

# **CITY OF OAKLAND**

## **CALIFORNIA**

### **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED JUNE 30, 2006**

**PREPARED BY THE FINANCE AND MANAGEMENT AGENCY**

**WILLIAM E. NOLAND, DIRECTOR**

**LARAE BROWN, CONTROLLER**

**PRINTED ON RECYCLED PAPER**

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2006

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FINANCE AND MANAGEMENT AGENCY  
ACCOUNTING DIVISION

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December 1, 2006

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, 2006, 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, 2006, 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, 2006. 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. This Basic Financial Statements presents 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 is the governing body of the City and comprises eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms.

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

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 30, 2005, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2005-06.

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:

- "...9<sup>th</sup> Best office market in the country in 2006." (Marcus & Millichap)
- "...8<sup>th</sup> Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "...7<sup>th</sup> Most Creative City in America" (Carnegie Mellon);
- "...6<sup>th</sup> 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 testimony to the City’s vibrancy, its business-friendly public policies, its well educated (ranked 8<sup>th</sup> as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor 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 (4<sup>th</sup> 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 412,318. Its economy ranks in the top 20 economies in the United States and the 84<sup>th</sup> 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);
- Ranked 8th in the nation in percentage of women-owned businesses;
- Anchored by corporate giants such as Clorox, Kaiser Permanente, Dreyer’s, APL, etc.;
- Port of Oakland handles 62% of all export cargo on the West Coast of the U.S.; and
- Ranked 8<sup>th</sup> most educated workforce in the United States.

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. The Port of Oakland is the fourth busiest container port in the United States and handles 99% of all containerized cargo that passes through the Golden Gate plus 62% of all export cargo on the West Coast of the United States. In 2005, the Oakland International Airport handled more than 14.5 million passengers and has more than 200 daily flights to serve 13 domestic and international carriers to 42 non-stop destinations. Part of this tremendous growth is driven by China’s booming manufacturing trade and other economies in the Far East.

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:** Mayor Jerry Brown launched a major new initiative when he took office in 1999, the 10K Downtown Housing Initiative, with 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 January 2006, the Mayor's 10K Initiative has been realized. A total of 82 projects with a total of 7,369 units were either completed, under construction, or in planning. The projects are broken down by status as follows: 17 completed with 1,663 units; 15 under construction with 2,144 units; 20 with planning approval for 2,196 units; and 10 in the planning process with 1,366 units. Once the remaining projects are completed, Oakland will exceed its goal by 2,000 residents for a total of 12,000 new downtown dwellers. 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.

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

The City of Oakland's primary economic indicators are highlighted on pages 15 and 16 in the Management Discussion and Analysis (MD&A) section of this report.

### ***Cash Management Policies and Practices***

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

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

### ***Risk Management***

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

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

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

### *Awards*

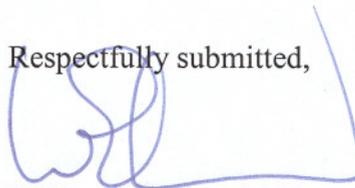
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005. The Certificate of Achievement 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 16 of the last 17 years. The City's Fiscal Year 2005-06 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, 2005

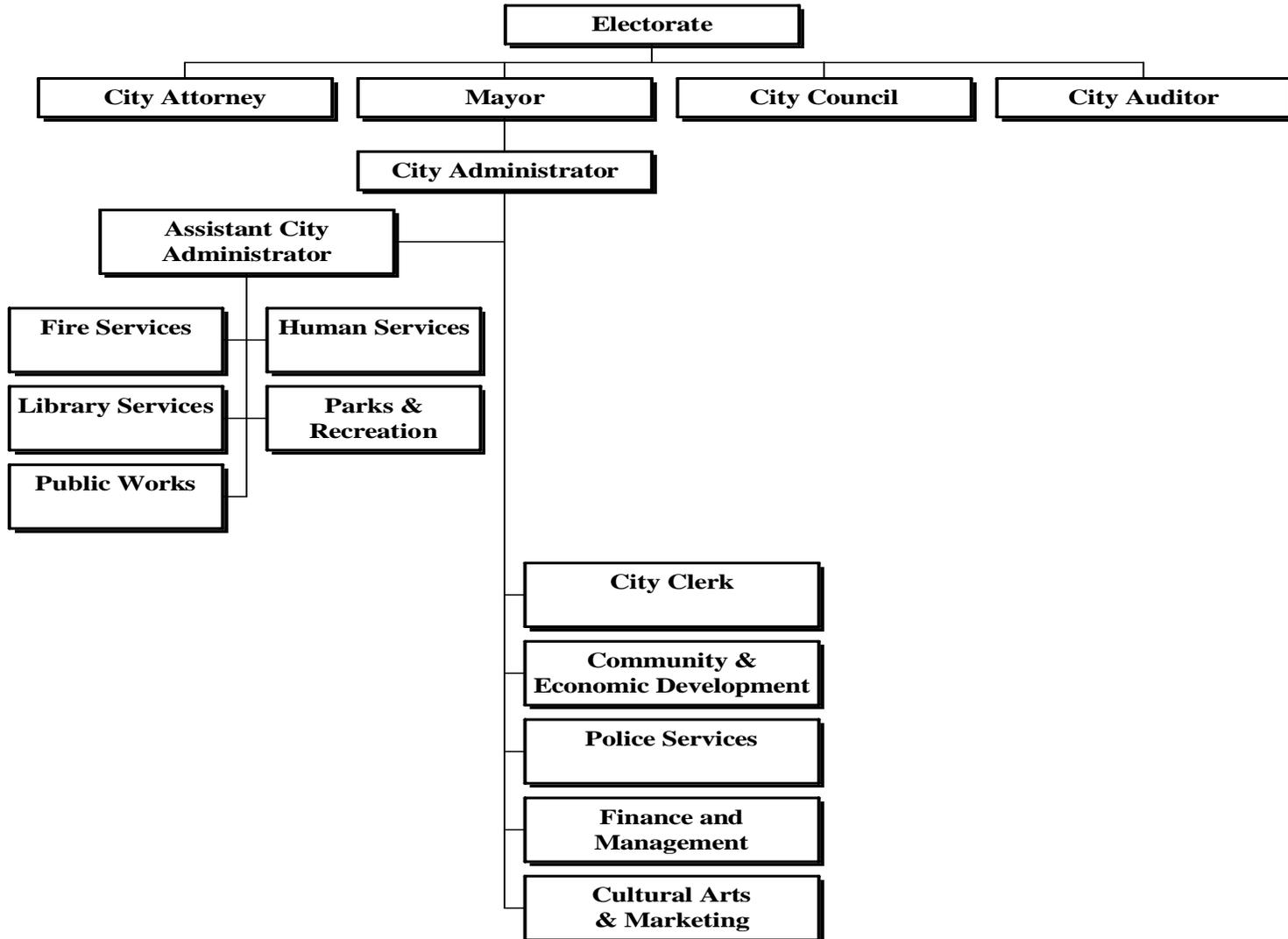
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# City of Oakland Organization Chart



