commerce on the West Coast. Its strategic location and proximity to Silicon Valley and to highly acclaimed institutions of higher learning provide excellent synergy for collaborative research and innovation for improved business products and services.

Oakland occupies 56 square miles of land with nineteen miles of coastline to the west and magnificent rolling hills to the east. It is the eighth largest city in California with a population of 412,300. Its economy ranks in the top 20 economies in the United States and the 84th largest in the world. Some of the diverse attributes which helped Oakland survive the dot.com bust are:

- Featured as among 10 top technology cities in the future (Newsweek, April 2001)
- Oakland ranked nation's #1 office market through 2005 (Landauer OM Index);
- Commercial building permits issued in 2003 valued at $278.9 million, 25.5% increase;
- Ranked 3rd in the nation in percentage of women-owned businesses;

Two primary engines that drive the economies of the City in particular and Northern California in general are the Port of Oakland and the Oakland International Airport. Both entities celebrated their 75th anniversaries in 2002 with pride and enthusiasm in meeting the challenges of the new century. Both are investing billions of dollars in major expansion programs in anticipation of the new challenges. Finally, both entities have significant impacts on the City's and the region's economies. For example, in 2003, the Port of Oakland moved $1.2 billion in agricultural goods. The Port is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

In a recent article by the San Francisco Chronicle headlined, "*It's full steam ahead at the Port of Oakland*," it declared a booming business at the Port benefiting businesses and jobs in 2003. Those benefiting are dockworkers, truckers, rail companies, the California Central Valley farmers, and shipping companies. Ranked the 4th busiest port in the nation, the Port of Oakland handled 99% of Northern California's ocean container cargo with a remarkable growth of 13.8% in containers handled compared to 2002. Part of this tremendous growth is driven by China's booming manufacturing trade and other economies in the Far East.

Downtown Oakland remains the largest center for office development in the East Bay with 15.3 million square feet of office space and 70,000 day time workers. The Shorenstein Company recently completed a 20-story, 450,000 square foot office tower in the City Center that is occupied by various businesses. Ask Jeeves company moved its operations from Emeryville to

Oakland. It signed a lease to occupy 55,803 square feet and will occupy the fourth and fifth floors along with the plaza level in the new tower.

In a recent article by the Oakland Tribune, a study conducted by a Harvard business professor for the Initiative for a Competitive Inner City concluded that while many of America's inner cities continue to hemorrhage jobs, the City of Oakland gained jobs, fueled by immigrant population growth. The study targeted inner cities with population of 50,000 residents or more. It found that only ten added jobs at a higher rate than surrounding metropolitan areas: Oakland; San Jose; Long Beach; Anaheim; Portland, Oregon; Seattle; Jersey City, N.J.; Tulsa Okla; St. Petersburg, Fla; and Winston-Salem, N.C.

Long-term Financial Planning

Mayor's 10K Project: A major initiative launched by Mayor Jerry Brown when he took office in 1999, the 10K Downtown Housing Initiative, is realizing its goal of attracting 10,000 new residents to downtown Oakland by encouraging the development of 6,000 market-rate housing units. A near perfect climate, California's best mass transit system, a central Bay Area location and a growing downtown workforce all contribute to make downtown Oakland a great place to live.

As of October 1, 2005, the 10K Downtown Housing Initiative has exceeded the goal with 61 residential projects, 7,053 units, housing for about 12,000 new residents, completed or in process. Seventeen projects (1,663 units) have been completed, fourteen projects (1,479 units) are in construction, twenty projects (2,570 units) have received planning approvals, and ten projects (1,341 units) are in the planning process. The Initiative has literally altered Oakland's skyline with the construction of the Essex on Lake Merritt, the first high-rise residential construction in downtown Oakland in 20 years.

Cash Management Policies and Practices

To maximize interest income and maintain liquidity, the City pools operating cash of both the City and Port and invests these monies in securities of various maturities. These monies and operating funds of the Redevelopment Agency and the Oakland Base Reuse Authority are invested pursuant to the City's Investment Policy in compliance with Section 53601 of the California Government Code, the Nuclear Free Zone and Linked Banking Ordinances, and the Tobacco Divestiture Resolution. The objectives of the Investment Policy are to preserve capital, provide adequate liquidity to meet cash disbursements of the City, and to reduce overall portfolio needs while maintaining market-average rates of return. Investments are secured by collateral as required under law, with maturity dates staggered to ensure that cash is available when needed. The City Council receives quarterly reports on the performance of the City's pooled investment program.

The permitted investments include U.S. Treasury notes (with certain restrictions), federal agency issues, bankers' acceptances, commercial paper, corporate stocks and bonds with ratings of A1 or P1 by either Standard and Poor's or Fitch's, negotiable certificates of deposit, Local Agency Investment Fund, and repurchase agreements.

Risk Management

To finance its risks of general liability and workers' compensation, the City maintains a program of self-insurance, supplemented with commercial insurance of limited coverage, that is sufficient to protect resources at the lowest reasonable cost. The City does maintain commercial fire insurance policies on all of its buildings. Additionally, the City insures for the perils of earthquake and flood on the Henry J. Kaiser Convention Center and the George F. Scotlan Memorial Convention Center.

The City Attorney represents the City in all of its legal matters, including claims investigation, civil litigation, and disposition of claims and lawsuits.

Insurance to protect and indemnify the City against the risks of general liability and property damage is required in virtually all of its public works, contractor-supplied, and professional services contracts.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 15 of the last 16 years. The City's Fiscal Year 2004-05 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

I would like to express my appreciation to the entire staff of the Finance and Management Agency, most particularly the Accounting Division, and other agency and departmental staff, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Macias, Gini & Company LLP for their assistance and guidance. Finally, I would like to thank the Mayor, members of the City Council, and the City Administrator for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,

William E. Noland, Director
Finance and Management Agency

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland, California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

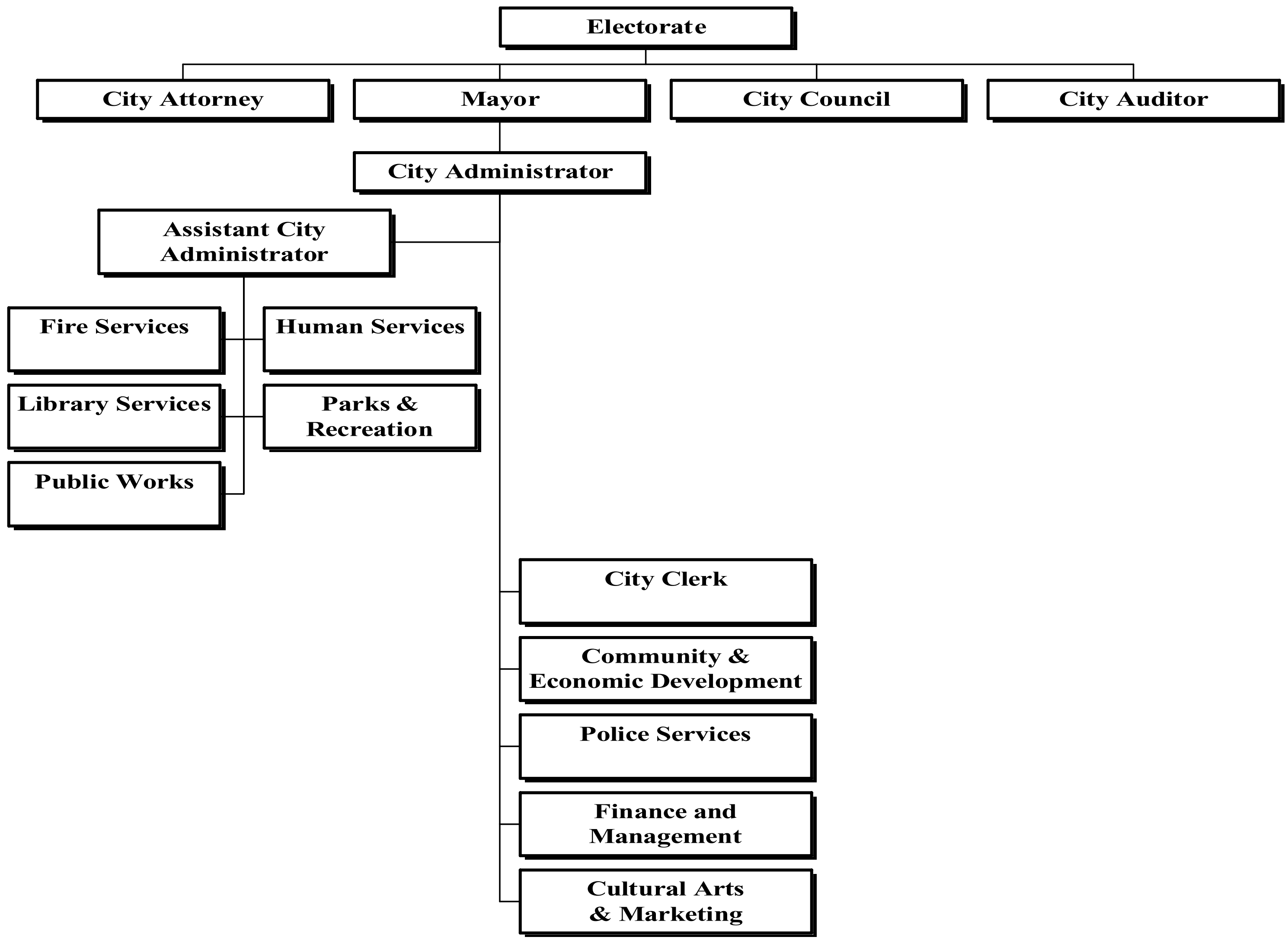
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION
OF THE
UNITED STATES
AND
CANADA
CORPORATION
SEAL
CHICAGO

President

Executive Director

City of Oakland Organization Chart



DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2005

MAYOR

Jerry Brown

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente, *President (District 5)*
Jane Brunner, *Vice-Mayor (District 1)*

At Large – Henry Chang, Jr.
District 2 – Patricia Kernighan
District 3 – Nancy Nadel
District 4 – Jean Quan
District 6 – Desley Brooks
District 7 – Larry Reid

COUNCIL APPOINTED OFFICERS

Deborah A. Edgerly, *City Administrator*

LaTonda Simmons, *City Clerk*

ELECTED OFFICERS

John Russo, *City Attorney*
Roland Smith, *City Auditor*

AGENCY & DEPARTMENT DIRECTORS

Raul Godinez
Public Works

Carmen Martinez
Library Services

William E. Noland
Finance & Management

Vacant
Cultural Arts & Marketing

Audree Jones-Taylor
Parks & Recreation

Daniel Farrell
Fire Services

Wayne Tucker
Police Services

Andrea Youngdahl
Human Services

Dan Vanderpriem/Claudia Cappio
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

LaRae Brown
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Ace A. Tago, *Assistant Controller*

FINANCIAL STATEMENT PREPARATION

CAFR Section Leaders

Bruce Levitch *Accountant III*	Osborn Solitei *Financial Analyst*	Theresa Woo *Accountant III*

Accounting Team (GL, ORA & GRANTS)

Myrna Bangloy	Mercy David	Sandra Tong
Bernadette Bangloy	Carol Hoomanawanui	Norma Torres
Frank Catalya	Felipe Kiocho	Marilyn Tran
Connie L. Chu	Lani Pallotta	David Warner
Edward Chun	Eric Parras	Andy Yang

ADMINISTRATIVE SUPPORT

Novette G. Flores, *Administrative Assistant*

SPECIAL ASSISTANCE

Donna Treglown	Kathleen Larson	Katano Kasaine
David Jones	Janet An	Sharon Holman

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Administrator’s Office
City Attorney’s Office
FMA-Treasury Division
Community & Economic Development Agency
Risk Management

[THIS PAGE INTENTIONALLY LEFT BLANK]

MACIAS GINI & COMPANY LLP

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596

925.274.0190 PHONE
925.274.3819 FAX

Honorable Mayor and Members
of the City Council
City of Oakland, California

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), which represent 4%, 11%, and 3%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3.*

www.maciasgini.com

CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress and the budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we and the other auditors express no opinion on them.

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California
December 9, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its total liabilities by $657.6 million as of June 30, 2005, compared to $552.7 million at June 30, 2004. This represents an increase of 19% ($104.9 million) compared to the previous year. The largest portion of the City's net assets (64%) reflects its $418.0 million of investments in capital assets for governmental and business type activities, net of related debt. Of the remaining balance, (44%) reflects $292.4 million in funding for debt service, capital projects and other continuing development projects for the City, and a deficit in unrestricted assets of ($52.9) million or (-8%).

- The City's cumulative fund balances grew by 31% ($213.3 million) to $900.6 million compared to $687.3 million for the prior fiscal year. This growth is primarily attributed to: (1) the combined increase of $183.3 million or 28% in pooled and restricted cash and investments as a result of unspent Lease Revenue Bonds, Series 2005 proceeds issued on June 21, 2005; (2) the improved revenue collections as a result of double digit increases in property taxes; and (3) the 3% reduction in overall governmental liabilities excluding long-term debts.

- As of June 30, 2005, the City had total long-term obligations outstanding of $1.87 billion compared to $1.68 billion outstanding for the prior fiscal year, an increase of 11%. Of this amount, $227.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City's General Fund unreserved/undesignated fund balance at June 30, 2005 was $46.3 million compared to $39.8 million for the previous year, an increase of $6.5 million or 16%, attributed primarily to conservative revenue forecasting for real estate transfer taxes. The unreserved/undesignated fund balance exceeded the City Council's 7.5% reserve policy by 43%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of three components: (1)

government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to the financial statements for a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, life enrichment, community and economic development, and public works. The business-type activities of the City include the sewer service system and the parks and recreation.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains several individual governmental funds organized according to their type (special revenue, capital projects, debt service, and general fund). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, federal and state grant special revenue fund, Oakland Redevelopment Agency (Agency) as a blended component unit of the City, and municipal capital improvement fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund in the required supplementary information to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers, either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information shown in the government-wide statements only in more detail. The City maintains the following two types of proprietary funds:

> ***Enterprise funds*** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.
>
> ***Internal service funds*** are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, radio and communication equipment, facilities management, printing and reproduction, and central stores. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined

into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of employees and parties outside the City. The Oakland Municipal Employees Retirement System (OMERS) Fund, the Police and Fire Retirement System (PFRS) Fund are reported as pension trust funds. The Private Purpose Trust Fund along with the pension trust funds are reported as trust funds since their resources are not available to support the City's own programs. For this reason, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information, other than this discussion and analysis, concerning the City's progress in funding its obligation to provide pension benefits to its employees and budget-to-actual information for the City's general fund. This required supplementary information is presented immediately following the notes to the basic financial statements.

The combining statements referred to earlier in connection with non-major governmental funds, internal service funds, and fiduciary funds are immediately following the required supplementary information along with budgetary comparison schedules.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2005 by $657.6 million compared to $552.7 million as of June 30, 2004, an increase of $104.9 million. The largest portion of the City's net assets (64%) reflects its $418.0 million of investments in capital assets for governmental and business type activities net of related debt. Of the remaining balance, (44%) reflects $292.4 million in funding for debt service, capital projects and other continuing development projects for the City, and a deficit in unrestricted assets of ($52.9) million or (-8%).

City of Oakland's Net Assets
June 30, 2005
(In Thousands)

	Governmental Activities	Business-type Activities	2005 Total	2004 Total
Assets:				
Current and other assets	$1,651,554	$ 61,075	$1,712,629	$1,443,658
Capital assets	839,375	121,240	960,615	946,004
TOTAL ASSETS	2,490,929	182,315	2,673,244	2,389,662
Liabilities:				
Long-term liabilities outstanding	1,794,616	70,814	1,865,430	1,677,195
Other liabilities	149,248	991	150,239	159,745
TOTAL LIABILITIES	1,943,864	71,805	2,015,669	1,836,940
Net assets:				
Invested in capital assets, net of related debt	310,633	107,396	418,029	502,955
Restricted net assets:				
Debt service	28,375	-	28,375	70,562
Pension obligations	175,247	-	175,247	31,048
Urban redevelopment and housing	84,752	-	84,752	189,555
Other purposes	4,041	-	4,041	24,861
Unrestricted	(55,983)	3,114	(52,869)	(266,259)
TOTAL NET ASSETS	$ 547,065	$ 110,510	$ 657,575	$ 552,722

The City's investment in capital assets of $418.0 million, decreased by $84.9 million compared to the previous fiscal year, is attributed to the increase in long-term debt related to capital assets. Other factors that contributed to the reduction in investment in capital assets include annual deduction for depreciation expense and asset retirements, net of new additions. The City's restricted net assets totaling $292.4 million represents resources that are subject to external restrictions on how they may be used. The unrestricted deficit of ($52.9) million is primarily caused by the Agency, which issues bonds and other indebtedness to fund urban development and housing projects that are not capitalized as assets.

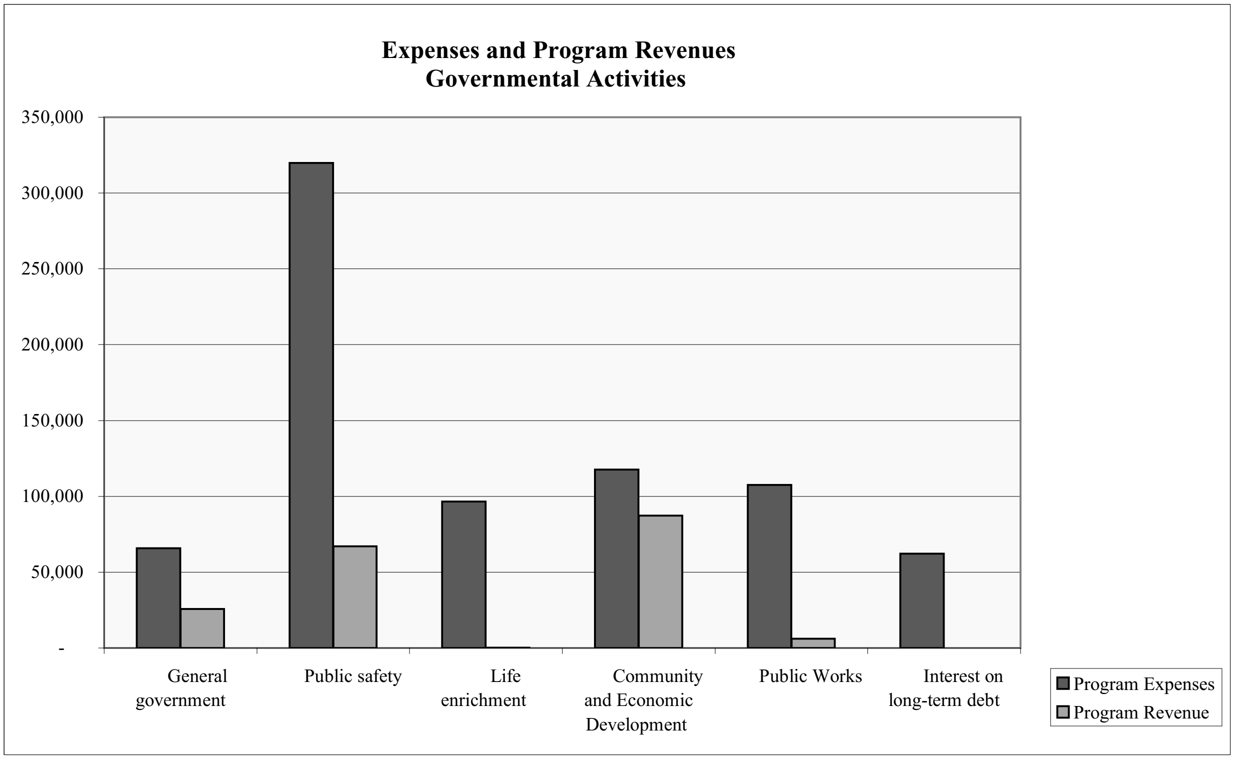
Governmental activities. The City's change in net assets of $104.9 million for the year ended June 30, 2005 represents an increase of $72.0 million compared to $32.9 million for the prior fiscal year. The key elements of this increase are listed below.

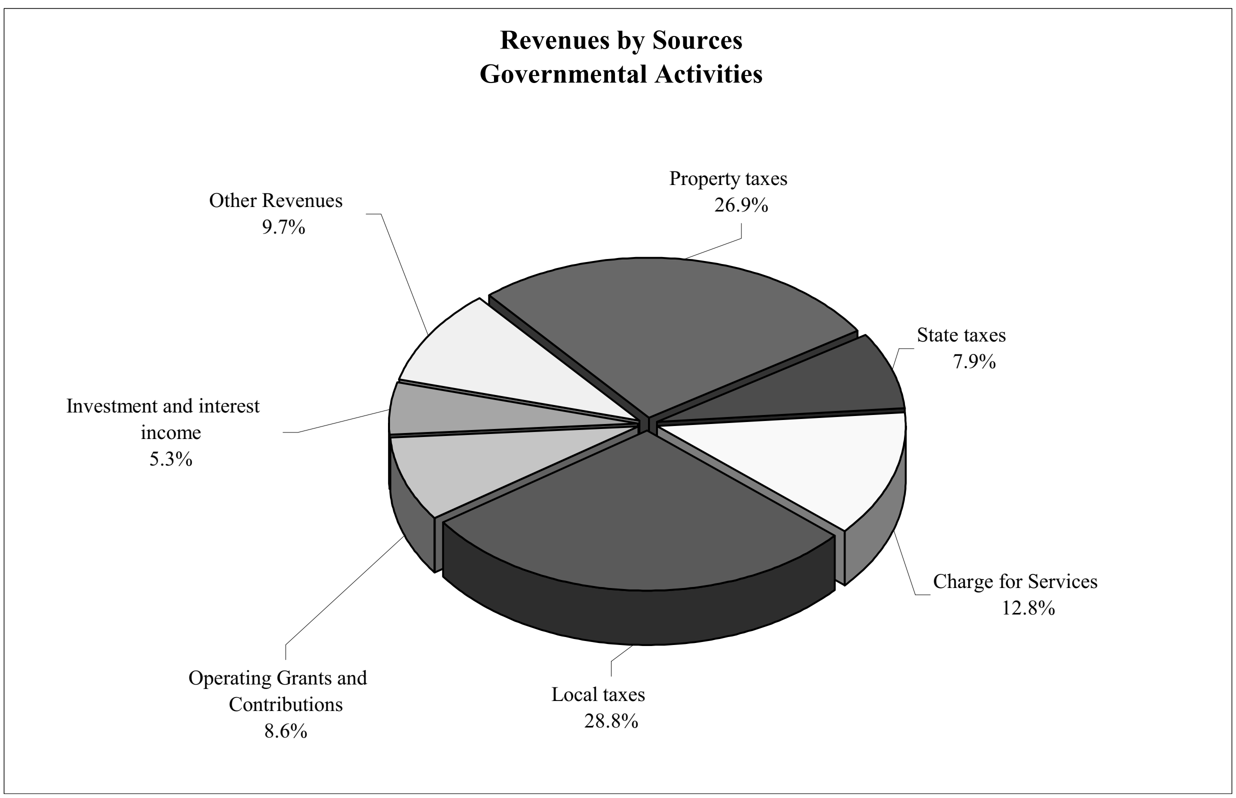
Changes in Net Assets
June 30, 2005
(In Thousands)

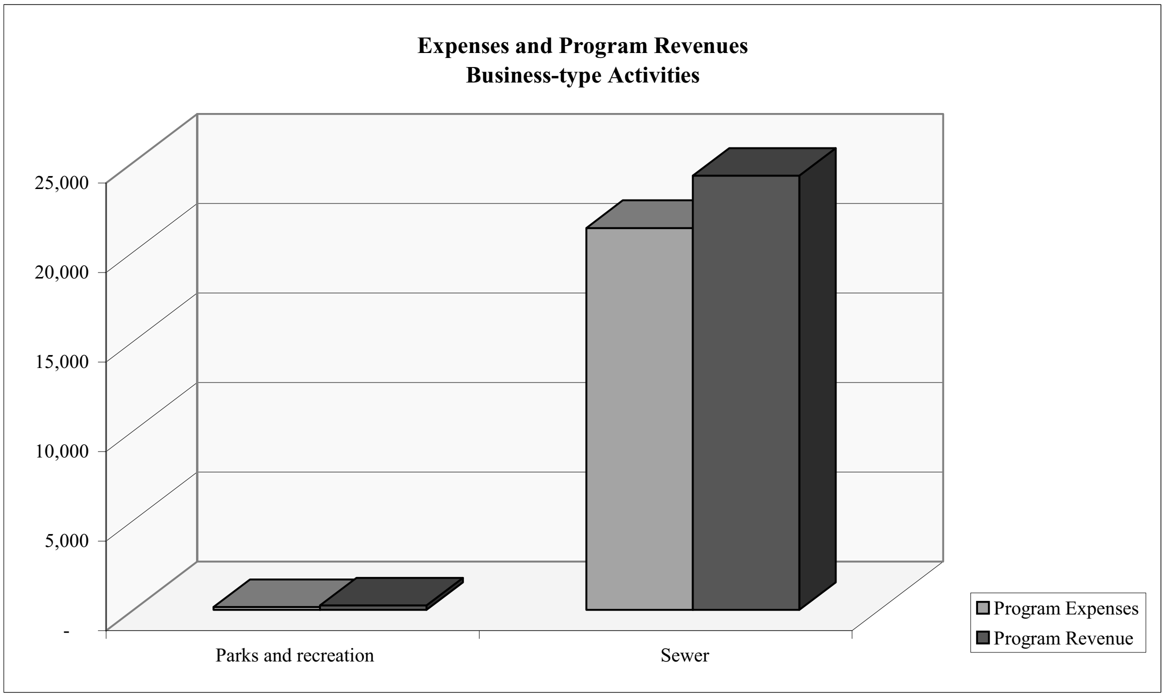
	Governmental Activities	Business-type Activities	2005* Total	2004 * Total
Revenues:				
Program revenues:				
Charges for services	$111,467	$ 24,496	$ 135,963	$ 87,480
Operating grants and contributions	74,694	-	74,694	78,965
Capital grants and contributions	-	-	-	10,366
General revenues:				
Property taxes	234,127	-	234,127	200,731
State taxes	68,451	-	68,451	72,906
Local taxes	251,301	-	251,301	197,873
Interest and investment income	46,063	707	46,770	5,660
Other	84,850	-	84,850	117,238
TOTAL REVENUES	870,953	25,203	896,156	771,219
Expenses:				
General government	65,865	-	65,865	67,069
Public safety	319,908	-	319,908	297,869
Life enrichment	96,649	-	96,649	102,314
Community & economic development	117,689	-	117,689	121,160
Public works	107,457	-	107,457	70,369
Interest on long-term debt	62,238	-	62,238	58,020
Sewer	-	21,337	21,337	20,597
Parks and recreation	-	160	160	159
TOTAL EXPENSES	769,806	21,497	791,303	737,557
Change in net assets before transfers	101,147	3,706	104,853	32,862
Transfers	621	(621)	-	-
Change in net assets	101,768	3,085	104,853	32,862
Net assets at beginning of year	445,297	107,425	552,722	519,860
NET ASSETS AT END OF YEAR	$547,065	$ 110,510	$ 657,575	$ 552,722

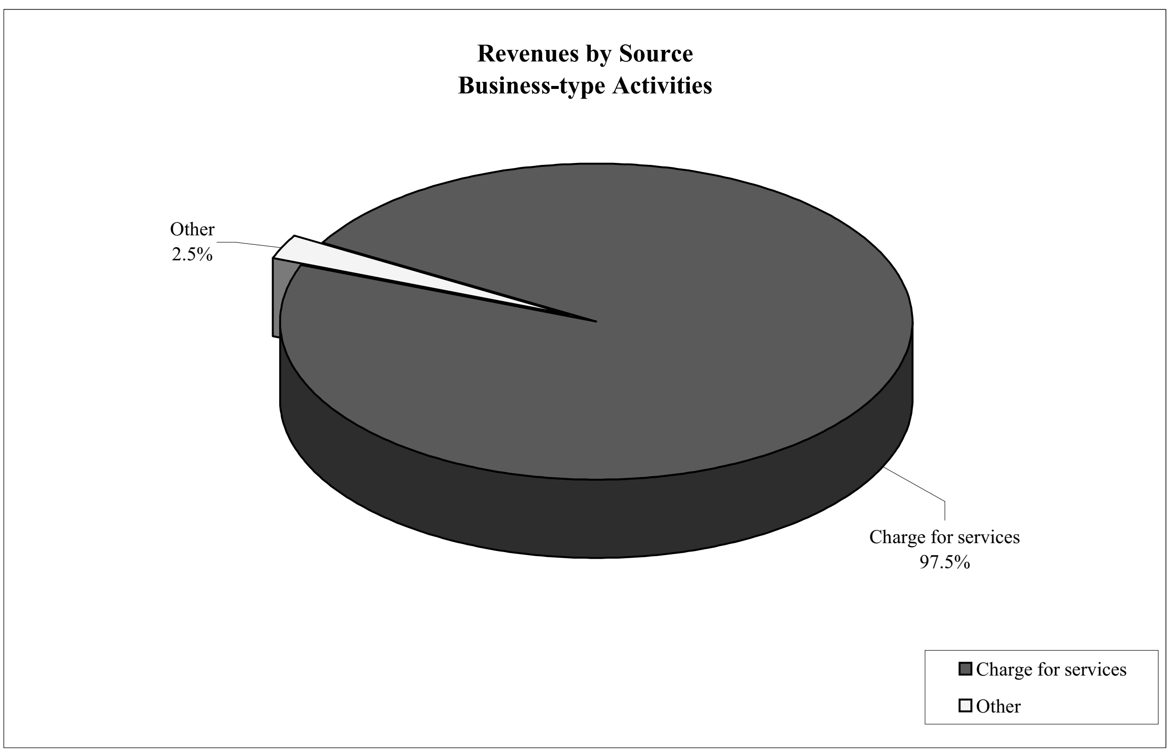
* Certain amounts have been reclassified to conform with current year presentation.

The City's net assets increased by $104.9 million for the year ended June 30, 2005 compared to $32.9 million as of June 30, 2004. The increase of $72.0 million is the result of a 16% improvement in revenue collections compared to the previous year matched against an increase of 7% in expenditures. Significant components that make up this increase are itemized below.


Expenses and Program Revenues
Governmental Activities
350,000
300,000
250,000
200,000
150,000
100,000
50,000
-
General government
Public safety
Life enrichment
Community and Economic Development
Public Works
Interest on long-term debt
Program Expenses
Program Revenue


Revenues by Sources
Governmental Activities
Property taxes 26.9%
State taxes 7.9%
Charge for Services 12.8%
Local taxes 28.8%
Operating Grants and Contributions 8.6%
Investment and interest income 5.3%
Other Revenues 9.7%


Expenses and Program Revenues
Business-type Activities
25,000
20,000
15,000
10,000
5,000
-
Parks and recreation
Sewer
Program Expenses
Program Revenue


Revenues by Source
Business-type Activities
Other
2.5%
Charge for services
97.5%
Charge for services
Other

- The increases in State and local property taxes were driven by a 42% enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2004-05 as reported by the County of Alameda.

- The increase in interest and investment income of $41.1 million is primarily attributable to the presentation of negative interest for pension annuity last year and increased earnings from the City's pooled and restricted cash and investments as a result of carrying higher balances compared to the previous year.

- The decrease of $32.4 million in other revenues when compared to the previous year is attributed primarily to last year's revision of the City's allowance for doubtful accounts, as the City re-evaluated the collectibility of its long-term notes receivables.

- The increase of $22.0 million of spending in public safety when compared to the previous year is due primarily to overtime costs and national disaster responses for which the City had not been reimbursed by the Federal agencies.

- The $5.7 million reduction in life enrichment expenditures reflects the transfer of all parks and recreation maintenance personnel to public works for management, resource allocation, and maximum flexibility in scheduling maintenance.

- The increase of $37.1 million in public works expenditures reflect the addition of all maintenance personnel transferred from parks and recreation to public works and the completion of various current and continuing projects assigned.

Business-type activities. Business-type activities increased the change in its net assets by $3.1 million for the year ended June 30, 2005. A key element of the increase for Business-type activities is attributed primarily to an 11% annual rate increase and the volume of billings for sewer services as a result of the surge in downtown housing development under the Mayor's 10 K Program. The 10K Program's goal is to develop housing to attract 10,000 new residents to downtown Oakland.

Financial Analysis of the Government's Funds

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

As of June 30, 2005, the City's governmental funds reported combined ending fund balances of $900.6 million compared to $687.3 for the previous fiscal year, as restated. The majority of the $210.1 million increase (31%) is attributed to (1), the combined increase of $183.3 million or 28% in pooled and restricted cash and investments as a result of unspent Lease Revenue Bonds, Series 2005 proceeds issued on June 21, 2005,

(2) the improved revenue collections as a result of double digit increases in property tax valuation, and (3) the 3% reduction in overall governmental liabilities excluding long-term debts.

At June 30, 2005, the Federal/State Grant Fund ended with a negative fund balance of $2.5 million compared to a negative fund balance of $23.1 million for the previous fiscal year. The significant reduction in negative fund balance is due to systematic collection efforts to reimburse City advances to pay for grant activities.

The Oakland Redevelopment Agency had a fund balance of $268.1 million as of June 30, 2005 that represents an increase of 28% over the prior fiscal year. The net increase of $58.5 million was primarily related to the improvement in property tax revenues in the project areas and the remaining bond proceeds for the Central District Project Area to be completed by fiscal year 2007.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements under the *business-type* column but in more detail.

The portion of net assets invested in capital assets, net of related debt amounted to $107.4 million as of June 30, 2005, compared to $113.6 for the previous fiscal year. The 5% decrease is related to partial proceeds spent from a new debt issued to finance sewer projects. During the fiscal year, the City capitalized $3.1 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

Differences between the original and the final amended expenditure budgets totaling $16.7 million were due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Total general fund actual expenditures compared to the final amended expenditure budget showed net budget savings of $1.2 million for the year ended June 30, 2005, compared to $3.6 million in savings for the previous fiscal year. The net savings is attributed to the significant turnover in full time employees due to retirement and City efforts to reduce personnel costs in line with its revenue forecast.

Actual revenues compared to the final amended general fund revenue budget exceeded projections by $40.0 million, compared to an unfavorable variance of $3.6 million for the previous fiscal year. The increase is primarily attributed to improved property taxes driven by a 42% improvement in assessed property valuation as reported by the County of Alameda.

Capital Assets

The City's capital assets, net of depreciation, totaled $960.6 million as of June 30, 2005 compared to $946.0 million as of June 30, 2004, an increase of 2.0%. Governmental activities additions of $13.3 million in capital assets included land acquisition and capitalization of infrastructure, facilities improvements, and furniture and equipment which met the City's threshold for capitalization. These additions were offset by retirements and depreciation, the net effect of which was a reduction of $3.9 million in capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $1.4 million net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has active construction projects as of June 30, 2005. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	Spent to date	Remaining Commitment
Infrastructure – streets	$ 92,621	$ 50,031
Infrastructure – parks	14,057	39,863
Facility improvements	22,878	34,065
Sewer and storm drains	10,414	49,315
Technology enhancements	13,800	5,587
Miscellaneous	14,058	8,676
Totals	$167,828	$187,537

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75% of property valuation, net of exemptions subject to taxation) was $903.4 million. The total amount of debt applicable to the debt limit was $227.0 million. The resulting legal debt margin was $676.1 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2004, were as follows:

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

As of June 30, 2005, the City had total long-term obligations outstanding of $1.87 billion compared to $1.68 billion outstanding for the prior fiscal year, an increase of 11%. Of this amount, $227.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.64 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
June 30, 2005
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds	$ 227,010	$ 232,045	$	$ —	$ 227,010	$ 232,045
Tax allocation bonds	270,085	235,555		—	270,085	235,555
Certificates of participation	50,195	54,780		—	50,195	54,780
Lease revenue bonds	488,721	386,200		—	488,721	386,200
Pension obligation bonds	366,405	388,824		—	366,405	388,824
Special assessment debt with government commitment	7,370	7,940		—	7,370	7,940
Accreted interest on appreciation bonds	70,811	52,863			70,811	52,863
Sewer-bonds and notes payable	—	—	67,985	6,362	67,985	6,362
Less: Deferred amounts						
Bond issuance premiums	24,186	11,830	2,829	—	27,015	11,830
Bond refunding loss	(22,793)	(20,333)		—	(22,793)	(20,333)
Total bonds payable	1,481,990	1,349,704	70,814	6,362	1,552,804	1,356,066
Notes payable	45,209	46,153			45,209	46,153
Other long-term obligations	267,417	274,976		—	267,417	274,976
TOTAL OUTSTANDING DEBT	$1,794,616	$1,670,833	$70,814	$ 6,362	$1,865,430	$1,677,195

The City's overall total long-term obligations increased by $182.7 million compared to fiscal year 2004. The net increase is primarily attributable to (1) the issuance of Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"), (2) the issuance of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"), and (3) the Agency's issuance of Tax Allocation Bonds, Series 2005 for redevelopment within the Central District project area. The notes payable and other long-term obligations increased basically because of the additional amounts provided for compensated absences, workers' compensation, and estimated claims payable for fiscal year 2005.

Summary of New Debt:

Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"): On June 21, 2005, the Joint Powers Financing Authority issued its $144,950,000 Refunding Revenue Bonds, Series A-1, A-2, and B. A portion of the proceeds were to be used to refund and defease all of the Authority's outstanding lease Revenue Bonds, 1998

Series A. However, the Interest Rate Swap Agreement associated with the 1998 Series A Bonds still remains in effect and set to terminate on July 31, 2021.

Sewer Revenue Bonds, 2004 Series A: On December 14, 2004, the City issued $62,330,000 of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"). The 2004 A Project involves the rehabilitation and, where necessary, replacement of sections of the existing sewer system, including the sewer pipelines and connections to private sewer lines. The project is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the system, and eliminate sewer overflows of untreated water into the San Francisco Bay. The 2004 Series A Bonds have interest rates ranging from 3.00% to 5.25% and mature in 2029.

Solar Panel Tax-Exempt Lease Transaction: On November 14, 2004, the City of Oakland (the "Lessee") for $4,138,858 to finance the design and construction of solar photovoltaic generation systems as described in the Design/Build Agreement for the Solar Power and Energy Efficiency Project, between the Lessee and the PowerLight Corporation (the "Contractor"). This financing was a capital lease at an interest rate of 4.25%.

Enterasys Equipment Lease: On February 15, 2005, the electorate authorized the execution of a seven-year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed $215,000 annually or $1,500,000 over the term of the contract. The purpose of the lease financing was to finance the installation and maintenance of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%. On March 30, 2005, the City entered into a lease financing with Enterasys, Inc., in the amount of $1,139,884.

Shoretel Equipment Lease: On February 15, 2005, the electorate authorized the successful completion of the City's Voice over IP pilot project and the execution of a seven-year contract for the lease of telephone equipment and services with ShoreTel Communications, Inc., for an amount not to exceed $275,000 annually or $1,650,000 over the term of the contract. The purpose of the lease financing was to finance the purchase and installation of equipment necessary to update the City's network telephone infrastructure. The financing was a capital lease and part of the lease was taxable at an interest rate of $5.522% and the tax-exempt portion was 3.54%. On March 30, 2005, the City entered into a lease financing with ShoreTel Communications, Inc., in the amount of $1,397,326.

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005: On February 8, 2005, the Agency issued the Series 2005 Bonds for $44,360,000 to finance various redevelopment activities within the Central District Project Area including the following: property acquisition to facilitate residential and commercial development downtown; environmental remediation; parking garage expansion; renovation and maintenance of public facilities such as the Fox Theater; and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005

Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency-sponsored public capital projects for fiscal years 2005 through 2007.

Current Year Refunding: On June 16, 2005, the Oakland Joint Powers Financing Authority (JPFA) issued its $122,170,000 Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) Bonds. The bonds have interest rates ranging from 3.00% to 5.00% and mature in 2025. The Bonds were issued to (1) purchase City of Oakland General Obligation Refunding Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate principal amount of $122,476,041, which were issued simultaneously with the issuance of Bonds to defease all of the City's outstanding Refunded GO Bonds, (2) finance certain public capital improvements to be acquired under/or constructed by the Authority, (3) pay the premium for a financial guaranty insurance policy, and (4) pay certain costs of issuance associated with the Bonds.

Refunding Revenue Bonds, 2005 Series: On June 21, 2005, the City, through the JPFA, issued 2005 Refunding Revenue Bonds, 2005 Series (2005 Bonds) in the amount of $144,950,000, comprised of $63,500,000 tax-exempt 2005 Series A-1 Bonds, $63,475,000 tax-exempt 2005 Series A-2 Bonds, and $17,975,000 taxable Series B bonds. The 2005 Bonds were issued as auction rate securities. The purpose of the bonds was to (1) refund and defease all of the Oakland Joint Powers Finance Authority's (JPFA) outstanding Lease Revenue Bonds, 1998 Series A, which were issued to refund Special Refunding Revenue Bonds (Pension Financing) 1988 Series A issued by the City, and (2) fund a portion of the City's obligation to make payments to its Police and Fire Retirement system.