**DIRECTORY OF CITY OFFICIALS  
MAYOR/COUNCIL FORM OF GOVERNMENT  
June 30, 2006**

**MAYOR**

Jerry Brown

**MEMBERS OF THE CITY COUNCIL**

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

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

*At Large – Henry Chang, Jr.*

*District 3 – Nancy Nadel*

*District 1 – Jane Brunner*

*District 6 – Desley Brooks*

*District 2 – Patricia Kernighan*

*District 7 – Larry Reid*

**COUNCIL APPOINTED OFFICERS**

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*

Audree Jones-Taylor  
*Parks & Recreation*

Carmen Martinez  
*Library Services*

Daniel Farrell  
*Fire Services*

William E. Noland  
*Finance & Management*

Wayne Tucker  
*Police Services*

Lori Fogarty  
*Cultural Arts & Marketing*

Andrea Youngdahl  
*Human Services*

Dan Vanderprien/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**

Osborn Solitei  
*Financial Analyst*

Theresa Woo  
*Accountant III*

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

Myrna Bangloy  
Bruce Levitch  
Frank Catalya  
Connie L. Chu

Edward Chun  
Felipe Kiocho  
Lani Pallotta  
Erico Parras

Norma Torres  
Sandra Tong  
David Warner  
Andy Yang

**ADMINISTRATIVE SUPPORT**

*Novette G. Flores, Administrative Assistant*

**SPECIAL ASSISTANCE**

Donna Treglown  
David Jones

Kathleen Larson  
Janet An

Katano Kasaine  
Sharon Holman

**SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES**

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



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

3000 S Street, Suite 300  
 Sacramento, CA 95816  
 916.928.4600

2175 N. California Boulevard, Suite 645  
 Walnut Creek, CA 94596  
 925.274.0190

515 S. Figueroa Street, Suite 325  
 Los Angeles, CA 90071  
 213.286.6400

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

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

**Independent Auditor's Report**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2006, 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), the Oakland Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent the following percentages of assets, net assets and revenues/additions as of and for the year ended June 30, 2006:

<u>Opinion Unit</u>	<u>Assets</u>	<u>Net Assets</u>	<u>Revenues/ Additions</u>
Discretely presented component units (OBRA)	3.9%	9.9%	2.7%
Aggregate remaining fund information (OMERS and PFRS)	71.6%	73.0%	21.2%

Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2006, 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 and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

  
Certified Public Accountants

Walnut Creek, California  
December 6, 2006

## **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, 2006. 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 \$690.5 million as of June 30, 2006, compared to \$657.6 million at June 30, 2005. This represents a net growth of \$32.9 million or 5% compared to the previous year. Assets increased by 3% or \$68.0 million primarily as the result of the combined increase of \$107.5 million in pooled and restricted cash and investments attributable to unspent bond proceeds and improved cash collections. Conversely, liabilities grew by 2% or \$35.1 million compared to the prior fiscal year primarily as a result of new debts associated with the above unspent bond proceeds.
- The City's cumulative fund balances grew by 6.1% (\$54.7 million) to \$955.3 million compared to \$900.6 million for the prior fiscal year. This growth is primarily attributed to: (1) the combined increase of \$107.5 million or 13% in pooled and restricted cash and investments primarily attributable to unspent bond proceeds; (2) the 15.6% improvement in property taxes as a result of double digit increases in property valuation; and (3) offset by a modest 5.7% increase in overall governmental expenditures for its operations.
- As of June 30, 2006, the City had total long-term obligations outstanding of \$1.9 billion compared to a similar amount outstanding for the prior fiscal year for a minimal increase of only 1%. Of this amount, \$358.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.5 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, 2006 was \$59.4 million compared to \$46.3 million for the previous year, an increase of \$13.1 million or 28%. The unreserved/undesignated fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Fund expenditures for fiscal year 2006.