Additional information on the City's long-term debt obligations can be found in Note 12 to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2005-06.

- The City of Oakland's unemployment rate dropped to 7.8% in October 2005 compared to an average unemployment rate of 9.1% for 2004.

- The annual rate of the Bay Area's consumer price index decreased slightly to 2.04% in October 2005 (2.09% in September 2005), while the U.S. City average decreased from 3.52% to 3.19%.

- Oakland's vacancy rate for class A and B office space has dropped to 7.5% for the 2005 third quarter compared to 10.2% for the 2004 third quarter. By comparison, the 2005 third quarter Class A vacancy rates for the City of San Francisco and the Silicon Valley were 13.1% and 13.9%, respectively.

- For the 2005 third quarter, the average office space rental rate per square foot for the City ranged from \$1.66 to \$1.89 compared to \$2.40 for San Francisco and \$2.09 for the Silicon Valley.

- Oakland's gross metropolitan product, estimated at \$99.6 billion for 2001, ranks in the top 20 metropolitan economies in the United States and the 84th largest economy in the world.

- Estimated population for 2005 is 415,700 with a total number of households of 150,790 and an average household size of 2.60 persons with a mean household income of \$59,500.

- Electric utility rates for commercial range from 13.67 to 17.67 cents per kilowatt hour while industrial rates are from 9.21 to 13.47 cents per kilowatt hour.

- Increases in expenditures due to new union contracts, CalPers pension rates, and healthcare costs have been factored into the City's Fiscal Year 2005-06 budget without raising or imposing new taxes.

Requests for Information

This financial report is designed to provide a general overview of the City of Oakland's finances for all those with an interest in the City's fiscal and economic affairs. Requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612-2093.

City of Oakland
Statement of Net Assets
June 30, 2005
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
ASSETS					
Cash and investments	$ 288,237	$ 4,897	$ 293,134	$ 95,581	$ 6,060
Receivables (net of allowance for uncollectibles of $9,560):					
Accrued interest	1,340	-	1,340	970	-
Property taxes	10,871	-	10,871	-	-
Accounts receivable	69,816	3,243	73,059	34,425	714
Grants receivable	24,623	-	24,623	-	168
Due from component unit	21,763	-	21,763	-	-
Internal balances	4,751	(4,751)	-	-	-
Due from other governments	4,898	-	4,898	-	-
Due from pension trust fund	2,070	-	2,070	-	-
Notes and loans receivable (net of				-	-
allowance for uncollectibles of $6,490)	184,438	-	184,438	-	-
Restricted assets:					
Cash and investments	562,935	56,970	619,905	373,478	8,932
Receivables	-	-	-	5,915	-
Inventories	1,057	-	1,057	-	-
Capital assets:					
Land and other assets not being depreciated	100,702	5,002	105,704	695,254	-
Facilities, infractructure, and equipment, net of depreciation	738,673	116,238	854,911	1,230,615	490
Property held for resale	57,738	-	57,738	-	89,408
Unamortized bond issuance costs	22,903	716	23,619	-	-
Net pension asset	392,203	-	392,203	-	-
Other	1,911	-	1,911	106,831	-
TOTAL ASSETS	2,490,929	182,315	2,673,244	2,543,069	105,772
LIABILITIES					
Accounts payable and other current liabilities	122,727	983	123,710	46,208	1,010
Accrued interest payable	9,160	-	9,160	33,430	-
Due to other governments	235	-	235	-	3,676
Due to primary government	-	-	-	18,828	2,935
Unearned revenue	8,404	8	8,412	69,897	90
Matured bonds and interest payable	520	-	520	-	-
Other	8,202	-	8,202	45,535	714
Noncurrent liabilities:					
Due within one year	148,849	2,338	151,187	20,660	-
Due in more than one year	1,645,767	68,476	1,714,243	1,545,395	7,495
TOTAL LIABILITIES	1,943,864	71,805	2,015,669	1,779,953	15,920
NET ASSETS (deficit)					
Invested in capital assets, net of related debt	310,633	107,396	418,029	592,698	490
Restricted net assets:					
Debt service	28,375	-	28,375	136,004	-
Pension obligations	175,247	-	175,247	-	-
Urban redevelopment and housing	84,752	-	84,752	-	83,302
Other purposes	4,041	-	4,041	-	-
Unrestricted net assets (deficit)	(55,983)	3,114	(52,869)	34,414	6,060
TOTAL NET ASSETS	$ 547,065	$ 110,510	$ 657,575	$ 763,116	$ 89,852

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

City of Oakland
Statement of Activities
For the Year Ended June 30, 2005
(In Thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets — Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
Primary government:									
Governmental activities:									
General government	$ 65,865	$ 25,641	$ -	$ -	$ (40,224)	$ -	$ (40,224)		
Public safety	319,908	66,983	-	-	(252,925)	-	(252,925)		
Life enrichment	96,649	125	-	-	(96,524)	-	(96,524)		
Community and economic developmen	117,689	12,528	74,694	-	(30,467)	-	(30,467)		
Public works	107,457	6,190	-	-	(101,267)	-	(101,267)		
Interest on long-term debt	62,238	-	-	-	(62,238)	-	(62,238)		
TOTAL GOVERNMENTAL ACTIVITIES	769,806	111,467	74,694	-	(583,645)	-	(583,645)		
Business-type activities:									
Sewer	21,337	24,252	-	-	-	2,915	2,915		
Park and recreation	160	244	-	-	-	84	84		
TOTAL BUSINESS-TYPE ACTIVITIES	21,497	24,496	-	-	-	2,999	2,999		
TOTAL PRIMARY GOVERNMENT	$ 791,303	$ 135,963	$ 74,694	$ -	(583,645)	2,999	(580,646)		
Component units:									
Port of Oakland	$ 266,060	$ 251,010	$ 5,375	$ 51,365				$ 41,690	
Oakland Base Reuse Authority	$ 7,881	$ 7,957	$ 1,062	$ -					$ 1,138
General revenues:									
Property taxes					234,127	-	234,127	-	-
State taxes					68,451	-	68,451	-	-
Local taxes					251,301	-	251,301	-	-
Interest and investment income					46,063	707	46,770	8,935	249
Other					84,850	-	84,850	3,678	203
Transfers					621	(621)	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					685,413	86	685,499	12,613	452
Changes in net assets					101,768	3,085	104,853	54,303	1,590
NET ASSETS - BEGINNING					445,297	107,425	552,722	708,813	88,262
NET ASSETS - ENDING					$ 547,065	$ 110,510	$ 657,575	$ 763,116	$ 89,852

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

CITY OF OAKLAND
Balance Sheet
Governmental funds
June 30, 2005
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 79,445	$ -	$ 129,143	$ 20,274	$ 55,975	$ 284,837
Receivables (net of allowance for uncollectibles of $8,047):						
Accrued interest	418	-	411	138	373	1,340
Property taxes	5,484	734	1,187	21	3,445	10,871
Accounts receivable	65,855	158	373	1	3,034	69,421
Grants receivable	-	23,928	-	-	695	24,623
Due from component unit	20,367	-	-	-	1,396	21,763
Due from other funds	68,721	2,842	31,125	-	3,440	106,128
Due from other governments	-	-	4,898	-	-	4,898
Notes and loans receivable (net of allowance for uncollectibles of $6,490)	38,619	78,788	51,351	-	15,680	184,438
Restricted cash and investments	175,198	4,090	89,801	112,073	165,792	546,954
Property held for resale	-	-	57,738	-	-	57,738
Other	1,887	24	-	-	-	1,911
TOTAL ASSETS	$455,994	$ 110,564	$ 366,027	$ 132,507	$ 249,830	$1,314,922
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$102,181	$ 5,108	$ 9,456	$ 1,311	$ 3,509	$ 121,565
Due to other funds	25,110	23,435	6,669	-	13,957	69,171
Due to other governments	21	-	213	-	1	235
Deferred revenue	29,882	84,481	81,190	21	19,046	214,620
Matured bonds and interest payable	-	-	-	520	-	520
Other	6,963	-	380	612	247	8,202
TOTAL LIABILITIES	164,157	113,024	97,908	2,464	36,760	414,313
Fund balances (deficit)						
Reserved:						
Encumbrances	4,115	15,265	-	434	4,837	24,651
Long-term receivables	6,000	-	-	-	2,659	8,659
Debt service	3,379	-	-	-	155,769	159,148
Property held for resale	-	-	57,738	-	-	57,738
Capital projects	-	-	208,829		-	208,829
Pension obligations	138,000	-	-	-	-	138,000
Unreserved/(deficit) reported in:						
General fund	140,343	-	-	-	-	140,343
Special revenue funds	-	(17,725)	-	-	37,510	19,785
Capital project funds	-	-	1,552	129,609	12,295	143,456
TOTAL FUND BALANCES (DEFICIT)	291,837	(2,460)	268,119	130,043	213,070	900,609
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$455,994	$ 110,564	$ 366,027	$ 132,507	$ 249,830	$1,314,922

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

City of Oakland
Reconciliation of the Government Fund Balance Sheet to the
Statement of Net Assets for Governmental Activities
June 30, 2005
(In Thousands)

Fund balance - total governmental funds	$ 900,609
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resource and therefore, are not reported in the funds.	812,585
Accounts recivable from OMER's	306
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the government activities on the statement of net assets.	22,903
Net pension assets are recognized in the statement of net assets as an asset, however it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.	392,203
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(9,160)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.	206,216
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,771,226)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(7,371)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 547,065

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

CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 143,436	$ -	$ 69,797	$ -	$ 18,828	$ 232,061
State:						
Sales and use	41,651	800	-	-	8,697	51,148
Motor vehicle in-lieu	9,656	-	-	-	-	9,656
Gas	-	-	-	-	7,647	7,647
Local:						
Business license	43,902	-	-	-	-	43,902
Utility consumption	49,781	-	-	-	-	49,781
Real estate transfer	77,722	-	-	-	-	77,722
Transient occupancy	10,926	-	-	-	-	10,926
Parking	7,029	-	-	-	4,551	11,580
Voter approved special tax	-	10,712	-	-	19,443	30,155
Franchise	11,128	-	-	-	-	11,128
Licenses and permits	15,652	-	-	-	24	15,676
Fines and penalties	24,632	341	-	-	1,352	26,325
Interest and investment income	20,845	3,450	4,580	3,880	5,740	38,495
Charges for services	66,375	73	5,173	38	1,474	73,133
Federal and state grants and subventions	591	84,620	-	-	11,798	97,009
Other	21,896	7,056	4,208	191	20,360	53,711
TOTAL REVENUES	545,222	107,052	83,758	4,109	99,914	840,055
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	1,552	-	-	-	179	1,731
Council	2,279	-	-	28	1,789	4,096
City Manager	9,276	198	-	1,990	2,179	13,643
City Attorney	8,055	307	-	8	2,659	11,029
City Auditor	1,106	-	-	-	-	1,106
City Clerk	1,644	-	-	21	61	1,726
Agencies/Departments:						
Personnel Resource Management	3,726	-	-	-	-	3,726
Information Technology	7,853	3	-	518	35	8,409
Financial Services	17,942	259	-	3,215	781	22,197
Police Services	171,639	6,342	-	-	832	178,813
Fire Services	90,442	1,276	-	145	6,166	98,029
Life Enrichment:						
Administration	7	-	-	-	-	7
Parks and Recreation	13,097	86	-	4	3,553	16,740
Library	10,478	9,359	-	-	710	20,547
Museum	7,089	-	-	45	249	7,383
Aging & Health and Human Services	6,910	25,654	-	-	3,045	35,609
Community and Economic Development	18,902	21,149	47,034	414	13,532	101,031
Public Works	28,909	5,845	-	8,682	29,902	73,338
Other	29,260	366	-	-	8,701	38,327
Capital outlay	1,184	13,478	-	12,760	8,797	36,219
Debt service:						
Principal repayment	670	1,407	9,830	41	58,848	70,796
Payment to refunding bond escrow agent	-	-	-	-	17,710	17,710
Bond issuance costs	-	-	1,241	89	3,148	4,478
Interest charges	123	705	14,886	12	44,930	60,656
TOTAL EXPENDITURES	432,143	86,434	72,991	27,972	207,806	827,346
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	113,079	20,618	10,767	(23,863)	(107,892)	12,709
OTHER FINANCING SOURCES (USES)						
Proceeds from bonds issuance	-	-	44,360	7,894	381,702	433,956
Premiums on issuance of bonds	-	-	3,387	656	9,492	13,535
Payment to refunding bond escrow agent	-	-	-	-	(247,860)	(247,860)
Property sale proceeds	349	45	-	-	-	394
Transfers in	27,506	-	-	-	82,405	109,911
Transfers out	(82,405)	-	-	(6,300)	(20,606)	(109,311)
TOTAL OTHER FINANCING SOURCES (USES)	(54,550)	45	47,747	2,250	205,133	200,625
NET CHANGE IN FUND BALANCES	58,529	20,663	58,514	(21,613)	97,241	213,334
Fund balances (deficit) - beginning	233,308	(23,123)	209,605	151,656	115,829	687,275
FUND BALANCES (DEFICIT) - ENDING	$ 291,837	$ (2,460)	$ 268,119	$ 130,043	$ 213,070	$ 900,609

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

City of Oakland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities of Governmental Activities
June 30, 2005
(In Thousands)

Net change in fund balance - total governmental funds	$ 213,334
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.	12,996
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in the deferred amounts during the current period.	(9,263)
Certain long-term accrued obligations, such as claims, vacations, and sick leave, are reported in the fund statements only when they mature, rather than when the obligation is incurred. The increase made to net change in fund balance is caused by the payments made during the year that exceeded the liabilities incurred and changes in estimates.	13,058
Changes to the net pension assets, as reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as an expenditure's in the governmental funds.	10,833
Bond issuance costs are expended in the governmental funds when paid, and are deferred and amortized over the life of the corresponding life of the bonds for purposes of the statement of net assets. This is the amount by which current year bond issuance costs exceeded amortization expense in the current period.	4,478
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transaction, however have no effect on net assets. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.	
Principal payments	70,796
Payments to escrow agent for refunded debt	265,570
Issuance of bonds and notes	(433,956)
Premium on bond proceeds	(13,535)
Amortization of bond premiums	1,179
Amortization of cost of issuances	(785)
Amortization of refunding loss	(2,672)
Additional accrued and accreted interest calculated on bonds and notes payable	(17,145)
Other long-term liability for mandated Alameda County environmental clean-up health costs	(5,499)
The net loss of activities of internal service funds is reported with governmental activities.	(7,621)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 101,768

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

CITY OF OAKLAND
Statement of Fund Net Assets
Proprietary Funds
June 30, 2005
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	$ -	$ 4,897	$ 4,897	$ 3,400
Accounts receivables (net of uncollectibles of $997 and $516 for the enterprise funds and internal service funds, respectively)	3,211	32	3,243	89
Inventories	-	-	-	1,057
Restricted cash and investments	56,970	-	56,970	15,981
Total current assets	60,181	4,929	65,110	20,527
Noncurrent Assets:				
Capital assets:				
Land and other assets not being depreciated	4,784	218	5,002	310
Facilities and equipment, net of depreciation	114,373	1,865	116,238	26,480
Total capital assets	119,157	2,083	121,240	26,790
Unamortized bond issuance costs	716	-	716	-
Total noncurrent assets	119,873	2,083	121,956	26,790
TOTAL ASSETS	180,054	7,012	187,066	47,317
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	983	-	983	1,162
Due to other funds	4,751	-	4,751	30,136
Deferred revenue	8	-	8	-
Bonds, notes and other payables	2,338	-	2,338	5,616
Total current liabilities	8,080	-	8,080	36,914
Noncurrent Liabilities:				
Bonds, notes and other payables	68,476	-	68,476	17,774
Total noncurrent liabilities	68,476	-	68,476	17,774
TOTAL LIABILITIES	76,556	-	76,556	54,688
NET ASSETS				
Invested in capital assets, net of related debt	105,313	2,083	107,396	3,400
Unrestricted (deficit)	(1,815)	4,929	3,114	(10,771)
TOTAL NET ASSETS (DEFICIT)	$ 103,498	$ 7,012	$ 110,510	$ (7,371)

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

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2005
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 237	$ 237	$ -
Sewer services	23,292	-	23,292	-
Charges for services	-	-	-	32,373
Other	960	7	967	788
TOTAL OPERATING REVENUES	24,252	244	24,496	33,161
OPERATING EXPENSES				
Personnel	10,648	3	10,651	14,313
Supplies	337	-	337	5,479
Depreciation and amortization	3,531	152	3,683	4,856
Contractual services and supplies	1,364	-	1,364	1,331
Repairs and maintenance	38	-	38	1,679
General and adminsitrative	2,916	-	2,916	3,572
Rental	726	5	731	1,508
Other	-	-	-	6,811
TOTAL OPERATING EXPENSES	19,560	160	19,720	39,549
OPERATING INCOME (LOSS)	4,692	84	4,776	(6,388)
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	592	115	707	111
Interest expense	(1,777)	-	(1,777)	(1,447)
Other, net	-	-	-	82
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,185)	115	(1,070)	(1,254)
INCOME (LOSS) BEFORE TRANSFERS	3,507	199	3,706	(7,642)
Transfers in	-	-	-	284
Transfers out	(621)	-	(621)	(263)
TOTAL TRANSFERS	(621)	-	(621)	21
Change in net assets	2,886	199	3,085	(7,621)
Net Assets - Beginning	100,612	6,813	107,425	250
NET ASSETS - ENDING	$ 103,498	$ 7,012	$ 110,510	$ (7,371)

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2005
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, including other funds and cash deposits	$ 23,041	$ (3)	$ 23,038	$ 32,782
Cash received from tenants for rents	-	237	237	787
Cash from other sources	960	7	967	-
Cash paid to employees for services	(10,648)	(3)	(10,651)	(14,313)
Cash paid to suppliers for goods & services	(5,800)	(26)	(5,826)	(20,870)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,553	212	7,765	(1,614)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payment of interfund loans	(7,927)	-	(7,927)	8,172
Transfers in	-	-	-	284
Transfers out	(621)	-	(621)	(263)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(8,548)	-	(8,548)	8,193
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(4,951)	-	(4,951)	(5,203)
Long-term debt:				
Bond proceeds	65,217	-	65,217	6,676
Costs of issuance	(730)		(730)	-
Repayment of long-term debt	(707)	-	(707)	(5,598)
Interest paid on long-term debt	(1,456)	-	(1,456)	(1,280)
NET CASH PROVIDED BY (USED IN) CAPITAL FINANCING ACTIVITIES	57,373	-	57,373	(5,405)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	592	115	707	(56)
Other investing activities	-	-	-	83
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	592	115	707	27
NET INCREASE IN CASH AND CASH EQUIVALENTS	56,970	327	57,297	1,201
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	4,570	4,570	18,180
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 56,970	$ 4,897	$ 61,867	$ 19,381
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 4,692	$ 84	$ 4,776	$ (6,388)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	3,531	152	3,683	4,856
Changes in assets and liabilities:				
Receivables	(179)	(3)	(182)	31
Inventories	-	-	-	148
Accounts payable and accrued liabilities	(419)	(21)	(440)	(261)
Deferred revenue	(72)	-	(72)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 7,553	$ 212	$ 7,765	$ (1,614)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	-	4,897	4,897	3,400
Restricted cash and investments	56,970	-	56,970	15,981
TOTAL	$ 56,970	$ 4,897	$ 61,867	$ 19,381

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

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ASSETS		
Cash and investments	$ 35,097	$ 4,981
Receivables:		
Accrued interest and dividends	2,240	17
Investments and contributions	74,737	-
Restricted:		
Cash and investments	650,169	-
Securities lending collateral	50,594	-
TOTAL ASSETS	812,837	4,998
LIABILITIES		
Accounts payable and accrued liabilities	136,751	215
Due to other funds	2,070	-
Securities lending collateral	50,594	-
Other	-	7
TOTAL LIABILITIES	189,415	222
NET ASSETS		
Net assets held in trust	$ 623,422	$ 4,776

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

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2005
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Member contributions	$ 24	$ -
City contributions	17,710	34
Total contributions	17,734	34
Trust receipts	-	1,045
Investment income:		
Net appreciation in fair value of investments	35,276	-
Interest	11,731	94
Dividends	3,089	-
Securities lending	911	-
TOTAL INVESTMENT INCOME	51,007	94
Less investment expenses:		
Investment expenses	(1,495)	-
Borrowers rebates and other agent fees on securities lending transactions	(793)	-
Total investment expenses	(2,288)	-
NET INVESTMENT INCOME	48,719	94
Other income	38	-
TOTAL ADDITIONS	66,491	1,173
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	43,791	-
Disability	25,982	-
Death	2,236	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	72,009	-
Administrative expenses	936	3
Change in payable to City	(306)	-
Police services	-	1,278
TOTAL DEDUCTIONS	72,639	1,281
Change in net assets	(6,148)	(108)
NET ASSETS - BEGINNING	629,570	4,884
NET ASSETS - ENDING	$ 623,422	$ 4,776

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

THIS PAGE LEFT INTENTIONALLY BLANK

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City of Oakland, California, (the City or Primary Government) was incorporated on May 25, 1854, by the State of California and is organized and exists under and pursuant to the provisions of State law. The Mayor/Council form of government was established in November 1998 through Charter amendment. The legislative authority is vested in the City Council and the executive authority is vested in the Mayor with administrative authority resting with the City Administrator.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are combined with the data of the Primary Government within the governmental activities column in the government-wide financial statements and governmental funds in the fund financial statements. The Port of Oakland (Port) and the Oakland Base Reuse Authority (OBRA) are the City's discretely presented component units and are reported in separate columns in the government-wide financial statements to emphasize that they possess characteristics that they are legally separate from the City. Although the Port and OBRA have a significant relationship with the City, the entities are fiscally independent and do not provide services solely to the City and, therefore, are presented discretely.

Blended Component Units

The Redevelopment Agency of the City of Oakland (Agency) was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. Its principal activities are acquiring real property for the purpose of removing or preventing blight, constructing improvements thereon, and rehabilitating and restoring existing properties. The Oakland City Council serves as the Board of the Agency. The Agency's funds are reported as a major governmental fund.

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. The Corporation's activities are reported in other governmental funds.

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and is composed of the City and the Agency. JPFA transactions are reported in other governmental funds. Related debt is included in the long-term obligations of the City in the governmental activities column of the government-wide statement of net assets.

Discretely Presented Component Units

The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport; the Port of Oakland Marine Terminal Facilities; and commercial real estate which includes Oakland Portside Associates (OPA), a California limited partnership, and the Port of Oakland Public Benefit Corporation (Port-PBC), a nonprofit benefit corporation. OPA and Port-PBC were dissolved effective June 30, 2004, and all assets were transferred to the Port. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (the Board) that is appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

The OBRA was established in 1995 as a Joint Powers Authority (JPA) by the City; the Agency; and the County of Alameda (County). OBRA was established to assure the effective transition of military facilities in Oakland that have been or may be selected for closure. OBRA currently is assuming the effective transition of the Oakland Army Base (OAB) to the Agency and the Port. Effective July 1, 2003, OBRA's governing body amended the JPA agreement, which among other things, changed the composition of the governing body, reducing it to a five-member board consisting of the Mayor of Oakland and four other members of the Oakland City Council (which does not represent the majority of the City Council and therefore the Board is not substantively the same as the City Council).

The votes of a majority of OBRA's governing body are required to take action on most matters. The revised Joint Powers Assessment requires OBRA to deposit its revenues in the City Treasury. The City is responsible for investing and managing such funds. OBRA is presented in a separate column in the government-wide financial statements.

Complete financial statements of the individual component units may be obtained from:

> Finance and Management Agency, Accounting Division
> City of Oakland
> 150 Frank H. Ogawa Plaza, Suite 6353
> Oakland, CA 94612-2093

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the City evaluated potential component units and determined that none of the remaining potential component units were individually significant to the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of inter-fund activity has been removed from these statements except for interfund services provided among funds. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the Primary Government is reported separately from its discretely presented component units, legally separate entities for which the Primary Government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and a major individual enterprise fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property. Property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2005.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial activities and resources of the general government except those required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business, utility and real estate transfer taxes, interest and investment income, and charges for services.

The **Federal/State Grant Fund** accounts for various Federal and State grants used or expended for a specific purpose, activity or program.

The **Oakland Redevelopment Agency Fund** accounts for federal grants, land sales, rents and other revenues relating to redevelopment projects. Expenditures are comprised of land acquisitions and improvements and all other costs inherent in redevelopment activities.

The **Municipal Capital Improvement Fund** accounts primarily for monies pertaining to the Museum and the Scotland Convention Center financings. This fund may be used for the lease, acquisition, construction or other improvements of public facilities.

The City reports the following major enterprise fund:

The **Sewer Service Fund** accounts for the sewer service charges received by the City based on the use of water by East Bay Municipal Utility District customers residing in the City. The proceeds from the sewer charges are used for the construction and maintenance of sanitary sewers and storm drains and the administrative costs of the program.

Additionally, the City reports the following fund types:

The **Internal Service Funds** account for the purchase of automotive and rolling equipment; radio and other communication equipment; the repair and maintenance of City facilities; acquisition, maintenance and provision of reproduction equipment and services; and acquisition of inventory provided to various City departments on a cost reimbursement basis.

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

The **Private Purpose Trust Fund** accounts for the operations of the Youth Opportunity Program and certain gifts that are not related to ORA projects or parks, recreation and cultural activities.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: sewers, golf courses, vehicle acquisition and maintenance, radio and telecommunication support charges, and reproduction services. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Agency Fund, and funds held by outside custodians. Investments are generally carried at fair value. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost. Changes in fair value of investments are recognized as a component of interest and investment income.

Proceeds from debt and other cash and investments held by fiscal agents by agreement are classified as restricted assets.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds and component units based on their proportionate share of the average daily cash balance.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The proprietary fund types' investments in the City's cash and investment pool are, in substance, demand deposits and are therefore considered to be cash equivalents.

Adoption of GASB Statement No. 40

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, effective July 1, 2004. GASB 40 is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. There are risks inherent in all deposits and investments, and GASB believes that the disclosures required by this Statement provide users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources often represent significant assets of the governmental, proprietary and fiduciary funds. These resources are necessary for the delivery of governmental services and programs, or to carry out fiduciary responsibilities. Some key changes with GASB 40 include disclosure of:

- Common deposit and investment risks related to credit risk;
- Concentration of credit risk;
- Interest rate risk;
- Investments that have fair values that are highly sensitive to changes in interest rates; and
- Deposit and investment policies related to those risks.

Due From/Due To Other Funds and Internal Balances

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. In the fund financial statements, these receivables and payables are classified as "due from other funds" or "due to other funds." In the government-wide financial statements, these receivables and payables are eliminated within the governmental activities and business-type activities columns. Net receivables and payables between the governmental activities and business-type activities are classified as internal balances.

Interest Rate Swap Agreements

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. Refer to Note 12 for additional information.

Inter-fund Transfers

In the fund financial statements, inter-fund transfers are recorded as transfers in/out except for certain types of transactions that are described below:

> Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
>
> Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Bond Issuance Costs and Discounts/Premiums

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Inventories

Inventories, consisting of materials and supplies held for consumption, are stated at cost. Cost is calculated using the average cost method. Inventory items are considered expensed when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, museum collections, construction in progress, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains, and capital assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the general, federal/state grant, the Agency, municipal capital improvements, and other governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

Depreciation of capital assets is provided on the straight-line basis over the following estimated useful lives:

Facilities and improvements	15-40 years
Furniture, machinery and equipment	3-20 years
Infrastructure	7-50 years

Property Held for Resale

Property held for resale is recorded as an asset at the lower of cost or estimated net realizable value. In its fund statements, the Agency charges as expenditures, the cost of developing and administering its capital development projects related to costs over and above the cost of the initial acquisition.

Net Pension Asset

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). And in June 2005, the City contributed $17.7 million to PFRS to be used to fund a portion of the City's obligation under its Charter to the Retirement System. The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vested vacation, sick leave and other compensatory time. All earned compensatory time is accrued when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they are due and payable.

Retirement Plans

City employees participate in one of three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and California Public Employees' Retirement System (PERS), collectively the Plans. Employer contributions and member contributions made by the employer to the Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Plans. Refer to Note 16 for additional information.

Refunding of Debt

Gains or losses occurring from advance refundings are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities reported in the government-wide financial statements, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

Fund Balances

Reservations of fund balances of the governmental funds indicate those portions of fund equity that are not available for appropriation for expenditure or which have been legally restricted to a specific use. Following is a brief description of the nature of certain reserves.

1. **Reserve for Encumbrances** – Encumbrances outstanding at fiscal year end are reported as reservations of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

2. **Reserve for Long-Term Receivables** – This fund balance is reserved for long-term receivables that do not represent expendable available financial resources

3. **Reserve for Debt Service** – This fund balance is reserved for the payment of debt service requirements in subsequent years.

4. **Reserve for Property Held for Resale** – This fund balance is reserved for the cost of developing and administering residential and commercial properties intended for resale.

5. **Reserve for Capital Projects** – This fund balance is reserved for ongoing projects in specific areas excluding the General Fund. This reservation includes $38,122,381 reserved for low and moderate housing projects.

6. **Reserve for Pension Obligations** – This fund balance is reserved for the City's obligations under its pension plans.

Designations of portions of the General Fund unreserved fund balance have been made to indicate those portions of the fund balances which the City has tentative plans to utilize in a future period. These amounts may or may not result in actual expenditures. See Note 13 for specific designations.

Restricted Net Assets

Restricted net assets are those assets, net of their related liabilities, that have constraints placed on their use by laws, regulations, creditors, grantors, contributors, or by enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues.

Effects of New Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement is effective for the City's fiscal year ending June 30, 2006.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending June 30, 2007.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement No.1*. This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

In December 2004, GASB issued Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34, which requires that limitation on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government-such as citizens, public interest groups, or the judiciary-can compel a government to honor. This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Application of this statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 47, Accounting for Termination Benefits, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not other wise identifiable from information displayed on the face of the financial statements) and significant methods and assumptions used to determine termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. For all other termination benefits, application of this Statement is effective for the City's fiscal year ending June 30, 2006.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

Primary Government

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

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

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

Other deposits and investments are invested pursuant to the governing bond covenants, deferred compensation plans, or retirement systems' investment policies. Under the investment policies, the investment counsel is given the full authority to accomplish the objectives of the bond covenants or retirement systems subject to the discretionary limits set forth in the policies.

The retirement systems' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans and real estate. The systems' investment portfolios are managed by external investment managers. During the year ended June 30, 2005, the number of external investment managers was six for the PFRS and one for the OMERS.

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

	Primary Government				Port	OBRA
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total		
Cash and investments	$ 288,237	$ 4,897	$ 40,078	$ 333,212	$ 95,581	$ 6,060
Restricted cash and investments	562,935	56,970	650,169	1,270,074	373,478	8,932
Restricted securities lending collateral	—	—	50,594	50,594	—	—
TOTAL	$ 851,172*	$ 61,867	$740,841	$1,653,880	$ 469,059	$ 14,992
Deposits				$ 29,188	$ 7,443	$ 7,361
Investments				1,624,692	461,616	7,631
TOTAL				$1,653,880	$ 469,059	$ 14,992

*$851,172 consists of all governmental funds and the internal service funds.

Investments – Primary Government

The City adopted Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB No. 3*, effective July 1, 2004 for its annual financial statements. The objective of this Statement is to update custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Financial Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how the City mitigates each type of risk.

Custodial Credit Risk: For investments, custodial risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of the investments or collateral securities in the possession of an outside party. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreement. The City's investments subject to Custodial Credit Risk Category is very low.

At June 30, 2005, the carrying amount of the City's deposits was $29.2 million and the bank balance was $28.6 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $0.6 million was FDIC insured and $28 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

Credit Risk (Financial Risk): Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. The City invests only in securities from highly rated entities. As of June 30, 2005, approximately 65% of the pooled investments was invested in "AAA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2005 (in thousands):

Pooled Investments

		Ratings as of Fiscal Year Ended 06-30-05				
	Fair Value	AAA	Aa/AA	A / A-1+ / A-	A1P1/F-1	Not Rated
U.S. Govt. Agency Securities	$ 244,642	$ 244,642	$ -	$ -	$ -	$ -
U.S. Govt. Ag. Security Disc.	47,850	-	-	47,850	-	-
Corporate Bond	5,846	-	5,846	-	-	-
Corporate Bond	3,032	-	-	3,032	-	-
Money Market Funds	50,838	50,838	-	-	-	-
LAIF	54,582	-	-	-	-	54,582
Commercial Paper	24,963	-	-	24,963	-	-
Commercial Paper	20,245	-	-	-	20,245	-
Total Investment Pool	$ 451,998	$ 295,480	$ 5,846	$ 75,845	$ 20,245	$ 54,582

Restricted Investments

	Fair Value	Ratings as of Fiscal Year Ended 06-30-05 AAA	A1/P1	Not Rated
Commercial Paper	$ 5,982	$ -	$ 5,982	$ -
Money Market Funds	73,679	73,679	-	-
Corporate Bonds	3,000	-	-	3,000
Resolution Funding	26,117	-	-	26,117
Local Govt. Bonds	122,476	-	-	122,476
U.S. Govt. Ag. Securities	15,810	15,810	-	-
LAIF	44,843	-	-	44,843
Investment Agreement	46,102	-	-	46,102
Investment Agreement	144,915	-	-	144,915
Annuity	138,000	-	-	138,000
Total	$ 620,924	$ 89,489	$ 5,982	$ 525,453

Concentration of Credit Risk: This risk represents the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes. The JPFA's investment in the City of Oakland General Obligation Refunding Bonds, Series 2005 in the amount of $122,476,000 and the guaranteed non-participating annuities in New York Life Insurance Company in the amount of $138,000,000 represents 11.4% and 12.9% of the total City portfolio respectively, at June 30, 2005. The City also has an Investment Agreement in the amount of $64,879,000, representing 6.05% of the total City portfolio at June 30, 2005.

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

Pooled Investments

	Fair Value	% of Portfolio
U.S. Govt. Agency Securities	$ 244,642	54.12%
U.S. Govt. Ag. Security Disc.	47,850	10.59%
Corporate Bond	8,878	1.96%
Money Market Funds	50,838	11.25%
LAIF	54,582	12.08%
Commercial Paper	45,208	10.00%
TOTAL	**$ 451,998**	**100.00%**

Restricted Investments

	Fair Value	% of Portfolio
U.S. Govt. Ag. Securities	$ 15,810	2.55%
Commercial Paper	5,982	0.96%
Corporate Bond	3,000	0.48%
U.S. Treasury Notes	26,117	4.21%
LAIF	44,843	7.22%
Money Market Funds	73,679	11.87%
Local Government Bonds	122,476	19.72%
Investment Agreement	191,017	30.76%
Annuity	138,000	22.22%
TOTAL	**$ 620,924**	**100.00%**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the City's policy that the maximum maturity for any one investment shall not exceed five (5) years unless authority for such investment is expressly granted in advance by the City Council.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2005, the City's pooled portfolio had an average day to maturity of 427 days and had the following investments and original maturities (in thousands):

Pooled Investments

	Fair Value	Interest Rates (%)	12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	$ 244,642	3.40 – 7.84	$ 94,846	$ 100,824	$ 48,972
U.S. Govt. Ag. Security Disc.	47,850	3.18 – 3.30	47,850	-	-
Corporate Bond	8,878	3.81 – 6.23	5,846	3,032	-
Money Market Funds	50,838	2.97	50,838	-	-
LAIF	54,582	2.85	54,582	-	-
Commercial Paper	45,208	2.86 – 5.78	45,208	-	-
TOTAL	**$ 451,998**		**$ 299,170**	**$ 103,856**	**$ 48,972**

Restricted Investments

	Fair Value	Interest Rates (%)	12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Govt. Agency Securities	$ 15,810	3.72 – 4.17	$ 6,912	$ 8,898	$ -	$ -
Commercial Paper	5,982	4.35 – 8.99	5,982	-	-	-
Corporate Bond	3,000	3.81 – 6.22	-	-	-	3,000
U.S. Treasury Notes	26,117	3.18 – 4.58	2,164	4,052	3,737	16,164
LAIF	44,843	1.60 – 2.97	44,843	-	-	-
Money Market Funds	73,679	0.93 – 2.95	73,679	-	-	-
Local Government Bonds	122,476	4.86	5,102	10,841	12,030	94,503
Investment Agreement	191,017	3.94 – 3.91	-	144,915	46,102	-
Annuity	138,000	4.30	-	-	-	138,000
TOTAL	**$ 620,924**		**$ 138,682**	**$ 168,706**	**$ 61,869**	**$ 251,667**

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

Other Disclosures: As of June 30, 2005, the City's investment in LAIF is $99.4 million ($54.6 million in pooled investments and $44.8 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately $18.6 billion. Of that amount, over 97.6% is invested in non-derivative financial products and 2.4% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Pensions Cash and Investments

Oakland Municipal Employee's Retirement System (OMERS)

City's Investment Pool

Cash and cash equivalents are funds held by the City Treasurer as pooled cash or held by the third party custodian as short-term investment funds for the temporary placement of proceeds from the sale or maturity of investments or in anticipation of investment purchases.

OMERS maintains its operating cash in the City's investment pool. It is not possible to disclose relevant information about the System's separate portion of the investment pool. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2005 basic financial statements. A copy of that report may be obtained by contacting the City Treasurer. As of June 30, 2005, the OMERS's share of the City's investment pool totaled $573.3 thousand.

Investments

OMERS investment policy authorizes investment in domestic common stocks and bonds. Portfolio concentrations are limited to 5% of a single issuer. Industry concentrations are limited to 40% of a specific industry. There is also a limit that the investment manager cannot hold more than 7% of a single issuer in its portfolio. During the year ended June 30, 2005, OMERS investment portfolio was managed by one external investment manager.

Interest Rate Risk: This risk represents the possibility that changes interest rates will adversely affect the fair value of an investment. OMERS investment policy limits the duration of the fixed income investments to within a range of 1.5 years to that of the Lehman Aggregate Bond Index. As of June 30, 2005 the duration for the OMERS fixed income investments was 4.95, while the duration of the Lehman Aggregate Bond Index was 4.16.

As of June 30, 2005, OMERS had the following investments and maturities (in thousands):

Investments	Fair Value	Modified Duration (Year)
Government bonds	$ 1,362	9.97
GNMA mortgage pool	1	0.87
Corporate bonds	500	3.20
Bonds mutual funds	2,068	2.06
Total Fixed Investments	**3,931**	**4.95**
Other Investments		
Domestic equities	5,576	
Total Investments	**$ 9,507**	

Credit Risk: Credit risk represents the possibility that that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS investment policy states that the fixed income portfolio shall be 100% investment grade with a focus on capital preservation and income generation. The table below shows OMERS credit risk as of June 30, 2005:

S & P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 2,652	67%
AA	1,279	33%
Total Fixed Investments	**$ 3,931**	**100%**

Concentration of Credit Risk: This risk represents the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2005, the investment portfolio contained the following concentration of investments in a single issuer (other than those issued or explicitly guaranteed by the U.S. government) that represented 5 percent or more of OMERS investments (in thousands):

Investments	Amount
Capstead Mortgage Corp.	$ 456
Cherokee Inc.	519
Crucell, NV Ads	480
Total	$ 1,455

Oakland Police and Fire Retirement System (PFRS)

City's Investment Pool

Cash in treasury is held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. Information regarding the custodial credit risk categorization of the City's cash and investment pool can be found in the City's basic financial statements. As of June 30, 2005, the PFRS share of the City's investment pool totaled $34.5 million.

Investments

PFRS investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non U.S. issued fixed income securities denominated in foreign currencies. PFRS investment portfolio is managed by external investment managers. During the year ended June 30, 2005, the number of external investment managers was seven.

Interest Rate Risk: PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. As of June 30, 2005 the duration for PFRS fixed income investment portfolio was 3.33, excluding the fixed income short-term investments and securities lending investments.