### **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, 2006 by \$690.5 million compared to \$657.6 million as of June 30, 2005, an increase of \$32.9 million. The largest portion of the City's net assets (62%) reflects its investment in capital assets of \$430.2 million, an increase of \$12.2 million (3%) net of related debt, compared to the previous fiscal year. The increase is attributed to new additions net of the annual deductions for asset retirements and for depreciation expense. Of the remaining balance, (39%) reflects \$267.8 million in resources that are subject to external restrictions on how they may be used. The net deficit of (\$7.5) million is primarily attributed to ongoing projects related governmental activities.

**City of Oakland's Net Assets**  
**June 30, 2006**  
*(In Thousands)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Assets:</b>						
Current and other assets	\$1,723,502	\$1,651,554	\$ 54,508	\$ 61,075	\$1,778,010	\$1,712,629
Capital assets	835,991	839,375	127,221	121,240	963,212	960,615
<b>TOTAL ASSETS</b>	<b>2,559,493</b>	<b>2,490,929</b>	<b>181,729</b>	<b>182,315</b>	<b>2,741,222</b>	<b>2,673,244</b>
Long-term liabilities outstanding	1,815,189	1,794,616	68,475	70,814	1,883,664	1,865,430
Other liabilities	165,070	149,248	1,986	991	167,056	150,239
<b>TOTAL LIABILITIES</b>	<b>1,980,259</b>	<b>1,943,864</b>	<b>70,461</b>	<b>71,805</b>	<b>2,050,720</b>	<b>2,015,669</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	319,932	310,633	110,279	107,396	430,211	418,029
Restricted net assets:						
Debt service	27,470	28,375	-	-	27,470	28,375
Pension obligations	153,735	175,247	-	-	153,735	175,247
Urban redevelopment and housing	82,940	84,752	-	-	82,940	84,752
Other purposes	3,679	4,041	-	-	3,679	4,041
Unrestricted	(8,522)	(55,983)	989	3,114	(7,533)	(52,869)
<b>TOTAL NET ASSETS</b>	<b>\$ 579,234</b>	<b>\$ 547,065</b>	<b>\$ 111,268</b>	<b>\$ 110,510</b>	<b>\$ 690,502</b>	<b>\$ 657,575</b>

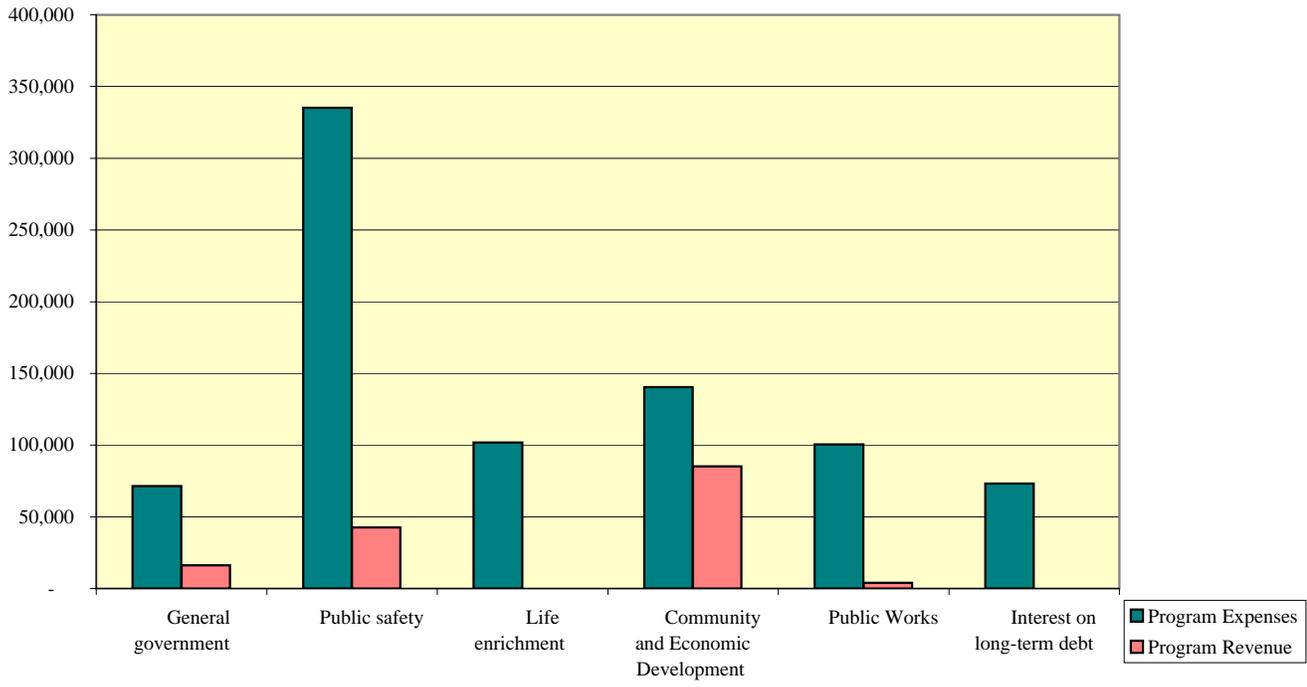
**Governmental activities.** The City's change in net assets of \$32.9 million for the year ended June 30, 2006 compared to \$101.8 million for the previous fiscal year represents a net decrease of \$60.0 million. The key elements of this decrease are listed below.