As of June 30, 2005, PFRS had the following fixed income investments and maturities (in thousands):

Investments	Fair Value	Modified Duration (Year)
U.S. Govt. Agencies	$ 152,447	2.4
U.S. Govt. Agencies (short-term)	26,598	0.1
U.S. Govt. Bond	28,320	7.9
Other Govt. Bonds	6,787	0.6
Corporate Bonds	120,734	4.2
Corporate Bonds – securities lending	50,000	0.0
Repurchase Agreement – securities lending	500	0.0
Total Fixed Income Investments	**$ 385,386**	**2.9**
Other Investments		
Domestic equities	191,675	
International equities	83,337	
Other short-term investments	30,015	
Real estate mortgage loans	59	
Total Investments	**$ 690,472**	

Credit Risk: Credit risk represents the risk that an issuer or other counterparty to an investment will not fulfill its obligation. PFRS investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the core style managers to invest in securities rated "BBB" or higher (investment grade using Standard & Poor's or Moody's ratings). The policy also allows enhanced core style managers to invest in securities with a minimum rating of B or higher (non investment grade using Standard & Poor's or Moody's ratings) as long as the portfolio maintains an average credit quality of BBB. The following table provides information as of June 30, 2005 concerning credit risk (in thousands):

S&P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 213,934	55.5%
AA	12,109	3.1%
A	80,305	20.8%
BBB	26,489	6.9%
BB	6,088	1.6%
B	4,919	1.3%
CC	286	0.1%
Not Rated	41,256	10.7%
Total Fixed Investments	**$ 385,386**	**100%**

Concentration of Credit Risk: The investment policy allows for each fixed asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio. As of June 30, 2005, there was no concentration in excess of 5% of PFRS net assets.

Securities Lending Transactions

PFRS is authorized to enter into securities lending transactions which are short term collateralized loans of PFRS securities to brokers-dealers with a simultaneous agreement allowing PFRS to invest and receive earnings on the loan collateral for a loan rebate fee. All securities loans can be terminated on demand by either PFRS or the borrower, although the average term of such loans is one week.

Metropolitan West Securities, Inc. (MetWest) administers the securities lending program. MetWest is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% (105% for international) of the market value of loaned U.S. government securities. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

At year-end, PFRS had no credit risk exposure to securities borrowers because the amounts PFRS owed to borrowers exceeded the amounts the borrowers owed to PFRS. PFRS' contract with MetWest requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

There are no restrictions on the amount of securities that may be lent.

At present, the custodians are investing the cash collateral received for securities lent for periods averaging one week or less which generally matches the term of the period of the security loans.

The following table provides information as of June 30, 2005 concerning security lending investments and collateral received (in thousands):

Securities Lending
Investments and Collateral Received (At Fair Value)

Type of Investment	**Amount**
Cash Collateral	
U.S. Government and agencies	$ 42,346
Corporate bonds	230
U.S. equity	7,321
Total Securities Lent	49,897
Type of Collateral Received	
Cash Collateral	
Cash	94
Corporate bonds	50,000
Repurchase agreement	500
Total Collateral Received	$ 50,594

Fair Value Highly Sensitive to Change in Interest Rates: The term of a debt investment may cause its fair value to be highly sensitive to interest rates changes. Collateralized Mortgage Obligation (CMO) is a type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of mortgage-back security pass-through/CMOs are considered sensitive to interest rate changes because they have embedded options. The investment policy states that investments in derivative securities known as CMOs shall be limited to a maximum of 20% of an account's market value with no more than 5% in any one issue.

The following table shows sensitive interest rate analysis as of June 30, 2005:

Securities Name	Coupon Rate	Fair Value (in millions)	Percent of account market value
Federal Home Loan Mortgage Corp Structured Pass-Through	7.0%	$ 2.32	1.60%
Commercial Mortgage Pass-Through	3.3%	1.32	0.91%
Commercial Mortgage Pass-Through	3.3%	0.44	0.30%
Commercial Mortgage Pass-Through	6.1%	0.19	0.13%
Federal Home Loan Mortgage Corp Structured Pass-Through	1.5%	0.12	0.09%
		$ 4.39	3.03%

Discretely Presented Component Units

Port of Oakland

The Port's cash, cash equivalent, investments and deposits consisted of the following at June 30, 2005 (in thousands):

Bank Deposit	
Cash on hand and at bank	$ 3
Bank deposit – escrow in-lieu of retentions	7,440
Investments	461,616
Total Cash, Cash Equivalent, Investment and Deposits	$ 469,059

Bank deposits consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Bonds are deposited with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the 1989 Trust Indenture as amended. Escrow funds are on deposit with an escrow agent.

At June 30, 2005 the Port had the following investments (in thousands):

			Maturities		
	Fair Value	Credit Rating	Less than 1 Year	1 - 5 Years	5 or More Years
U.S. Treasury Note	$ 11,960	Not Rated	$ -	$ 11,960	$ -
Federal Agency Securities	244	AAA	132	112	-
Government Securities Money Market Mutual Funds	1,791	AAA	1,791	-	-
Investment Agreement	314,872	Not Rated	-	234,342	80,530
Commercial Paper	1,106	A-1+	1,106	-	-
City Investment Pool	131,643	AAA	131,643	-	-
Total Investment	**$ 461,616**		**$ 134,672**	**$ 246,414**	**$ 80,530**

An "Investment Agreement" is a non-marketable interest bearing agreement with or guaranteed by certain financial institutions. Moneys invested include construction and reserve funds.

Investments Authorized by Debt Agreements

The following are the maximum maturities for each type of investment as allowed under the Trust Indenture and the applicable Supplemental Indenture for each bond issue.

Authorized Investment Type	Maximum Maturity
U.S Government Securities	None
U.S. Treasury & Agency Obligations	None
Obligations of any State in the U.S.	None
Prime Commercial Paper	270 days
FDIC or FSLIC Insured Deposits	None
Certificates of Deposits/Banker's Acceptances	365 Days
Money Market Mutual Funds	None
State-sponsored investment pools	None
Investment Agreements	None
Forward Delivery Agreement	None

Interest Rate Risk

Most bond proceeds are invested in Investment Agreements structured so that the entire amount of the investment is available if the need should arise, regardless of changes in the interest rates.

Credit Risk

Provisions of the Port's Trust Indenture limit the Port's investment to agreements or financial institutions that, at the time of investment, are rated Aaa by Moody's and AAA by Standard & Poor's (S&P). Providers must also maintain ratings of at least Aa3 by Moody's or AA- by S&P and all current providers exceed these minimums.

Concentration of Credit Risk

The Trust Indenture places no limit on the amount the Port may invest in any one issuer. Those that exceed 5% of the total investment are as follows.

Investment	Investment Type	% of Investments
Bayerische LandesBank Girozentrale	Investment Agreement	6.28%
FSA Capital Management Services LLC	Investment Agreement	5.87%
AMBAC Capital Funding, Inc.	Investment Agreement	22.84%
CDC Funding Corp	Investment Agreement	22.80%
XL Asset Funding Company I LLC	Investment Agreement	9.10%
City Investment Pool	City Pool	28.52%

Port revenues are deposited in the City Treasury. These and all the City funds are commingled and invested in the City's investment pool. The City's investment portfolio average maturity may not exceed 540 days. The maximum maturity for any one investment may not exceed 5 years. Authorized investments included federal agency obligations, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, state investment pool (Local Agency Investment Fund), bonds of the City or its agencies, State of California bonds, bankers' acceptances, commercial paper, medium-term corporate bonds and notes, negotiable certificates of deposit, certificates of deposit, and money market mutual funds. All investments deposited in the City Treasury are insured or registered, or held by the City or its agent in the City's name. The City's investment pool is rated annually. Additional information regarding deposit custodial credit, interest and credit risks, and securities lending transactions of the City's investment pool is presented in the notes of the City's basic financial statements

Cash and Investments with the City of Oakland

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

Restricted Cash and Investments

Port bond resolutions authorize the investment of restricted cash, including deposits, with fiscal agents for debt service and construction funds. Authorized investment securities are specified in the various bond indentures. Authorized investments are U.S. Treasury obligations, bank certificates of deposit, federal agency obligations, certain state and secured municipal obligations, long-term and medium-term guaranteed corporate debt securities in the two highest rating categories, commercial paper rated prime, repurchase agreements, certain money market mutual funds, and certain guaranteed investment contracts.

Deposits and Investments

The carrying amount of Port deposits with banks and cash on hand was $7.4 million at June 30, 2005. Bank balances and escrow deposits of $7.4 million at June 30, 2005, respectively, are insured or collateralized with securities held by the pledging financial institution's trust departments in the Port's name.

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

All investments subject to custodial credit risk categorization are Category 1 investments.

Oakland Base Reuse Authority (OBRA)

Cash and Investment at June 30, 2005 consist of the following (in thousands):

	Fair Value
Unrestricted investment	$6,060
Restricted:	
Deposit	7,361
Investment	1,571
	8,932
Total	$14,992

Deposits

At June 30, 2005, the carrying amount of OBRA's deposits was $7.4 million and the bank balance was $5.1 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, $0.1 million was FDIC insured and $5.0 million was collateralized with securities held by the pledging financial institution in OBRA's name, in accordance with Section 53652 of the California Government Code.

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

Investments

OBRA's governing body has adopted the same investment policy as adopted by the Oakland City Council. Accordingly, all cash and investments are invested in accordance with this policy. The Authority had no investments subject to categorization at June 30, 2005.

Investments consisted of the following fair value at June 30, 2005 (in thousands):

	Fair Value	Credit Risk	Effective Duration
Money market funds	$6,060	Unrated	—
Escrow deposit	2,250	Unrated	—
Deposits with banks	5,111	Unrated	—
Local Agency Investment Fund	1,571	Unrated	—
Total cash and investments	$14,992		

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Agency are related to advances and interfund loans made by the City for projects, loans and services. The receivable amounts in the Agency relate to project advances made by the Agency for the City. The composition of interfund balances as of June 30, 2005, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

Receivable Fund	Payable Fund	Amount
General Fund	Federal/State Grant Fund	$ 20,450
	Oakland Redevelopment Agency	387
	Other Governmental Funds	10,930
	Sewer Service Fund	4,748
	Internal Service Funds	30,136
	Pension Trust Funds	2,070
TOTAL		68,721
Federal/State Grant Fund	Oakland Redevelopment Agency	2,842
Oakland Redevelopment Agency	General Fund	25,110
	Federal/State Grant Fund	2,985
	Other Governmental Funds	3,027
	Sewer Service Fund	3
TOTAL		31,125
Other Governmental Funds	Oakland Redevelopment Agency	3,440
TOTAL		$106,128

INTERFUND TRANSFERS:

TRANSFER OUT	TRANSFERS IN: General Fund	Other Governmental Funds	Total Governmental	Internal Service Funds	Total
General Fund	$ -	$ 82,405	$ 82,405	$ -	$ 82,405
Municipal Capital Improvement Fund	6,300	-	6,300	-	6,300
Other Governmental Funds	20,606	-	20,606	-	20,606
Sewer Service Fund	600	-	600	21	621
Internal Service Fund	-	-	-	263	263
Total	**$ 27,506**	**$ 82,405**	**$ 109,911**	**$ 284**	**$ 110,195**

The $82.4 million transferred from the General Fund consists of transfers made to provide funding for the following:

- $ 8.8 million for the Kids' First Children's Program;
- $14.6 million for special refunding revenue bonds; and
- $59.0 million for debt service payments.

The $20.6 million transferred from Other Governmental Funds to the General Fund consist of the following:

- $17.7 million is proceeds from the 2005 JPFA Series B Bonds to be contributed to PFRS to pay for a portion of the City's obligations under its Charter to PFRS; and
- $2.9 million is the unwinding of the 1998 reserve fund, including accrued interest, transferred to the General Fund.

The $6.3 million transferred from the Municipal Capital Improvement Fund to the General Fund is for the Oakland Convention Center operations.

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

INTERFUND LOANS:

Certain interfund loans made from the General Fund to the ORA Governmental Fund have been removed as they are not expected to be repaid within a reasonable period of time. The loans continue to be obligations of the ORA, and will be recognized as other financing sources in the general fund upon receipt. The loan balances are as follows:

Oak Center Project	$ 13,086
City Center Garage	18,349
Total	$ 31,435

(5) MEMORANDUMS OF UNDERSTANDING

The City and the Port have Memorandums of Understanding (MOUs) relating to: (a) general obligation bonds issued by the City for the benefit of the Port; (b) various administrative, personnel, data processing, and financial services (Special Services); and (c) police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port.

Payments for Special Services are treated as a cost of Port operations and have priority over certain other expenditures of Port revenues. At June 30, 2005, $18,828,000 in Special Services expenses has been accrued as a current liability by the Port and as a receivable by the City.

The Port's legal counsel advised the Port that payments to the City for General Services and Lake Merritt tideland trust purposes are payable only to the extent the Port determines annually that surplus monies are available. Subject to final approvals by the Port and the City, and subject to availability of surplus monies, the Port will reimburse the City annually for General Services and Lake Merritt tideland trust properties. At June 30, 2005, $2,241,000 and $1,213,000 have been accrued by the Port as a current liability and by the City as a receivable for General Services and Lake Merritt Tideland Trust properties, respectively.

The City and Port are in the process of negotiating an MOU for payments to be made by the Port to the City in consideration for services provided by the City on Tidelands Trust properties. Such payments are expected to amount to $3,000,000 per year, and represent a portion of the total expenses incurred by the City in the provision of services within the Lake Merritt Tidelands boundaries. Included in the amount recorded as a receivable from the Port is $2,500,000 for fiscal year 1997, which the Port has also recorded as an obligation due to the City. Any additional amount due to the City will be recorded when an MOU has been executed.

(6) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2005, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total Governmental Funds/ Governmental Activities
Pass-through loans	$ 24,756	$ 2,985	$ —	$ 799	$ 28,540
Loans to Oakland Hotel Assoc. Ltd	12,038	—	—	—	12,038
Community Development Block Grant	—	62,777	—	—	62,777
Economic Development loans and other	1,932	18,164	52,428	15,049	87,573
Less: Allowance for uncollectible accounts	(107)	(5,138)	(1,077)	(168)	(6,490)
TOTAL LOANS, NET	$ 38,619	$ 78,788	$ 51,351	$ 15,680	$ 184,438

(7) CAPITAL ASSETS

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2005, is as follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 76,604	$ 538	$ —	$ 77,142
Museum Collections	—	150	—	150
Construction in progress	7,083	20,070	3,743	23,410
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	83,687	20,758	3,743	100,702
Capital assets, being depreciated:				
Facilities and improvements	645,581	10,513	8	656,086
Furniture, machinery and equipment	160,287	7,479	161	167,605
Infrastructure	353,929	24,724	1,544	377,109
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,159,797	42,716	1,713	1,200,800
Less accumulated depreciation:				
Facilities and improvements	207,241	19,590	—	226,831
Furniture, machinery and equipment	102,579	13,467	157	115,889
Infrastructure	107,632	11,816	41	119,407
TOTAL ACCUMULATED DEPRECIATION	417,452	44,873	198	462,127
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	742,345	(2,157)	1,515	738,673
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 826,032	$ 18,601	$ 5,258	$ 839,375

(continued)

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities:				
Sewer fund:				
Capital assets, not being depreciated:				
Land	$ 4	$ —	$ —	$ 4
Construction in progress	2,882	1,959	61	4,780
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	2,886	1,959	61	4,784
Capital assets, being depreciated:				
Facilities and improvements	306	—	—	306
Furniture, machinery and equipment	749	—	—	749
Sewers and storm drains	173,131	3,053	—	176,184
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	174,186	3,053	—	177,239
Less accumulated depreciation:				
Facilities and improvements	30	20	—	50
Furniture, machinery and equipment	701	11	—	712
Sewers and storm drains	58,604	3500	—	62,104
TOTAL ACCUMULATED DEPRECIATION	59,335	3,531	—	62,866
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	114,851	(478)	—	114,373
SEWER FUND CAPITAL ASSETS, NET	117,737	1,481	61	119,157
Other proprietary funds:				
Capital assets, not being depreciated:				
Land	218	—	—	218
Capital assets, being depreciated:				
Facilities and improvements	2,179	—	—	2,179
Furniture, machinery and equipment	453	—	—	453
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	2,632	—	—	2,632
Less accumulated depreciation:				
Facilities and improvements	191	146	—	337
Furniture, machinery and equipment	424	6	—	430
TOTAL ACCUMULATED DEPRECIATION	615	152	—	767
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	2,017	(152)	—	1,865
OTHER PROPRIETARY FUND CAPITAL ASSETS, NET	2,235	(152)	—	2,083
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 119,972	$ 1,329	$ 61	$ 121,240

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

Governmental activities:	
General government	$ 5,175
Public safety:	
Police services	948
Fire services	2,921
Life enrichment	11,541
Community and economic development	2,512
Public works	16,920
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	4,856
TOTAL	$ 44,873

Business-type activities:	
Sewer	$ 3,531
Golf	152
TOTAL	$ 3,683

Construction Commitments

The City has active construction projects as of June 30, 2005. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	Spent to date	Remaining Commitment
Infrastructure – streets	$ 92,621	$ 50,031
Infrastructure – parks	14,057	39,863
Facility improvements	22,878	34,065
Sewers and storm drains	10,414	49,315
Technology Enhancements	13,800	5,587
Miscellaneous	14,058	8,676
TOTAL	$167,828	$187,537

Discretely Presented Component Units

Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2005, is as follows (in thousands):

	Balance July 1, 2004	Additions	Adjustment and Retirements	Transfer of Completed Construction	Balance June 30, 2005
Capital assets, not being depreciated:					
Land	$ 261,326	$ 6,561	$ 56,288	$ —	$ 324,175
Construction in progress	238,160	215,145	50	(82,276)	371,079
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	499,486	221,706	56,338	(82,276)	695,254
Capital assets, being depreciated:					
Facilities and improvements	547,537	—	(3,612)	35,033	578,958
Container cranes	152,221	—	—	552	152,773
Systems and structures	1,064,624	887	(57,538)	43,957	1,051,930
Other equipment	38,760	1,574	(6,423)	2,734	36,645
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,803,142	2,461	(67,573)	82,276	1,820,306
Less accumulated depreciation:					
Facilities and improvements	237,485	22,873	1,440	—	258,918
Container cranes	46,350	6,058	—	—	52,408
Systems and structures	224,506	36,598	2,807	—	258,297
Other equipment	23,088	2,920	5,940	—	20,068
TOTAL ACCUMULATED DEPRECIATION	531,429	68,449	10,187	—	589,691
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	1,271,713	65,988	(57,386)	82,276	1,230,615
TOTAL CAPITAL ASSETS, NET	$1,771,199	$ 155,718	$ (1,048)	$ —	$1,925,869

The depreciation charge above reconciles to the Statements of Revenue, Expenses and Changes in Net Assets as follows:

Depreciation charge above	$68,449
Amortization of intangible assets	443
Depreciation and amortization	$68,892

The capital assets on lease at June 30, 2005, consist of the following (in thousands):

Land	$ 172,888
Container cranes	152,773
Facilities and improvements	932,853
Total	1,258,514
Less accumulated depreciation	(257,608)
Capital assets, net, on lease	$ 1,000,906

Leases

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

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

A summary of revenues from long-term leases for the year ended June 30, 2005, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$105,694
Contingent rentals in excess of minimums	16,337
Secondary use of facilities leased under preferential assignments	3,055
	$125,086

Minimum future rental revenues for years ending June 30 under non-cancelable operating leases having an initial term in excess of one year are as follows (in thousands):

Year	Rental Revenues
2006	$ 114,027
2007	124,194
2008	128,835
2009	126,860
2010	113,011
2011-2015	443,278
2016-2020	149,852
2021-2025	18,767
2026-2030	16,209
2031-2035	14,582
Thereafter	53,725
	$1,303,340

Oakland Base Reuse Authority (OBRA)

Capital asset activity for OBRA during the year ended June 30, 2005 consisted of the following (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Capital assets, being depreciated:				
Facilities and structures	$1,000	$ —	$ —	$ 1,000
Leasehold improvements	456	2	—	458
Total capital assets, being depreciated	1,456	2	—	1,458
Less accumulated depreciation for:				
Facilities and structures	314	343	—	657
Leasehold improvements	164	146	—	310
Total accumulated Depreciation	479	489	—	968
Total capital assets, being depreciated, net	$ 977	$ 487	$ —	$ 490

The depreciation charge for the year ended June 30, 2005 is $0.5 million, which reconciles to the Statements of Revenue, Expenses and Changes in Net Assets.

(8) PROPERTY HELD FOR RESALE

A summary of changes in property held for resale follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Property held for resale	$ 71,501	$ 2,818	$ 16,581	$ 57,738

The increase of $2,818,000 in the property held for resale represents the 135 public parking spaces repurchased by the Agency from the developer of the SNK 9th and Franklin Garage. These parking spaces were required to be repurchased in order to replace the surface parking that was on the site prior to the Agency's sale of the property to the developer in Fiscal Year 2004.

The decrease of the $16,581,000 corresponds to the properties that the Agency sold in Fiscal Year 2005 including four properties sold at a loss of $1.4 million. These include properties that will be renovated for commercial retail and office spaces, developed into residential condominium units and to continue to be operated as a non-profit office park.

Discretely Presented Component Unit

Oakland Base Reuse Authority (OBRA)

A summary of changes in property held for resale follows (in thousands):

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Property held for resale	$79,778	$11,762	$2,132	$89,408

On August 7, 2003, the Army conveyed approximately 366 acres of Oakland Army Base (the EDC property), plus certain buildings and improvements, to OBRA. The conveyance from the Army is treated as a donation; accordingly, the land conveyed to OBRA was recorded at its total estimated fair market value of $81,775,000. As part of the conveyance agreement, OBRA agreed to pay the Oakland Army Base Workforce Development Collaborative (Workforce Collaborative) an amount to be negotiated. OBRA and the Workforce Collaborative finalized an agreement on December 14, 2004, which provided that OBRA, the Agency and the Port would pay a total of $10,800,000 to the Workforce Collaborative. Under a separate agreement between OBRA and the Port dated July 31, 2003, the two parties agreed to each pay 50 percent of the $10,800,000 liability.

OBRA recorded capital contributions of $74,407,184 and payable of $5,400,000 to the Workforce Collaborative during the year ended June 30, 2004 to reflect the conveyance of the land. All expenditures directly associated with the conveyance of the EDC property incurred prior to August 7, 2003 were included in other assets, and transferred to property held for resale on this date. OBRA incurred property-related expenditures between August 7, 2003 and June 30, 2005 that have been recorded in property held for resale.

Immediately after OBRA obtained title to the EDC property, 70 acres (including 50 acres of submerged property) were conveyed to the Port at a fair value of $5,250,000.

On September 1, 2004, the Authority purchased certain parcels of land with an aggregate area of 19.32 acres adjacent to the former OAB for a total of $10,600,000. Immediately after purchasing this property, the Authority transferred 2.51 acres to the Port for total consideration of $1,427,000. Additionally, approximately $1,200,000 in environmental remediation costs incurred during the fiscal year ended June 30, 2005 have been added to property held for resale.

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE

Accounts payable and accrued liabilities payable as of June 30, 2005, for the City's individual major funds, non major funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Checks Payable	Accrued Payroll/ Employee Benefits	Total
Governmental funds:				
General	$ 19,818	$4,067	$78,296	$102,181
Federal/state grant fund	4,039	—	1,069	5,108
Oakland Redevelopment Agency	9,456	—	—	9,456
Municipal Capital Improvement Fund	1,224	—	87	1,311
Other governmental funds	3,436	—	73	3,509
TOTAL	37,973	4,067	79,525	121,565
Governmental activities- Internal service funds	1,005	—	157	1,162
TOTAL	$ 38,978	$ 4,067	$79,682	$122,727
Business-type activities – Enterprise Funds:				
Sewer Service	$ 193	$ —	$ 790	$ 983

Accounts payable and accrued liabilities for the pension trust funds at June 30, 2005, are as follows (in thousands):

Accounts payable	$ 7
Investment payable	130,407
Accrued investment management fees	360
Member benefits payable	5,977
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 136,751

(10) DEFERRED REVENUE

Governmental funds report deferred revenue in connection with unearned revenue and receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2005, the various components of deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Major funds:		
General Fund	$ 22,312	$ 7,570
Federal and State Grants Funds	83,647	834
Oakland Redevelopment Agency	81,190	—
Municipal Capital Improvement Fund	21	—
Non-major Funds:		
Other Governmental Funds	19,046	—
TOTAL GOVERNMENTAL ACTIVITIES	$206,216	$ 8,404

(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of 1.44%. Principal and interest were paid on June 30, 2005.

The short-term debt activity for the year ended June 30, 2005, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Notes	$—	$ 65,000	$ (65,000)	$—

(12) LONG-TERM OBLIGATIONS

Long-term Obligations

The following is a summary of long-term obligations for the year ended June 30, 2005 (in thousands):

Governmental Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2033	2.50-5.00%	$ 227,010
Tax allocation bonds (B)	2033	2.50-8.03%	270,085
Certificates of participation (C)	2015	4.00-6.55%	50,195
Lease revenue bonds (C)	2026	3.60-5.50%	488,721
Pension obligation bonds (D)	2022	6.09-7.31%	366,405
Accreted interest (C) & (D)			70,811
City guaranteed special assessment district bonds (D)	2024	4.60-6.70%	7,370
Notes payable (C) & (E)	2016	1.70-8.27%	18,440
Capital Leases (C) & (E)	2016	3.54-5.52%	26,769
Accrued vacation and sick leave (C)			31,503
Self-insurance liability for workers' compensation (C)			96,166
Estimated claims payable (C)			43,099
Estimated environmental cost (B) & (C)			5,499
Pledge obligation for authority debt (C)			91,150
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS			1,793,223
DEFERRED AMOUNTS:			
Bond issuance premiums			$ 24,186
Bond refunding loss			(22,793)
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS, NET			$ 1,794,616

Debt service payments are made from the following sources:

(A) Property tax recorded in the debt service funds
(B) Property tax allocated to the Oakland Redevelopment Agency based on increased assessed valuations in the project area
(C) Revenues recorded in the general fund
(D) Property tax voter approved debt
(E) Revenues recorded in the special revenue funds

Business-Type Activities

Entity and Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund – Notes payable	2014	3.0-3.50%	$ 5,655
Sewer fund – Bonds	2029	3.0-5.25%	62,330
Unamortized Bond Premium			2,829
BUSINESS-TYPE ACTIVITIES – TOTAL LONG-TERM OBLIGATIONS			$70,814

Component Unit – Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Parity bonds	2033	2.75-6.00%	$ 1,410,431
Notes and loans	2029	1.25-6.80%	157,135
			1,567,566
Self-insurance liability for workers' compensation			4,600
Total			1,572,166
Unamortized bond discount and premium, net			(891)
Deferred loss on refunding			(5,220)
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			$ 1,566,055

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City and Agency. Management believes that the City and Agency are in compliance.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2005, the City's debt limit (3.75% of valuation subject to taxation) was $903,392,821. The total amount of debt applicable to the debt limit was $227,010,000. The resulting legal debt margin was $676,382,821.

Interest Rate Swaps

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2
Objective of the interest rate swap. As a means to lowering its borrowing costs, the City entered into a Forward Swap (the "Swap") in connection with its $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2. The intent of the interest rate swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 5.6775% through the end of the swap agreement in 2021. On April 25, 2000, the Swap was assigned to Goldman Sachs Mitsui Marine Derivative Products, U.S., L.P (the "Counterparty") in the notional amount of $170,000,000.

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate (the "65% of LIBOR Rate"). This amendment resulted in the City receiving approximately $5,975,000 from Goldman Sachs reflecting the change in market value. The funds received as a result of the change in the Swap index were used to lower cost of borrowing when used in combination with the Bonds, and enhance the relationship between risk and return with respect to the City's overall bond program. As of June 30, 2005, the notional amount to be amortized was $128,300,000.

Terms. The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2005 of $128,300,000. The notional amount of the swap declines through 2021. Under the Swap, the Authority pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The Authority's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $24,452,209 as of June 30, 2005. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aaa by Moody's Investors Service, and AA+ by Standard and Poor's as of June 30, 2005. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Basis Risk. Another risk associated with the synthetic fixed rate swap is basis risk. This is the risk that as the City receives a floating rate index on the swap to offset the variable rate it pays on its underlying variable rate bonds, these two variable rate cash flows could potentially mismatch. The swap agreement provides that the payment received by the City shall be at 65% of 1-month LIBOR.

Termination Risk. An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

The counterparty may terminate the Swap if both the City and the bond insurer fail to perform under the terms of the contract. The counterparty also may terminate the Swap upon the occurrence of the following events: 1) the bond insurer falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's; and 2) the City falls below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If the Swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the Swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the Swap's fair value.

On June 21, 2005, the Authority issued its $144,950,000 Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). A portion of the proceeds were used to refund and defease all of the Authority's outstanding Lease Revenue Bonds, 1998 Series A. However, the Interest Rate Swap Agreement associated with the 1998 Series A Bonds still remains in effect and set to terminate on July 31, 2021. Please refer to the Section titled "Current Year Refunding" of this footnote for a more detailed description of the Series 2005 A & B Bonds.

Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings), 2004 Series A-1/A-2

Objective of the Interest Rate Swap. On May 21, 2004, the City entered into a floating-to-fixed rate ("fixed-payer") interest rate swap with Bank of America, N.A. and UBS AG ("Counterparties") in order to lock-in the low long-term interest rates available in the market place at that time. The swap became effective on June 10, 2004, in conjunction with the issuance of the $58,600,000 Series A-1 and $58,600,000 Series A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Oakland Administration Buildings (Auction Rate Securities).

The executed transaction consisted of a $117,200,000, 22-year interest rate swap under which the City will pay the Counterparties a fixed rate of 3.533% and receive 58% of 1-month London Interbank Offer Rate (LIBOR) plus 35 basis points (100 basis points equals 1%).

The City was able to take advantage of current market conditions and synthetically create fixed-rate debt at a very favorable rate. In addition to the decline in the general level of interest rates at that time, the City, after careful review, elected to utilize percentage of LIBOR (58%) plus a margin (35 basis points) versus a straight percentage of LIBOR to reduce the basis risk in a lower interest rate environment.

Terms. The bonds mature on August 1, 2026, and are subject to optional redemption while any Auction Rate is in effect equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The swaps terminate on August 1, 2026, and have a total notional amount of $112,550,000 as of June 30, 2005. The trade date of the swap was May 21, 2004, and became effective on June 10, 2004, at which time the bonds were issued. Under the swap, the City pays the counterparties a fixed rate of 3.533% and receives a variable payment computed at 58% of 1-month LIBOR plus 35 basis points. The Authority then pays the bondholder a tax-exempt variable rate of interest.

Fair Value. As of June 30, 2005, the interest rate swap with Bank of America, N.A. (notional amount of $56,275,000) had a negative fair value of $3,558,596 and the interest rate swap with UBS AG (notional amount of $56,275,000) had a negative fair value of $3,641,278. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The counterparties were rated as follows as of June 30, 2005: Bank of America, N.A. (Aa2 by Moody's Investors Service and AA- by Standard and Poor's), and UBS AG (Aa2 by Moody's Investors Service, AA+ by Standard and Poor's, and AA+ by Fitch).

To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's, the swap agreement provides that the counterparty, the City, the bond insurer for the Bonds, and a third party collateral agent are to execute a collateral agreement establishing the type of collateral, the amount of collateral, the collateral agent, and the terms of the collateral agreement.

Basis Risk. Another risk associated with the synthetic fixed rate swap is basis risk. This is the risk that as the City receives a floating rate index on the swap to offset the variable rate it pays on its underlying variable rate bonds, these two variable rate cash flows could potentially mismatch. The swap agreement provides that the payment received by the City shall be at 58% of 1-month LIBOR plus 35 basis points.

Termination Risk. An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the swap if the counterparty fails to perform under the terms of the contract. The City may also terminate the swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer if the counterparty's ratings fall below "A3" by Moody's Investors Service or "A-" by Standard and Poor's. The termination events are bilateral agreements between the City and the counterparties. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. The following table presents the estimated debt service requirements for the 2004 Series A Bonds. It is assumed that the interest rate on the 2004 Series A Bonds and the variable rate portion of the Swap (58% of LIBOR) averages 3.00% through the maturity date of both the 2004 Series A Bonds and the Swap (August 21, 2026).

Year Ending June 30	Principal	Interest*	Net Interest Rate Swap Payment*	Total Debt Service
2006	$ 3,350,000	$ 3,150,181	$ 591,377	$ 7,091,558
2007	3,475,000	3,054,828	573,204	7,103,032
2008	3,575,000	3,247,424	554,428	7,376,852
2009	3,750,000	2,838,488	534,773	7,123,261
2010	3,875,000	3,009,606	514,623	7,399,229
2011	4,050,000	2,615,355	493,524	7,158,879
2012	4,175,000	2,746,337	471,620	7,392,957
2013	4,375,000	2,364,432	448,678	7,188,110
2014	4,525,000	2,244,799	425,159	7,194,958
2015	4,675,000	2,325,890	400,660	7,401,549
2016	4,875,000	1,967,880	375,233	7,218,113
2017	5,050,000	2,008,614	348,596	7,407,210
2018	5,275,000	1,672,171	321,316	7,268,488
2019	5,450,000	1,672,490	292,756	7,415,246
2020	5,675,000	1,350,026	263,136	7,288,161
2021	5,900,000	1,187,504	232,072	7,319,576
2022	6,125,000	1,120,983	200,297	7,446,280
2023	6,375,000	829,582	167,015	7,371,598
2024	6,600,000	709,596	132,465	7,442,060
2025	6,875,000	440,711	96,304	7,412,015
2026	7,125,000	267,545	59,309	7,451,853
2027	7,400,000	22,504	20,633	7,443,137
TOTALS	$ 112,550,000	$ 40,846,945	$ 7,517,177	$ 160,914,122

*Numbers of estimates; subject to change based on prevailing market conditions. The calculation above assumes to have a 3.00% interest rate and 3.556 swap rate.

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2005, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Bonds Payable					
General obligation bonds	$ 232,045	$ 122,170	$ 127,205	$ 227,010	$ 7,260
Tax allocation bonds	235,555	44,360	9,830	270,085	10,325
Certificates of participation	54,780	—	4,585	50,195	4,465
Lease revenue bonds	386,200	267,426	164,905	488,721	25,237
Pension obligation bonds	388,824	—	22,419	366,405	25,020
City guaranteed special assessment district bonds	7,940	—	570	7,370	285
Accreted interest on appreciation bonds	52,863	17,948	—	70,811	—
Less deferred amounts:					
Bond issuance premiums	11,830	13,535	1,179	24,186	1,603
Bond refunding loss	(20,333)	(5,132)	(2,672)	(22,793)	(2,924)
TOTAL BONDS PAYABLE	1,349,704	460,307	328,021	1,481,990	71,271
Notes payable	20,007	—	1,567	18,440	1,840
Capital leases	26,146	6,676	6,053	26,769	6,421
TOTAL NOTES & LEASES	46,153	6,676	7,620	45,209	8,261
Other Long Term Liabilities					
Accrued vacation and sick leave	37,436	43,979	49,912	31,503	27,600
Pledge Obligation for Coliseum Authority debt	93,950	—	2,800	91,150	3,050
Estimated environmental cost	—	5,849	350	5,499	4,502
Self-insurance workers' compensation	94,874	21,465	20,173	96,166	20,173
Estimated claims payable	48,716	1,356	6,973	43,099	13,992
TOTAL OTHER LONG TERM LIABILITIES	274,976	72,649	80,208	267,417	69,317
TOTAL GOVERNMENTAL ACTIVITIES – LONG TERM OBLIGATIONS	$1,670,833	$539,632	$415,849	$1,794,616	$148,849

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2005, $23,390,000 of capital leases related to the internal service funds are included in the above amounts.

Business-Type Activities

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Sewer fund – Notes Payable	$ 6,362	$ —	$ 707	$ 5,655	$ 730
Sewer fund – Bonds	—	62,330	—	62,330	1,490
Unamortized Bond Premium	—	2,887	58	2,829	118
Total	$ 6,362	$65,217	$ 765	$ 70,814	$2,338

Component Unit – Port of Oakland

	Balance at July 1, 2004	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements and Net Decreases	Balance at June 30, 2005	Amounts Due Within One Year
Parity bonds	$ 1,418,586	$ —	$ 8,155	$ 1,410,431	$ 14,968
Notes and loans	194,983	2	37,850	157,135	510
TOTAL	1,613,569	2	46,005	1,567,566	15,478
Self-insurance workers' compensation	3,000	2,596	996	4,600	4,600
Unamortized bond discount/premium, net	(99)	868	(1,660)	(891)	946
Deferred loss on refunding	(5,584)	—	364	(5,220)	(364)
TOTAL DEBT	$ 1,610,886	$ 3,466	$ 45,705	$ 1,566,055	$ 20,660

Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2005, are as follows (in thousands):

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Government-type Activities:											
General obligation bonds:											
Principal	$ 7,260	$ 7,420	$ 7,760	$ 8,090	$ 8,435	$ 49,120	$ 56,325	$ 39,190	$ 26,595	$ 16,815	$ 227,010
Interest	10,674	10,474	10,200	9,902	9,586	41,504	28,868	15,522	8,324	1,584	146,637
Certificates of participation:											
Principal	4,465	5,067	5,300	5,620	5,965	24,710	4,200	—	—	—	55,327
Interest	3,068	3,008	1,909	1,693	1,434	3,237	84	—	—	—	14,433
Lease revenue bonds:											
Principal	25,237	26,295	27,476	28,830	29,926	175,518	97,762	60,703	16,975	—	488,721
Interest	23,962	22,635	21,298	19,829	18,344	66,658	30,335	9,425	587	—	213,073
Pension obligation bonds:											
Principal	25,020	27,850	30,920	34,250	37,860	117,130	93,534	65,520	—	—	432,084
Interest	9,928	8,118	6,091	3,833	1,321	73,594	136,262	107,000	—	—	346,146
City guaranteed special assessment bonds:											
Principal	285	285	305	320	345	1,720	1,840	2,270	—	—	7,370
Interest	390	376	361	345	328	1,353	883	328	—	—	4,364
Tax allocation bonds:											
Principal	10,325	10,920	11,165	11,775	11,130	66,020	89,530	48,475	5,340	5,405	270,085
Interest	12,876	12,301	11,674	13,255	13,154	50,914	28,130	6,777	2,149	586	151,817
Notes payable:											
Principal	1,840	2,600	1,940	2,080	2,230	7,750	—	—	—	—	18,440
Interest	1,072	1,275	545	469	388	619	—	—	—	—	4,368
Capital Leases:											
Principal	6,421	5,752	3,657	3,654	2,351	3,630	1,304	—	—	—	26.769
Interest	1,068	791	670	464	301	546	157	—	—	—	3,997
TOTAL PRINCIPAL	$ 80,853	$ 86,189	$ 88,523	$ 94,619	$ 98,242	$445,598	$344,495	$216,158	$ 48,910	$ 22,220	$1,525,806
TOTAL INTEREST	$ 63,038	$ 58,978	$ 52,748	$ 49,790	$ 43,856	$238,425	$224,719	$139,052	$ 11,060	$ 2,170	$ 884,835

The specific year for payment of estimated vacation, sick leave, workers' compensation, and estimated claims is not practicable to determine.

	2006	2007	2008	2009	2010	2011-2015	2016-2020	2021-2025	2026-2030	2031-2035	Total
Business-type Activities:											
Sewer Notes											
Principal	$ 2,220	$ 2,290	$ 2,365	$ 2,436	$ 2,543	$ 11,687	$ 12,575	$ 15,970	$ 15,900	$ —	$67,985
Interest	3,175	3,106	3,035	2,961	2,853	12,586	9,836	6,449	2,036	—	46,037

Component Unit – Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2005, are as follows (in thousands):

Fiscal Year Ending	Principal	Interest	Total
2006	$ 15,478	$ 77,080	$ 92,558
2007	20,051	76,777	96,828
2008	28,300	76,502	104,802
2009	33,655	75,712	109,367
2010	36,583	74,757	111,340
2011-2015	395,123	311,591	706,714
2016-2020	300,673	239,698	540,371
2021-2025	270,147	163,393	433,540
2026-2030	317,329	81,014	398,343
2031-2033	150,227	10,156	160,383
SUBTOTAL	1,567,566	1,186,680	2,754,246
Unamortized bond (discount) premium, net	(891)	—	(891)
Self-insurance workers' compensation	4,600	—	4,600
Deferred loss on refunding	(5,220)	—	(5,220)
TOTAL	$1,566,055	$1,186,680	$2,752,735

Net interest costs of $14,782,000 were capitalized in fiscal 2005. These amounts represented capitalized interest expense of $23,698,000, net of interest revenue of $8,916,000 for fiscal 2005.

Component Unit – Oakland Base Reuse Authority

Note Payable

OBRA has a non-interest bearing note payable for $8,200,000, which has been discounted at the rate of 3.37% to a principal amount of $7,495,235. The discounting resulted in the reduction of $704,765 against Property Held for Resale. In addition, OBRA accrued interest expense of $156,553 for the year ended June 30, 2005 related to above liability.

Principal and interest payments are due on the following dates:

Date	Principal	Interest	Total
November 17, 2006	$1,481,909	$518,091	$2,000,000
May 17, 2007	2,898,675	101,325	3,000,000
November 17, 2007	2,147,518	52,482	2,200,000
November 17, 2008	967,133	32,867	1,000,000
	$7,495,235	$704,765	$ 8,200,000

The note payable is collateralized by 19.32 acres of property described in Note 8. Payments are applied first to any expenses in connection with the note before the principal is reduced. There are no prepayment penalties and the note is not assumable.