**Changes in Net Assets**  
**June 30, 2006**  
*(In Thousands)*

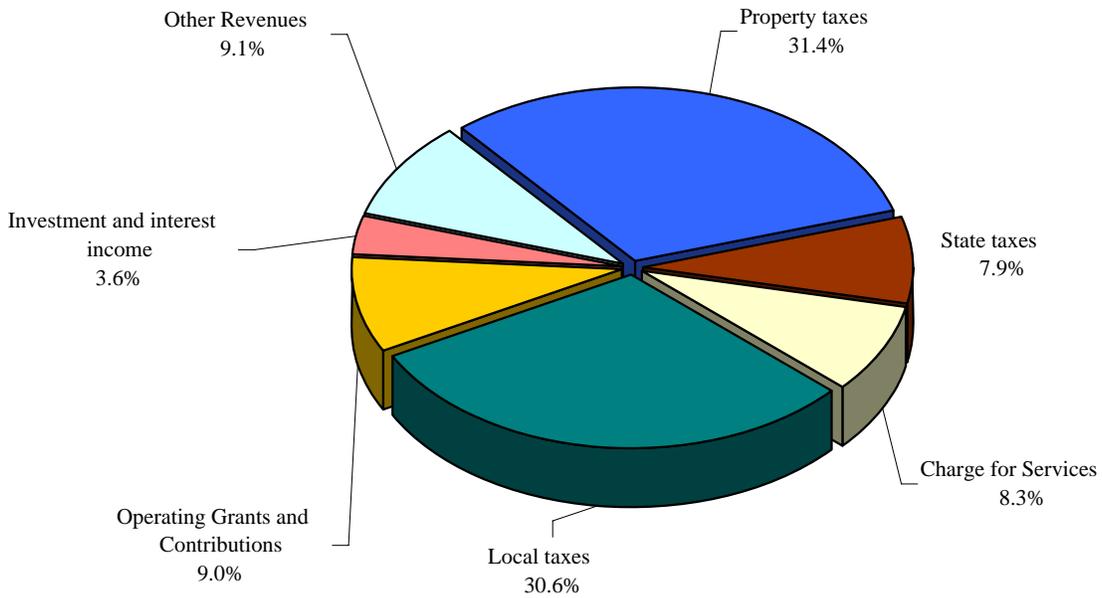
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 70,711	\$ 111,467	24,875	\$ 24,496	95,586	\$ 135,963
Operating grants and contributions	77,154	74,694	-	-	77,154	74,694
General revenues:						
Property taxes	268,693	234,127	-	-	268,693	234,127
State taxes	67,304	68,451	-	-	67,304	68,451
Local taxes	261,815	251,301	-	-	261,815	251,301
Interest and investment income	30,406	46,063	1,996	707	32,402	46,770
Other	78,053	84,850	62	-	78,115	84,850
<b>TOTAL REVENUES</b>	<b>854,136</b>	<b>870,953</b>	<b>26,933</b>	<b>25,203</b>	<b>881,069</b>	<b>896,156</b>
<b>Expenses:</b>						
General government	71,471	65,865	-	-	71,471	65,865
Public safety	335,171	319,908	-	-	335,171	319,908
Life enrichment	101,902	96,649	-	-	101,902	96,649
Community & economic development	140,351	117,689	-	-	140,351	117,689
Public works	100,448	107,457	-	-	100,448	107,457
Interest on long-term debt	73,224	62,238	-	-	73,224	62,238
Sewer	-	-	24,841	21,337	24,841	21,337
Parks and recreation	-	-	734	160	734	160
<b>TOTAL EXPENSES</b>	<b>822,567</b>	<b>769,806</b>	<b>25,575</b>	<b>21,497</b>	<b>848,142</b>	<b>791,303</b>
Change in net assets before transfers	31,569	101,147	1,358	3,706	32,927	104,853
Transfers	600	621	(600)	(621)	-	-
Change in net assets	32,169	101,768	758	3,085	32,927	104,853
Net assets at beginning of year	547,065	445,297	110,510	107,425	657,575	552,722
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 579,234</b>	<b>\$ 547,065</b>	<b>111,268</b>	<b>\$110,510</b>	<b>690,502</b>	<b>\$ 657,575</b>

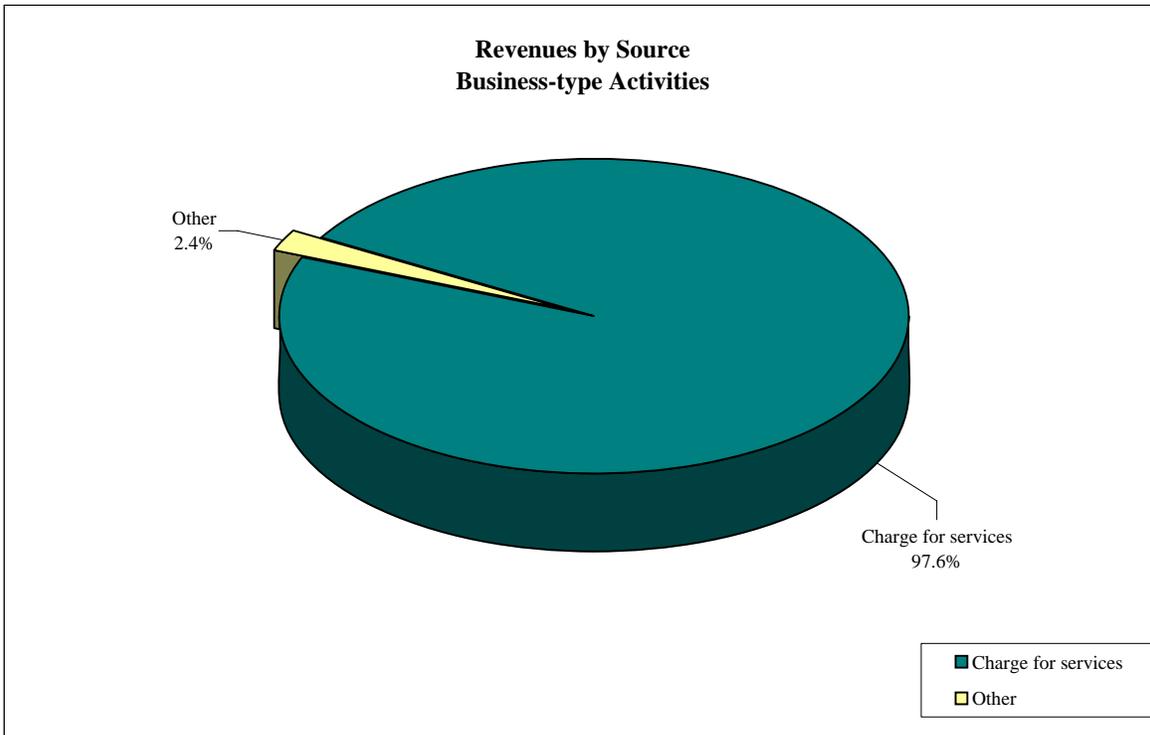
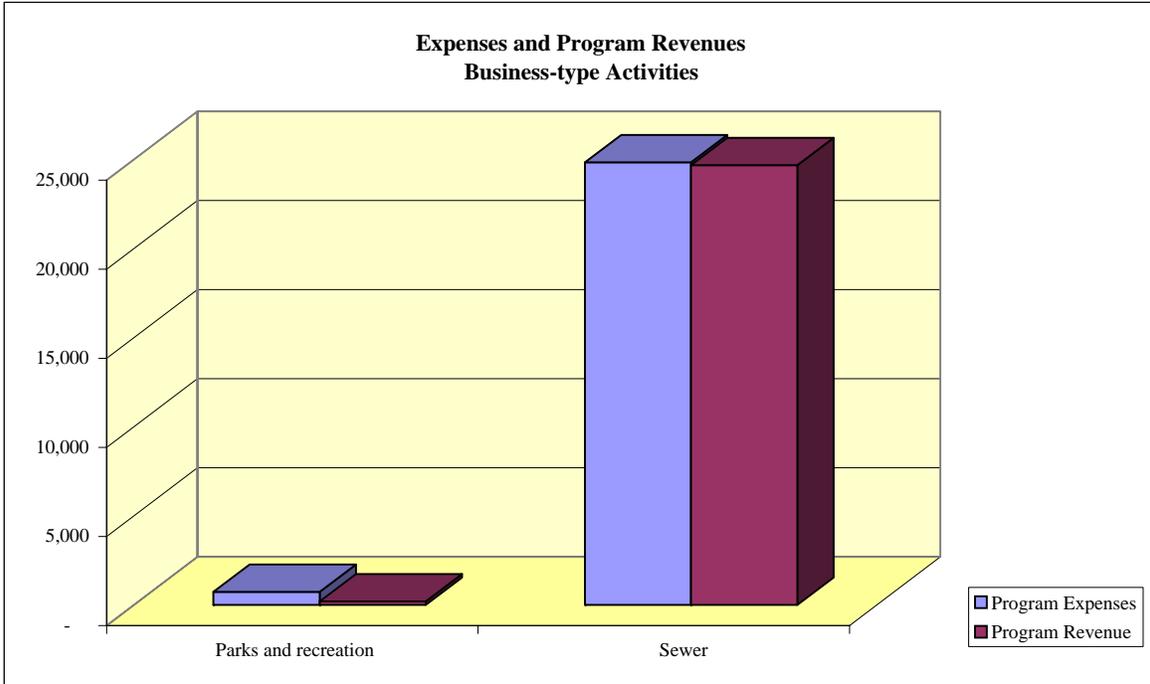
The City's change in net assets was \$32.9 million for the year ended June 30, 2006 compared to \$104.9 million as of June 30, 2005. The decrease of \$71.9 million (69%) is attributed to the increase in expenses of 7% or \$56.8 million and the decline in revenues of 2% or \$15.1 million attributed primarily to the decline in fair value for the City's pension annuity. Significant elements that make up this decrease are itemized below.

### Expenses and Program Revenues Governmental Activities



### Revenues by Sources Governmental Activities





- While the increases in property and local taxes of 15% and 4% respectively were driven by enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2005-06, charges for services and other income declined by (30%) and (8%) respectively.
- The decrease in interest and investment income of \$14.4 million or 31% is primarily attributable to the decline in fair value for the City's pension annuity.
- The increase of \$15.3 million of spending in public safety when compared to the previous year is due primarily to overtime costs resulting from the continuing problem of shortage in sworn staff, and the added costs to recruit new officers and conduct police academies to train and certify new recruits.
- The increases in community & economic development and life enrichment expenses of \$23.0 million and \$5.3 million respectively are attributed to completed projects and costs related to continuing projects from previous years.
- Interest on long-term debt increased by 18% or \$11.0 million due to defeasance and refunding of certain debts by the City.