Notes payable activity for the year ended June 30, 2005 consisted of the following:

	Balance July 1, 2004	Increases	Decreases	Balance June 30, 2005
Note Payable	$ -	$ 7,495,235	$ -	$ 7,495,235

City of Oakland Sewer Revenue Bonds, 2004 Series A

On December 14, 2004, the City issued $62,330,000 of Sewer Revenue Bonds, Series 2004 A (the "2004 Series A Bonds"). The 2004 Series A Bonds have interest rates ranging from 3.00% to 5.25% and mature in 2029. In September 2003, the City Council adopted Ordinance No. 12540 increasing the sewer service charges commencing in the fiscal year 2004 and establishing annual increases of 11% through the annual billing period beginning on January 1, 2009, and establishing increases for the annual billing periods beginning on January 1, 2010, and thereafter increases based on the Consumer Price Index.

The proceeds from 2004 Series A Bonds will be used for the rehabilitation and, where necessary, replacement of sections of the existing sewer system, including the sewer pipelines and connections to private sewer lines. Upon completion of the project that is designed to reduce infiltration and inflow, increase the capacity of designated sewer pipes throughout the sewer system, and eliminate sewer overflows of untreated water into the San Francisco Bay, the system will allow for dry weather flows of approximately 72 million gallons per day and wet weather flows of approximately 435 million gallons per day.

City of Oakland Solar Panel Tax-Exempt Lease Transaction

On November 15, 2004, the City of Oakland (the "Lessee") entered into a 15-year Lease Financing Agreement with First Municipal Credit Corporation (the "Lessor") for $4,138,858 to finance the design and construction of solar photovoltaic generation systems as described in the Design/Build Agreement for the Solar Power and Energy Efficiency Project, between the Lessee and PowerLight Corporation (the "Contractor"). This financing was a capital lease with an interest rate of 4.25%.

The complete design and construction of certain solar photovoltaic generation systems will be located at the following sites in the City of Oakland: Municipal Service Center Buildings 2, 3, 4, 5, and 8 located at 7101 Edgewater Drive, Oakland, California; and the Oakland Ice Center located at 519, 18th Street, Oakland, California.

Enterasys Equipment Lease

On February 15, 2005, the electorate authorized the execution of a seven-year contract for the lease of network equipment and services with Enterasys, Inc., for an amount not to exceed $215,000 annually or $1,500,000 over the term of the contract. The purpose of the lease financing was to finance the installation and maintenance of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%.

On March 30, 2005, the City entered into a lease financing with Enterasys, Inc., in the amount of $1,139,884.

ShoreTel Equipment Lease

On February 15, 2005, the electorate authorized the successful completion of the City's Voice over IP pilot project and the execution of a seven-year contract for the lease of Telephone equipment and services with ShoreTel Communications, Inc., for an amount not to exceed $275,000 annually or $1,650,000 over the term of the contract. The purpose of the lease financing was to finance the purchase and installation of equipment necessary to update the City's network telephone infrastructure. This financing was a capital lease and part of the lease was taxable at an interest rate of 5.522% and the tax-exempt portion was 3.54%.

On March 30, 2005, the City entered into a lease financing with ShoreTel Communications, Inc., in the amount of $1,397,326.

Redevelopment Agency of the City of Oakland, Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005

On February 8, 2005, the Agency issued Subordinated Tax Allocation Bonds, Series 2005 ("Series 2005 Bonds") in the aggregate principal amount of $44,360,000 to finance various redevelopment activities within the Central District Project Area. Interest rates on the Series 2005 Bonds are 5% with a final maturity of September 1, 2022. The Series 2005 Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central District Project Area, including the following: property acquisition to facilitate residential and commercial development downtown, environmental remediation, parking garage expansion, renovation and maintenance of public facilities such as the Fox Theater, and public infrastructure such as streetscape and traffic improvements. Proceeds of the Series 2005 Bonds will also be used to fund façade improvements, tenant improvements, and support for all Agency sponsored public capital projects for Fiscal Years 2005 through 2007.

Current Year Refunding

$122,476,041, City of Oakland General Obligation Bonds, Series 2005 and $122,170,000, Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)

On June 16, 2005, the City issued City of Oakland General Obligation Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate amount of $122,476,041. Interest rates on the Oakland GO Bonds are 4.86% and the final maturity is December 15, 2025. The proceeds of the Oakland GO Bonds were used to defease six series of GO Bonds, consisting of City of Oakland General Obligation Bonds, Series 1992, Series 1995B, Series 1997, Series 1997C, Series 2000D, and Series 2000E.

Simultaneous with the issuance of the Oakland GO Bonds, the Oakland Joint Powers Financing Authority (JPFA) issued the Revenue Bonds, Series 2005 (the "JPFA Revenue Bonds") in the aggregate amount of $122,170,000. Proceeds of the JPFA Revenue Bonds together with the original issue premium of $10,147,940 were used to purchase the Oakland GO Bonds and to finance public capital improvements of the JPFA.

Interest rates on the JPFA Revenue Bonds range from 3.00% to 5.00%, and the final maturity is in the year 2025. The JPFA Revenue Bonds are insured by Ambac Assurance Corporation and are rated AAA/Aaa/AAA by Standard & Poor's, Moody's and Fitch, respectively.

The refunding resulted in cash flow savings of $5,131,776. In addition, the City obtained a net economic gain on this financing of $4,403,583.

$144,950,000, Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005

On June 21, 2005, the Oakland Joint Powers Financing Authority issued its Refunding Revenue Bonds in an aggregate principal amount of $144,950,000; this issuance was comprised of two tax-exempt portions in aggregate amounts of $63,500,000 (Series A-1) and $63,475,000 (Series A-2) (collectively, the "Series A Bonds"), and a taxable portion in an aggregate amount of $17,975,000 (the "Series B Bonds"). Both the Series A Bonds and Series B Bonds were issued as Auction Rate Securities. The purpose of the Series A Bonds were to 1) refund and defease all of the JPFA's outstanding variable rate Lease Revenue Bonds, 1998 Series A (the "1998 Series A Bonds"), and 2) to pledge tax override revenues to pay for debt service on the Series A Bonds (previously, the City's General Fund paid for debt service payments on the 1998 Series A). The proceeds associated with the Series B Bonds were used to fund a portion of the City's obligation to make payments to its Police and Fire Retirement System.

The cash flow savings and the net economic gain/loss in connection with the refunding of the 1998 Series A Bonds by the Series A Bonds can not be determined due to the variable rate component of both series of bonds.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2005, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to $272.8 million.

Authorized and Unissued Debt

The net amount of authorized and unissued governmental activities – general obligation bonds as of June 30, 2005, was $21 million (Measure G). These bonds were authorized by the voters, in a City election, on March 5, 2002. The bonds are to be issued by the City to acquire, renovate, improve, construct, and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center.

Also, the City has $126.8 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The conduit debt issued and outstanding at June 30, 2005, is (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2005
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	$ 64,425	01/01/29	$ 63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/29	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,070
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1988	23,000	07/01/08	8,040
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	4,490
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	17,800
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc.)	5,800	07/01/33	5,800
TOTAL			$ 116,345

(13) GENERAL FUND UNRESERVED FUND BALANCE

The following designations reflect the City of Oakland's imposition of limitations on the use of the otherwise available expendable financial resources in the General Fund (in thousands).

Designations:

Pension obligations – PFRS	$59,726
Carryforward for Continuing projects	17,509
Motor vehicle-in-lieu backfill earmarked for FY 2006 budget	6,300
Lighting and Landscaping Assessment District gap funding for fiscal years 2006 and 2007	7,300
General Fund fiscal years 2005 to 2007 gap funding	3,200
Total designations	94,035
Unreserved/undesignated fund balance	46,308
Total General Fund unreserved fund balance	$140,343

(14) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2005 and 2004, are as follows (in thousands):

Workers' Compensation

	2005	2004
Unpaid claims, beginning of fiscal year	$94,874	$91,367
Current year claims and changes in estimates	21,465	21,181
Claims payments	(20,173)	(17,293)
Unpaid claims, end of fiscal year (Note 12)	$96,166	$94,874

General Liability

	2005	2004
Unpaid claims, beginning of fiscal year	$48,716	$49,569
Current year claims and changes in estimates	1,356	7,452
Claims payments	(6,973)	(7,145)
Unpaid claims, end of fiscal year (Note 12)	$43,099	$48,716

The above estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employees injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents.

The City is self-insured for its general liability, workers' compensation, malpractice liability, general, and auto liability and has excess reinsurance with the California State Association of Counties – Excess Insurance Authority as described below.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a $25,000 deductible to be paid by the City. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2005, the amount of liability determined to be probable of occurrence is approximately $ 43,099,000. Of this amount, claims and litigation approximating $13,992,000 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the Agency are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the Agency's in-house counsel, the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial condition of the City and the Agency or changes in financial position.

The City has not accumulated or segregated assets or reserved fund balance for the payment of estimated claims and judgments.

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $96,166,000 in claims liabilities as of June 30, 2005, approximately $20,173,000 is estimated to be due within one year.

Insurance Coverage

On July 15, 2002, the City entered into a contract with the California State Association of Counties - Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Self-insured retention levels and purchased insurance per occurrence are as follows:

Type of Coverage	Self-Insurance Retention	Insurance Authority/Purchase Insurance
General Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence
Automobile Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence
Public Officials Errors and Omissions	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual aggregate
Products & Completed Operations	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual aggregate
Employment Practices Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual aggregate
Workers' Compensation	up to $1,000,000	$1,000,000 to $100,000,000 per occurrence/ annual aggregate

Discretely Presented Component Unit

Workers' Compensation

The Port is exposed to risk of loss related to injuries of employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of $1,000,000 per accident. The Port carries commercial insurance for claims in excess of $1,000,000 per accident. The excess policy provides full statutory limits as established by California law.

Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses are based on an actuarial valuation performed as of June 30, 2005 and include an estimate of claims that have been incurred but not reported. There were no workers' compensation claims paid in fiscal year ended 2005, 2004 and 2003 above the $1,000,000 per accident limit. Changes in the reported liability resulted from the following (in thousands):

	2005	2004
Workers' compensation liability at beginning of fiscal year	$ 3,000	$ 3,000
Current year claims and changes in estimates	2,596	1,184
Claim payments	(996)	(1,184)
Workers' compensation liability at end of fiscal year	$ 4,600	$ 3,000

General Liability

The Port maintains general liability insurance in excess of specified deductibles. For the airport, coverage is provided in excess of $250,000 in the aggregate up to a maximum of $200,000,000. For the harbor area and the Port's real estate holdings, coverage is provided in excess of $1,000,000 per occurrence up to an aggregate amount of $150,000,000 per occurrence. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable. Amounts have been accrued as other liabilities.

(15) JOINT VENTURE

Oakland-Alameda County Coliseum

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

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

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. Certain revenues collected from Raiders football operations consisting of revenues from the sale of seat rights, as well as annual seat maintenance fees, a portion of net parking and concession revenues and concessionaires' initial fees, may be used toward meeting this liability. In the event that such football revenues are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate $11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $22 million annually in the event of default by the County.

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

On August 2, 1996, the Authority issued $70,000,000 Series A-1 and $70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc. and the Authority.

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

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to Oakland Coliseum Joint Venture.

On September 27, 1997, the City of Oakland, the County of Alameda, and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage.

The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium, (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement, and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. In a series of decisions, the court has ruled that (1) the Raiders Management cannot rescind or terminate its lease; and (2) the East Bay Entities do not have claims for damages; and (3) Coliseum, Inc. was the only East Bay entity against which the fraud claims could be tried. Raider Management increased their claim against the East Bay Entities for damages to $1.1 billion related to claims of fraudulent inducement. Prior to the trial, Raider Management agreed to arbitrate all breach of contract claims. At the conclusion of the trial, the jury found no liability on the fraud claims, but did award the Raiders damages of $34 million for negligent misrepresentation. This judgment has been entered only against Coliseum, Inc. Attorneys for the Oakland-Alameda County Coliseum, Inc. have filed an appeal of that decision. The judgment has been fully stayed pending the outcome of the appeal. A decision on the appeal is not expected until early 2006.

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

For the period	Stadium Debt		Arena Debt	
ending June 30,	Principal	Interest	Principal	Interest
2006	$ 6,100	$ 6,949	$ 2,700	$ 7,938
2007	5,500	6,606	3,000	7,766
2008	5,800	6,289	3,100	7,575
2009	6,200	5,924	3,300	7,377
2010	6,700	5,563	3,600	7,166
2011-2015	39,500	23,337	22,200	32,037
2016-2020	49,600	15,674	31,000	23,862
2021-2025	62,900	6,031	43,900	12,357
2026	-	-	10,800	697
TOTAL	$182,300	$ 76,373	$123,600	$106,775

Complete financial statements for the Authority can be obtained from the County Auditor-Controller's office at 1221 Oak Street, Oakland, CA 94612.

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2005, the City made contributions of $9,650,000 to fund its share of operating deficits and debt service payments of the Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the $20.5 million appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $11,150,000 for the 2005-06 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $91,150,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(16) PENSION PLANS

The City has three defined benefit retirement plans: Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS) and California Public Employees' Retirement System (PERS). PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the plans.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2004	July 01, 2003	June 30, 2004

Significant actuarial assumptions

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the City's actuarial accrued liability.

	PFRS	OMERS	PERS
Investment rate of return	8.0%	8.0%	8.25%
Payroll growth	4.5%	3.0%	3.75%
Inflation rate	3.5%	3.5%	3.5%

Police and Fire Retirement System (PFRS)

PFRS provides death, disability and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2005, stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the years ended June 30, 2005 and 2004, these contributions ranged from 5.47% to 6.05%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

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

For the year ended June 30, 2005, employee contributions to PFRS totaling $24,236 were made in accordance with actuarially determined contribution requirements.

The City's actuaries do not make an allocation of the contribution amount between normal cost and the unfunded actuarial liability because the plan is closed. The actuarial calculations are based on the aggregate cost method and the asset valuation method is on the market value basis. The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," for fiscal year ended June 30, 2005, were as follows:

Pension asset, beginning of year	$381,369,695
Plus interest on pension asset	30,509,576
Less adjustment to the annual required contribution	(37,386,460)
Plus pension contribution	17,709,888
Pension asset, end of year	$392,202,699

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2005 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2003	$5,895,820	—	$387,737,180
2004	6,367,485	—	381,369,695
2005	10,833,004	—	392,202,699

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

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, disability and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2005, stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

Active members contribute a percentage of earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 2005 and 2004, the employees' contribution rate was 5.33%. Employee contributions are refundable with interest at 4.50% per annum if an employee elects to withdraw from the plan upon termination of employment with the City. Because of the Retirement System's current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

California Public Employees Retirement System (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office—400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 7.438% for non-safety employees and 29.178% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 2004-05, the City's annual pension cost of $87,441,278 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2002, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.75% to 14.20%), and (c) payroll growth of 3.75%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value).

PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	$ 37.0	100%	—
2004	48.4	100	—
2005	87.4	100	—

(17) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. Approximately $2,639,614 was paid on behalf of 767 retirees under this program for the year ended June 30, 2005.

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

The City has committed to funding in the amount of $64,115,918 to a number of capital improvement projects for fiscal years 2004-05 to 2005-06.

Discretely Presented Component Unit

The Port anticipates spending $652,700,000 through June 2008 for its capital improvement program. The most significant Aviation projects are the terminal expansion and renovation, apron reconstruction, parking, roadway and security improvements. The most significant Maritime projects are the 50-foot channel deepening; acquisition and conversion of Oakland Army Base; and the modernization, expansion, and renovation of wharves and terminals.

Other major renovation and expansion projects are in the preliminary planning phase for the Aviation and Maritime Divisions. These projects will not be included in the Capital Improvement Program until they are determined to be feasible.

As of June 30, 2005, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	$ 32,773
Aviation	134,501
Commercial real estate	1,801
Total	$169,075

The most significant projects for which the Port has contractual commitments are airport terminal expansion of $94,392,000; and modernization of maritime wharves and terminals new cranes of $12,350,000.

Power Purchases

The Port of Oakland purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. The Port determines needs and commits to purchase contracts with power providers in advance. The total purchase commitment at June 30, 2005 is approximately $3,000,000.

Other Commitments

Primary Government

As of June 30, 2005, the Agency has entered into contractual commitments of $3,630,167 for materials and services relating to various projects. These commitments and future costs will be funded by current available funds, tax increment revenue and other sources.

At June 30, 2005, the Agency was committed to fund $19,879,936 in loans and had issued $1,648,600 in letters of credit in connection with several low and moderate-income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City.

The Agency is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal year 2005-07, the Agency included in its Adopted Budget an ERAF shift of $9,560,838.

The City is also liable for environmental remediation cost of about $5,499,000 as of June 30, 2005 for the Agency's Uptown Project and its Edgewater Service Center.

Discretely Presented Component Unit

The Port is required to comply with a number of federal, state and local laws and regulations designed to protect human health, safety and the environment. In conforming to these laws and the implementing regulations, the Port has instituted a number of compliance programs and procedures.

It is the Port's intent that its environmental compliance programs be compliant with regulatory and legal requirements while effectively managing financial resources.

The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination.

As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues for a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods, current estimates of environmental liabilities could materially change, causing expense to the Port.

A summary of the environmental liability accounts, included within the financial statements at June 30, 2005, is as follows (in thousands):

Environmental remediation	$ 6,727
Miscellaneous compliance	218
Total environmental liabilities	$ 6,945

Oakland Base Reuse Authority

Commitments and Contingencies

Environmental Remediaton

Land conveyed to OBRA from the Army may be subject to environmental remediation as required by Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA is responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. OBRA has received a federal grant of $13 million to pay for the above-mentioned environmental remediation costs. Of this grant amount, $5 million has been received.

The next $11.5 million of environmental remediation costs are to be shared equally by OBRA and the Port. The next $9 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. OBRA and the Port have agreed to share equally in any environmental remediation-related costs above $21 million that are not covered by insurance.

OBRA management believes that none of the estimated environmental remediation costs will cause the recorded amounts any properties held for resale to exceed their estimated net realizable values. Accordingly, no provisions have been made in the financial statements for any related environmental remediation liabilities.

Other Commitments and Contingencies

OBRA and the Port have agreed to share equally in certain expenses related to the conveyance of the Economic Development Conveyance property. As of December 20, 2004, OBRA and the Port have paid a total of $5.7 million to the Workforce Collaborative. OBRA could incur liabilities of up to $2.55 million if the Port does not pay its share of the remaining $5.1 million due to the Workforce Cooperative. No provisions have been made to reflect any contingent liabilities should the Port not pay its share of post-conveyance liabilities.

As of June 30, 2005, OBRA share of the remaining liability to the Workforce Collaborative is $3.6 million. OBRA has set aside in escrow $2.25 million on behalf of the Workforce Collaborative.

OBRA is a cross-defendant in a lawsuit arising in the normal course of business. The ultimate outcome of the matter is not presently determinable. The cross-claim is being defended vigorously, and, in the opinion of OBRA, the action when finally adjudicated will not have a material adverse effect on the financial position of OBRA.

(19) DEFICIT FUND BALANCES/NET ASSETS

As of June 30, 2005, the following funds reported deficits in fund balance/net assets (in thousands):

Federal/State Grant Fund	$ (2,460)
Special Revenue - ORA Projects	(4,230)
Debt Service – Special Revenue Bonds	(1,454)

The City’s federal/state grant fund deficit is expected to be cured through drawdown and collection of federal/state reimbursements. The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The Special Revenue Bonds deficit will be cleared by transferring in sufficient funds to cover debt service payments.

Internal Service:	
Facilities	$ (13,633)
Central Stores	(5,918)

The City's facilities and central stores funds deficits are expected to be funded through increased user charges for future years.

(20) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 19, 2005, the City issued tax and revenue anticipation notes payable of $70,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 2.62%. Principal and interest are due and payable on July 17, 2006.

Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A

On October 28, 2005 the Redevelopment Agency of the City of Oakland (the "Agency") issued $160,000,000 of Multifamily Housing Revenue Bonds (Uptown Apartments Project), 2005 Series A ("2005 Bonds"). The Agency acted as a conduit issuer to provide funds to make a loan to Uptown Housing Partners, L.P., a California limited partnership, in order to finance, along with certain other amounts, the construction, and equipping of the multifamily rental housing development located in Oakland, California (the "Project"). A portion of the units in the Project will be reserved for low-income tenants. The 2005 Bonds, set to mature on October 1, 2050, were issued as a private placement with an effective interest rate of 6.20%.