**Business-type activities.** Business-type activities ended the fiscal year with a positive change in its net assets of \$0.8 million compared to \$3.1 million for the previous fiscal year. The decline of \$2.3 million in net assets is attributable to a 7% or \$1.7 million increase in revenues offset by a 19% or \$4.1 million increase in sewer project related expenditures.

### **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.

The Oakland Redevelopment Agency had a fund balance of \$321.7 million as of June 30, 2006 that represents an increase of 20% over the prior fiscal year. The net increase of \$53.6 million was primarily related to the improvement in property tax revenues in the project areas and the remaining bond proceeds for the Low and Moderate Housing 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 \$110.3 million as of June 30, 2006, compared to \$107.4 million for the previous fiscal year. The

2.7% or \$2.9 million increase is related to partial proceeds spent from a new debt issued to finance sewer projects. During the fiscal year, the City capitalized \$6.0 million in sewer system completed projects, net of depreciation.

### **General Fund Budgetary Highlights**

Differences between the original and the final amended expenditure budgets totaling \$21.2 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 \$19.8 million for the year ended June 30, 2006, compared to \$1.2 million in savings for the previous fiscal year. The net budget savings is attributed to (1) the significant turnover in full time sworn officers through attrition, (2) the absorption of a certain portion of sworn officers salaries and benefits by Measure Y funds to satisfy that Measure's mandates while recruitment for additional authorized full time peace officers is in progress, and (3) the completion of carryforward projects during the fiscal year.

Actual revenues compared to the final amended general fund revenue budget exceeded projections by \$16.3 million, compared to a favorable variance of \$40.0 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 \$963.2 million as of June 30, 2006 compared to \$960.6 million as of June 30, 2005, an increase of .25%. Governmental activities additions of \$64.7 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 \$3.4 million in capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$6.0 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, 2006. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Infrastructure – streets	\$ 102,904	\$ 49,433
Infrastructure – parks	21,367	33,151
Facility improvements	31,601	72,359
Sewers and storm drains	17,487	54,372
Technology enhancements	17,234	6,756
Miscellaneous	15,014	11,513
<b>TOTAL</b>	<u>\$ 205,607</u>	<u>\$ 227,584</u>

## 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 \$918.5 million. The total amount of debt applicable to the debt limit was \$358.1 million. The resulting legal debt margin was \$560.4 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2006, were as follows:

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

As of June 30, 2006, the City had total long-term obligations outstanding of \$1.88 billion compared to \$1.86 billion outstanding for the prior fiscal year, an increase of .5%. Of this amount, \$358.1 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.53 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, 2006**  
*(In Thousands)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
General obligation bonds	\$ 358,124	\$ 349,486	\$ -	\$ -	\$ 358,124	\$ 349,486
Tax allocation bonds	319,115	270,085	-	-	319,115	270,085
Certificates of participation	49,154	50,195	-	-	49,154	50,195
Lease revenue bonds	346,110	366,245	-	-	346,110	366,245
Pension obligation bonds	341,475	366,405	-	-	341,475	366,405
Special assessment debt with government commitments	7,085	7,370	-	-	7,085	7,370
Accreted interest on appreciation bonds	85,884	70,811	-	-	85,884	70,811
Sewer-bonds & notes payable	-	-	65,765	67,985	65,765	67,985
Less: deferred amounts						
Bond issuance premiums	22,734	24,186	2,710	2,829	25,444	27,015
Bond refunding loss	(22,216)	(22,793)	-	-	(22,216)	(22,793)
Total Bonds Payable	<u>1,507,465</u>	<u>1,481,990</u>	<u>68,475</u>	<u>70,814</u>	<u>\$1,575,940</u>	<u>1,552,804</u>
Notes payable	38,158	45,209	-	-	38,158	45,209
Other long-term liabilities	<u>269,566</u>	<u>267,417</u>	<u>-</u>	<u>-</u>	<u>269,566</u>	<u>267,417</u>
TOTAL						
OUTSTANDING DEBT	<u>\$1,815,189</u>	<u>\$1,794,616</u>	<u>\$68,475</u>	<u>\$ 70,814</u>	<u>\$1,883,664</u>	<u>\$ 1,865,430</u>

The City's overall total long-term obligations increased by \$18.2 million compared to fiscal year 2005. The net increase is primarily attributable to (1) the issuance of General Obligations Bonds, Measure G, Series 2006 (the "2006 GO Bonds"), (2) the Agency issuance of the Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A (the "Series 2006A Bonds"), and (3) the Agency's issuance of the federally taxable Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T ("Series 2006A-T Bonds"). 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 2006.

**Summary of New Debt:**

General Obligation Bonds, Measure G, Series 2006, (the "2006 GO Bonds"):

On June 29, 2006, the City issued \$21,000,000 of General Obligation Bonds (Series 2006, Measure G) (the "2006 GO Bonds"). The 2006 GO Bonds were issued by the City to acquire, improve, construct and finance existing and additional facilities for the Oakland Museum of California and the Oakland Zoo. This issuance constitutes the second and final series of bonds to be issued from the total authorized amount of \$59,000,000 of 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 2006 GO Bonds are tax-

exempt with interest rates ranging from 4.500% to 5.000% and a final maturity of January 15, 2036.

#### Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A

##### Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (Federally Taxable):

On April 4, 2006, the Redevelopment Agency of the City of Oakland (“Agency”) issued \$2,195,000 of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A (“Series 2006A Bonds”) and \$82,645,000 of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T (“Series 2006A-T Bonds”). All of the Series 2006A Bonds and a portion of the 2006A-T Bonds were issued for the purpose of providing funds to establish an irrevocable escrow to refund and defease certain of the Agency’s Subordinated Housing Set Aside Revenue Bonds, Series 2000T. The remaining portion of the Series 2006A-T Bonds were issued to finance or refinance various redevelopment activities, including the development of low and moderate income housing within the Agency’s project areas. The Series 2006A Bonds are tax-exempt with a final maturity of September 1, 2018; the interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2036; the interest rates of these bonds range from 5.030% to 5.927%.

The refunding portion of this financing resulted in a gross cash flow savings of approximately \$10.7 million. The net economic gain on the refunding portion of this financing is \$1,437,419.

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 7.5% in July 2006 compared to an average unemployment rate of 7.9% for 2005.
- 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.
- Average forecast residential rental and vacancy rates for 2006 were \$1,236 per month and 6.0% respectively compared to \$1,206 and 6.5% for 2005.

- 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 \$105.8 billion for 2003, ranks in the top 20 metropolitan economies in the United States and the 51<sup>st</sup> largest economy in the world.
- Estimated population for January 1, 2005 is 412,318 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 13.15 to 15.85 cents per kilowatt hour while industrial rates are from 8.87 to 12.82 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.

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**City of Oakland**  
**Statement of Net Assets**  
**June 30, 2006**  
*(In Thousands)*

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
<b>ASSETS</b>					
Cash and investments	\$ 368,492	\$ 4,673	\$ 373,165	\$ 102,462	\$ 6,317
Receivables (net of allowance for uncollectibles of \$7,705 for City and \$2,160 for component units):					
Accrued interest	1,887	-	1,887	989	-
Property taxes	20,513	-	20,513	-	-
Accounts receivable	51,037	2,962	53,999	33,241	-
Grants receivable	14,628	-	14,628	-	1,931
Due from component units	20,978	-	20,978	-	-
Internal balances	4,660	(4,660)	-	-	-
Due from other governments	4,892	-	4,892	-	-
Due from pension trust fund	3,658	-	3,658	-	-
Notes and loans receivable (net of allowance for uncollectibles of \$43,597 for the City)	204,270	-	204,270	-	-
Restricted assets:					
Cash and investments	566,037	50,846	616,883	260,647	4,095
Receivables	-	-	-	8,603	345
Inventories	850	-	850	-	-
Capital assets:					
Land and other assets not being depreciated	94,685	8,783	103,468	752,705	-
Facilities, infrastructures, and equipment, net of depreciation	741,306	118,438	859,744	1,318,440	-
Property held for resale	53,266	-	53,266	-	91,283
Unamortized bond issuance costs	23,849	687	24,536	-	-
Net pension asset	384,425	-	384,425	-	-
Other	60	-	60	102,767	-
<b>TOTAL ASSETS</b>	<u>2,559,493</u>	<u>181,729</u>	<u>2,741,222</u>	<u>2,579,854</u>	<u>103,971</u>
<b>LIABILITIES</b>					
Accounts payable and other current liabilities	131,338	1,945	133,283	42,760	428
Accrued interest payable	9,758	-	9,758	30,908	-
Due to other governments	278	-	278	-	-
Due to primary government	-	-	-	16,739	4,239
Unearned revenue	7,876	41	7,917	66,790	-
Matured bonds and interest payable	520	-	520	-	-
Other	15,300	-	15,300	43,844	458
Noncurrent liabilities:					
Due within one year	151,328	2,407	153,735	26,451	4,381
Due in more than one year	1,663,861	66,068	1,729,929	1,524,780	3,115
<b>TOTAL LIABILITIES</b>	<u>1,980,259</u>	<u>70,461</u>	<u>2,050,720</u>	<u>1,752,272</u>	<u>12,621</u>
<b>NET ASSETS (deficit)</b>					
Invested in capital assets, net of related debt	319,932	110,279	430,211	663,939	-
Restricted net assets:					
Debt service	27,470	-	27,470	114,377	-
Pension	153,735	-	153,735	-	-
Urban redevelopment and housing	82,940	-	82,940	-	85,033
Other purposes	3,679	-	3,679	-	-
Unrestricted net assets (deficit)	(8,522)	989	(7,533)	49,266	6,317
<b>TOTAL NET ASSETS</b>	<u>\$ 579,234</u>	<u>\$ 111,268</u>	<u>\$ 690,502</u>	<u>\$ 827,582</u>	<u>\$ 91,350</u>