The 2005 Bonds do not constitute an indebtedness of the Agency as they were issued a conduit financing; neither the full faith and credit nor taxing authority of the Agency, State if California, or any political subdivision is obligated for the payment of the principal or interest on the 2005 Bonds. The 2005 Bonds are payable solely from revenue sources and receipts defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to bond indenture.

PERS ACTUARIAL VALUATION

SCHEDULE OF FUNDING PROGRESS

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

PUBLIC SAFETY RETIREMENT PLAN (POLICE AND FIRE)

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2002	$563,199,567	$373,263,858	$189,935,709	66.3%	$104,070,500	182.5%
2003	631,484,014	454,728,659	176,755,355	72.0%	111,041,143	159.2%
2004	730,092,603	529,461,015	200,631,588	72.5%	115,452,259	173.8%

MISCELLANEOUS RETIREMENT PLAN

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2002	$952,399,380	$1,003,318,723	$(50,919,343)	105.3%	$197,383,330	(25.8%)
2003	1,197,321,821	1,010,654,872	186,666,949	84.4%	207,930,860	89.8%
2004	1,259,667,702	1,066,027,320	193,640,382	84.6%	216,320,251	89.5%

(1) BUDGETARY DATA

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2003, the City Council approved the City's fourth two-year budget for fiscal years 2003-04 and 2004-05. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2004-05 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except as to certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year basis. The amounts of the projects and programs budgeted on a multi-year basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

Major Funds

Federal and State Grants
Oakland Redevelopment Agency
Municipal Capital Improvement

Nonmajor Funds

Special Revenue Funds
ORA Projects
Parks and Recreation and Cultural

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multi-year basis.

CITY OF OAKLAND
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2005
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$108,872	$ 130,886	$143,436	$ 12,550
State:				
Sales and use	41,410	41,410	41,651	241
Motor vehicle in-lieu	24,330	2,316	9,656	7,340
Local:				
Business license	44,660	44,660	43,902	(758)
Utility consumption	48,607	48,607	49,781	1,174
Real estate transfer	47,010	47,010	77,722	30,712
Transient occupancy	10,130	10,130	10,926	796
Parking	9,521	9,521	7,029	(2,492)
Franchise	11,676	11,676	11,128	(548)
Licenses and permits	14,742	14,173	15,652	1,479
Fines and penalties	24,552	24,599	24,632	33
Interest and investment income	-	-	20,845	20,845
Charges for services	61,134	63,899	66,375	2,476
Federal and state grants and subventions	2,229	2,546	591	(1,955)
Annuity income	16,308	16,308	-	(16,308)
Other	33,606	37,482	21,896	(15,586)
TOTAL REVENUES	498,787	505,223	545,222	39,999
EXPENDITURES				
Current:				
Elected and Appointed Officials-				
Mayor	1,742	1,742	1,552	190
Council	2,463	2,433	2,279	154
City Manager	16,590	10,085	9,276	809
City Attorney	7,605	7,985	8,055	(70)
City Auditor	1,083	1,093	1,106	(13)
City Clerk	2,091	2,179	1,644	535
Agencies/Departments:				
Personnel Resource Management	3,882	3,953	3,726	227
Information Technology	7,857	7,705	7,853	(148)
Financial Services	18,276	19,071	17,942	1,129
Police Services	157,884	159,356	171,639	(12,283)
Fire Services	90,540	91,575	90,442	1,133
Life Enrichment:				
Administration	-	14	7	7
Parks and Recreation	12,639	16,915	13,097	3,818
Library	10,554	10,729	10,478	251
Museum	7,016	7,078	7,089	(11)
Aging & Health and Human Services	6,301	8,143	6,910	1,233
Community and Economic Development	21,813	24,219	18,902	5,317
Public Works	30,061	34,936	28,909	6,027
Other	17,995	21,125	29,260	(8,135)
Capital outlay	3	1,105	1,184	(79)
Debt service:				
Principal repayment	214	1,671	670	1,001
Interest charges	-	241	123	118
TOTAL EXPENDITURES	416,609	433,353	432,143	1,210
EXCESS OF REVENUES OVER EXPENDITURES	82,178	71,870	113,079	41,209
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	-	61	349	288
Transfers in	14,088	14,088	27,506	13,418
Transfers out	(93,211)	(93,211)	(82,405)	10,806
TOTAL OTHER FINANCING USES, NET	(79,123)	(79,062)	(54,550)	24,512
NET CHANGE IN FUND BALANCE	3,055	(7,192)	58,529	65,721
Fund balances - beginning	233,308	233,308	233,308	-
FUND BALANCES - ENDING	$236,363	$ 226,116	$291,837	$ 65,721

The notes to the required supplementary information are an integral part of this schedule.

(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between Budgetary Basis "actual" and GAAP basis is a timing difference:

> In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2005, was $592,208.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	General Fund
Net change in fund balance – budgetary basis	$ 58,529
Amortization of debt service deposit agreement	592
Net change in fund balance – GAAP basis	$ 59,121

The General Fund's fund balance on a Budgetary Basis is reconciled to that on a GAAP basis as of June 30, 2005, which is as follows (in thousands):

	General Fund
Fund Balance, June 30, 2005 - Budgetary Basis	$291,837
Unamortized debt service deposit agreement	(7,569)
Fund Balance, June 30, 2005 – GAAP Basis	$284,268

General Fund Budgetary Basis Fund Balance at June 30, 2005, is composed of the following (in thousands):

	General Fund
Reserved:	
Encumbrances	$ 4,115
Long-term receivables	6,000
Debt service	3,379
Pension obligations	138,000
Unreserved reported in:	
General fund	140,343
TOTAL FUND BALANCES	$291,837

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C

FORM OF CITY INVESTMENT POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

City of Oakland
and Oakland Redevelopment Agency
Investment Policy
For
Fiscal Year 2005-2006

Prepared by
Treasury Division, Finance and Management Agency
Adopted by the City Council and Oakland Redevelopment *Agency*
On June 21, 2005

Table of Contents

I. General

Authority

Pursuant to Council Resolution Nos. 75855 C.M.S. and 00-38 C.M.S. and in accordance with Government Codes Section 53607, the City Council delegates to the Director of Finance and Management Agency/Treasurer the authority to invest the City's and the Agency's operating fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also allows the City to present an annual investment policy for confirmation to the City Council, which the City Council shall consider at a public meeting. This Investment Policy is now amended and adopted as of June 2005 and will serve as the City of Oakland's Investment Policy for fiscal year 2005-06 and until further revised. By approval of this Investment Policy the City Council extends the authority and responsibility of the Director of Finance and Management Agency/Treasurer to invest or to reinvest the City's and the Agency's funds, or to sell or exchange securities so purchased, all as provided by Government Code Section 53607.

Scope

The Investment Policy applies to the operating funds of the City of Oakland and the Port of Oakland (the "City Operating Portfolio") and the Oakland Redevelopment Agency (the "Agency Operating Portfolio"). As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds also are not governed by this Investment Policy, but rather by the policies and federal or State statutes explicitly applicable to such funds.

Delegation

Management responsibility for the investment program is specifically delegated to the Treasury Manager who shall establish procedures for the investment program, which are consistent with this Investment Policy. Authorization for investment decisions is limited to the Treasurer and Treasury Manager. A Principal Financial Analyst may execute investment transactions in the absence of the Treasury Manager per the Treasury Manager instructions or prior authorization.

A Principal Financial Analyst, Financial Analyst, or Treasury Analyst may make decisions only with respect to overnight investments, but may implement investment decisions received directly from the Treasurer or Treasury Manager.

Prudent Investor Standard

All investments and evaluation of such investments shall be made with regard to the "prudent Investor" standard of care, that is, with the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Avoidance of Conflicts of Interest

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions. Any material financial interests in financial institutions, which do business with the City, should be disclosed to the City Administrator. Personal investment transactions are to be subordinate to those of the City, particularly with respect to the timing of purchases and sales. All individuals involved in the investment process are required to report all gifts and income in accordance with California State law.

Internal Control

The Director of Finance and Management Agency/Treasurer and Treasury Manager shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

The independent/external auditors shall perform an annual appraisal audit of the investment portfolio to evaluate the effectiveness of the City's investment program as well as its compliance with the Investment Policy. Additionally, the City Auditor's Office is directed to conduct periodic audits of Treasury operations to review its procedures and policies and to make recommendations for changes and improvements, if warranted.

2. Applicable Ordinances

Nuclear Free Zone Ordinance

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S., which restricts the City's investment in U.S. Government Treasuries. The Treasurer will make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries issued by the Government. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S. Treasury securities.

Linked Banking Ordinance

Pursuant to Ordinance No. 11067 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

Tobacco Divestiture Resolution

On February 17, 1998 Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Division maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

Preferences

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

3. The Portfolio

Definition of the Portfolio

For the purposes of this Investment Policy, the "Portfolio" or "Fund" consists of the unexpended fund balances of the City of Oakland (including certain operating funds held from time to time for the City's Retirement Systems) and the Port of Oakland, and the "Agency Portfolio" or "Agency Fund" consists of the unexpended fund balances of the Oakland Redevelopment Agency. This Investment Policy applies equally to both the City and the Agency, and all references to "Portfolio" or "Fund" are deemed to include that of each respective entity.

As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not included in the Portfolio, but rather shall be invested separately pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds are not included in the Portfolio, but rather shall be invested separately pursuant to the respective policies and federal or State statutes explicitly applicable to such funds.

Objectives

Preservation of Capital (Safety)

The first and primary goal of the Fund is the preservation of capital. Investments shall be made with the aim of avoiding losses due to market value risk, issuer default and broker default. Diversification of the Fund further ensures that potential losses on individual securities do not exceed the income generated on the remainder of the Fund.

Liquidity

Adequate cash on hand to meet cash disbursements and payroll are to be covered through maturing investments. Cash flow modeling is an integral part of the overall cash management responsibilities of the Treasury Division.

Diversity

Reducing overall portfolio risks while maintaining market average rates of return is essential. The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Fund and proceeds of or pledged revenues for any tax revenue anticipation notes.

Yield

While not the primary consideration of the Fund, it is important to recognize that the objectives of the City go beyond the preservation of capital. The Fund is managed to maximize its overall return with consideration of the safety, liquidity, and diversity parameters discussed above.

Custody

All investments of the City/Agency are to be secured through third-party custody and safekeeping procedures. All securities purchased from dealers and brokers shall be held in safekeeping by the City's custodial bank, which establishes ownership, by the City of Oakland or the Agency, as applicable.

All collateralized securities, such as repurchase agreements, are to be purchased using delivery versus payment procedures.

Reporting Requirements

Interim Requirements to Council

After the adoption of California Government Code Section 53646, the City is not mandated to submit an annual investment policy or a quarterly investment report to its legislative body. As best practice and sound financial management practice, the Director of Finance and Management Agency/Treasurer will submit a quarterly investment report and an annual investment policy for the City and the Agency within 30 days following the period being reported to the City Council.

The quarterly report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646, so long as it has been submitted to the City Administrator within 30 days following the period being reported to be scheduled for Finance and Management Committee. The quarterly cash management report for the period ending June 30 will be filed in a timely manner, but it will not be approved until September due to the City Council summer recess.

The report will include the information required under Government Code Section 53646 including: the type of investment, issuer, date of maturity, par and dollar amount invested (this data may be in the form of a subsidiary ledger of investments); a description of any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure requirements for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

Annual Requirements

The Government Accounting Standards Board (GASB) Statement #31 requires the portfolio be marked to market each June 30 in accordance with requirements of generally accepted accounting principals and the Government Accounting Standards Board. However, unrealized gains or losses will not be distributed.

The Government Accounting Standards Board (GASB) Statement #40 is effective for the June 30, 2005, annual financial statements. The objective of this statement is to update the custodial credit risk disclosure requirements and to establish more comprehensive disclosure requirements addressing other common risks that GASB 40 requires to be disclosed, including Custodial Credit Risk, Concentration of Credit Risk, Financial Credit Risk, Interest Rate Risk, and Foreign Currency Risk. Listed below is a brief description of each risk and how to mitigate the risk.

Custodial Credit Risk: In the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party. To protect against fraud and potential losses form the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust departments, acting as a agent for the City under the terms of the Custody Agreement.

Credit Risk (Financial Risk): The possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance.

Concentration of Credit Risk: The inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Interest Rate Risk: The possibility that an interest rate change could adversely affect an investment’s fair value. The City manages interest rate risk by measuring the duration of the portfolio as a method of gauging the degree of interest rate risk to which the portfolio is exposed. Duration measure the exposure to fair value arising from changing interest rates by using the present value of cash flows weighted as a percentage of the investment’s full price.

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

Reports to California Debt and Investment Advisory Commission (CDIAC)

In addition, the City Treasurer shall submit a copy of the second and fourth quarter cash management reports (based on a calendar year) to the California Debt and Investment Advisory Commission within 60 days of the close of the quarter. A copy of this investment policy will also be remitted with the second quarter report.

Derivatives

Callable step-up securities and floaters (which are tied to a short-term index such as 3- or 6-month LIBOR, 3-month Treasury Bills or Fed Funds rate) are considered suitable investments.

Structured notes, capped and range floaters, floating rate notes tied to a long-term index such as the Cost of Funds Index, inverse floaters and leveraged floaters are not permitted investments of the Fund at this time.

Collateralized Mortgage Obligations or their derivatives such as interest only strips are not permitted investments at this time.

General Credit Quality

Short- term debt shall be rated at least "A-1" by Standard & Poor's Corporation, "P-1" by Moody's Investor Service, Inc. or "F-1" by Fitch. Long-term debt shall be rated at least "A" by Standard & Poor's Corporation, Moody's Investors Service, Inc., or Fitch.

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities which are purchased for the Fund are downgraded below the credit quality required by the Fund, the Treasurer, in consultation with the Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

Maturity

The average maturity of the investment portfolio shall not exceed 540 days. The maximum maturity for any one investment shall not exceed 5 years unless authority for such investment is expressly granted in advance by the City Council in accordance with Government Code Section 53601. If portfolio percentage constraints are violated due to a temporary imbalance in the portfolio, then the City shall hold the affected securities to maturity in order to avoid capital losses. Portfolio percentage limits are in place in order to ensure diversification of the City investment portfolio; a small, temporary imbalance will not significantly impair that strategy.

Trading Policies

Sales Prior to Maturity

"Buy and hold" is not necessarily the strategy to be used in managing the Funds. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

Purchasing Entities, Broker/Dealers and Financial Institutions

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as a broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasury Manager will maintain a current and eligible list of reputable primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are the primary criteria for inclusion on the City of Oakland's approved list. Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of National Association of Securities Dealers certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and annually thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer or Treasury Manager may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer or Treasury Manager is materially adverse to the best interests of the City/Agency.

4. *Permitted Investments*

The following securities are permissible investments pursuant to Section 53601 of the Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council and/or the Agency.

U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

Maximum Maturity	5 years
Maximum Portfolio Exposure	20%*
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

* 20% limit is a result of the Nuclear Free Zone Ordinance, subject also to prior adoption by Council of a waiver for a period not to exceed 60 days allowing investment in U.S. Treasury securities due to specified findings. There is no limitation under the Government Code.

Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

Banker's Acceptances (BA)

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

Maximum Maturity	180 days
Maximum Portfolio Exposure	40%
Maximum Issuer Exposure	30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer
Credit Requirement	Al, P1, or F1 (S&P/Moody's/Fitch)

Commercial Paper

A short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

Maximum Maturity	270 days
Maximum Portfolio Exposure	25%
Maximum Issuer Exposure	10% of the outstanding paper of the issuer; maximum 5% per issuer
Credit Requirement	Prime quality of the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO). For example, A1 or P1 (S&P/Moody's); or F1 (Fitch).
Eligibility	Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

Asset-Backed Commercial Paper

Asset-Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over-collateralization, letters of credit, surety bonds, etc.)

Maximum Maturity	270 days
Maximum Portfolio Exposure	25% (Not to exceed 25% of total secured and unsecured CP)
Credit Requirement	Rated "A1" by Standard and Poor's, "P1" by Moody', or "F1" by Fitch
Eligibility	Issued by special purpose corporations ("SPC") organized and operating in the the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States. Program must have credit facility that provides at least 100% liquidity Serialized ABCP programs are not eligible

Ratings are to be routinely monitored. The Treasurer or Treasury Manager is to perform his/her own due diligence as to creditworthiness.

Local Government Investment Pools

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Must retain an Investment Advisor	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million

Fund Composition	Comprised of instruments in accordance with the California State Government Code

Medium Term Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

Maximum Maturity	5 years (additional limitations based on credit, below)
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest. Maturity no greater than 24 months ("A" category) or 36 months ("AA" category)
Eligibility	Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States

Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

Maximum Maturity	5 years
Maximum Portfolio Exposure	30%
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise, for Domestic Banks and Savings & Loans a minimum of C (Thomson Bank Watch) and

	for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings

Repurchase Agreements

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Maximum Dealer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency

Reverse Repurchase Agreements

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

Maximum Maturity	92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)
Maximum Portfolio Exposure	20% of the base value of the portfolio
Mark-to-Market	Daily

Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City

Secured Obligations and Agreements

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

Maximum Maturity	2 years
Maximum Portfolio Exposure	20%
Maximum Issued/Provider Exposure	Prudent person standard applies overall; maximum 5% per issue
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Credit Requirement	Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company
Eligibility	Banks, insurance companies, insurance holding companies and other financial institutions

Certificates of Deposit

Time deposits, which are non-negotiable, are issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $100,000. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and federal law or rulings) pursuant to the following conditions:

Maximum Maturity	360 days
Maximum Portfolio Exposure	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	For deposits over $100,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/ Fitch) being the lowest, if rated by S&P, Moody's or Fitch; otherwise, for Domestic Banks and Savings & Loans, a minimum

	standard of C (Thompson Bank Watch) and for Foreign Banks a minimum of B (Thompson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings
Deposit Limit	For federally insured deposits of $100,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution
Depository Selection	Highest available rate of interest
Institution Requirements	Most recent Annual Report

Note: Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee

Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe short-term cash investment.

Maximum Maturity	N/A
Maximum Portfolio Exposure	20%
NAV Requirement	$1.00
Credit Requirement	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Investment Advisor Alternative to Ratings	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition	Comprised of instruments in accordance with the California State Government Code

State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $40 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget by July 1st of each new fiscal year.

Maximum Maturity	N/A
Maximum Portfolio Exposure	None

Local City/Agency Bonds

Bonds issued by the City of Oakland, the Redevelopment Agency or any department, board, agency or authority of the City or the Redevelopment Agency.

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Credit Requirement	Prudent person standard applies

State of California Bonds

State of California registered state warrants, treasury notes, or bonds issued by the State or by a department, board, agency or authority of the State.

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Credit Requirement	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer

Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency within the state.

Maximum Maturity	5 years
Maximum Portfolio Exposure	Prudent person standard applied overall; maximum 5% per issuer
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	Prudent person standard applies

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which is currently June 30) commencing with the 2005-2006 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

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

(c) The Dissemination Agent shall:

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

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

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

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

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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

5. Outstanding general obligation debt of the City.

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

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

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

4. Optional, contingent or unscheduled bond calls.

5. Defeasances.

6. Rating changes.

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

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

9. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

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

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

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

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

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

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

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

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

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

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

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

If to the City:

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

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

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

IN WITNESS WHEREOF, this Certificate is given this ______ day of ____________, 2006.

CITY OF OAKLAND, CALIFORNIA

By:_________________________________
Its:_________________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

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

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

Date of Delivery: ____________, 2006.

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

Dated: __________________

CITY OF OAKLAND, CALIFORNIA

By: ______________________________
Authorized Representative

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

BOOK--ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the Bonds; (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Neither the City nor the Fiscal Agent will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Fiscal Agent Agreement; or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

1. DTC will act as securities depository for the Bonds (herein, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (OTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA.

The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing

instructions and customary practices, as is the case with securities held for the accounts or customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to the City and the Fiscal Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Fiscal Agent Agreement relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the City for further information regarding such provisions of the Fiscal Agent Agreement

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

_________ __, 2006

To: City of Oakland

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

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

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

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

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

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

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

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

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

Respectfully submitted,

APPENDIX G

SPECIMEN POLICY

[THIS PAGE INTENTIONALLY LEFT BLANK]

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor: Policy Number:

Obligations: Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President

SEAL

Secretary

Authorized Representative

Form No.: 2B-0004 (7/97)

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

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

Recycled Paper - Printed by
IMAGEMASTER 800.452.5152