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, 2006**  
*(In Thousands)*

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Port of Oakland	Oakland Base Reuse Authority
					Governmental Activities	Business-type Activities	Total		
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 71,471	\$ 16,266	\$ 832	\$ -	(54,373)	\$ -	(54,373)		
Public safety	335,171	42,492	7,313	-	(285,366)	-	(285,366)		
Life enrichment	101,902	79	26,564	-	(75,259)	-	(75,259)		
Community and economic development	140,351	7,947	20,459	-	(111,945)	-	(111,945)		
Public works	100,448	3,927	21,986	-	(74,535)	-	(74,535)		
Interest on long-term debt	73,224	-	-	-	(73,224)	-	(73,224)		
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>822,567</b>	<b>70,711</b>	<b>77,154</b>	<b>-</b>	<b>(674,702)</b>	<b>-</b>	<b>(674,702)</b>		
Business-type activities:									
Sewer	24,841	24,678	-	-	-	(163)	(163)		
Park and recreation	734	197	-	-	-	(537)	(537)		
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>25,575</b>	<b>24,875</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(700)</b>	<b>(700)</b>		
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 848,142</b>	<b>\$ 95,586</b>	<b>\$ 77,154</b>	<b>\$ -</b>	<b>\$ (674,702)</b>	<b>(700)</b>	<b>\$ (675,402)</b>		
<b>Component units:</b>									
Port of Oakland	\$ 281,513	\$ 267,461	\$ -	\$ 29,658				\$ 15,606	
Oakland Base Reuse Authority	\$ 8,037	\$ 7,087	\$ 2,004	\$ -					\$ 1,054
General revenues:									
Property taxes					268,693	-	268,693	-	-
State taxes					67,304	-	67,304	-	-
Local taxes					261,815	-	261,815	-	-
Interest and investment income					30,406	1,996	32,402	11,146	381
Other					78,053	62	78,115	37,714	63
Transfers					600	(600)	-	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>706,871</b>	<b>1,458</b>	<b>708,329</b>	<b>48,860</b>	<b>444</b>
Changes in net assets					32,169	758	32,927	64,466	1,498
<b>NET ASSETS - BEGINNING</b>					<b>547,065</b>	<b>110,510</b>	<b>657,575</b>	<b>763,116</b>	<b>89,852</b>
<b>NET ASSETS - ENDING</b>					<b>\$ 579,234</b>	<b>\$ 111,268</b>	<b>\$ 690,502</b>	<b>\$ 827,582</b>	<b>\$ 91,350</b>

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

**CITY OF OAKLAND**  
**Balance Sheet**  
**Governmental funds**  
**June 30, 2006**  
*(In Thousands)*

	<b>General</b>	<b>Federal/State Grant Fund</b>	<b>Oakland Redevelopment Agency</b>	<b>Municipal Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>						
Cash and investments	\$128,760	\$ -	\$ 149,610	\$ 18,202	\$ 68,179	\$ 364,751
Receivables (net of allowance for uncollectibles of \$5,431):						
Accrued interest	1,194	42	36	133	482	1,887
Property taxes	7,982	830	8,143	-	3,558	20,513
Accounts receivable	45,096	1,397	1,259	-	3,141	50,893
Grants receivable	-	14,120	-	-	508	14,628
Due from component unit	18,438	-	-	-	2,540	20,978
Due from other funds	60,190	547	33,178	-	2,102	96,017
Due from other governments	-	-	4,892	-	-	4,892
Notes and loans receivable (net of allowance for uncollectibles of \$43,597)	40,835	83,986	62,334	-	17,115	204,270
Restricted cash and investments	153,735	3,679	128,012	111,094	159,048	555,568
Property held for resale	-	-	53,266	-	-	53,266
Other	36	24	-	-	-	60
<b>TOTAL ASSETS</b>	<b><u>\$456,266</u></b>	<b><u>\$ 104,625</u></b>	<b><u>\$ 440,730</u></b>	<b><u>\$ 129,429</u></b>	<b><u>\$ 256,673</u></b>	<b><u>\$1,387,723</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable and accrued liabilities	\$101,796	\$ 4,784	\$ 16,480	\$ 3,857	\$ 2,918	\$ 129,835
Due to other funds	27,348	9,674	2,121	-	13,947	53,090
Due to other governments	65	-	213	-	-	278
Deferred revenue	29,813	87,897	96,862	-	19,179	233,751
Matured bonds and interest payable	-	-	-	520	-	520
Other	10,725	-	3,311	612	285	14,933
<b>TOTAL LIABILITIES</b>	<b><u>169,747</u></b>	<b><u>102,355</u></b>	<b><u>118,987</u></b>	<b><u>4,989</u></b>	<b><u>36,329</u></b>	<b><u>432,407</u></b>
<b>Fund balances (deficit)</b>						
Reserved:						
Encumbrances	6,708	14,525	-	5,669	6,397	33,299
Long-term receivables	6,000	-	-	-	-	6,000
Debt service	2,443	-	-	-	149,388	151,831
Property held for resale	-	-	53,266	-	-	53,266
Capital projects	-	-	267,229	-	-	267,229
Pension obligations	119,000	-	-	-	-	119,000
Unreserved/(deficit) reported in:						
General fund	152,368	-	-	-	-	152,368
Special revenue funds	-	(12,255)	-	-	54,357	42,102
Capital project funds	-	-	1,248	118,771	10,202	130,221
<b>TOTAL FUND BALANCES</b>	<b><u>286,519</u></b>	<b><u>2,270</u></b>	<b><u>321,743</u></b>	<b><u>124,440</u></b>	<b><u>220,344</u></b>	<b><u>955,316</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$456,266</u></b>	<b><u>\$ 104,625</u></b>	<b><u>\$ 440,730</u></b>	<b><u>\$ 129,429</u></b>	<b><u>\$ 256,673</u></b>	<b><u>\$1,387,723</u></b>

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

**City of Oakland**  
**Reconciliation of the Government Funds Balance Sheet to the**  
**Statement of Net Assets for Governmental Activities**  
**June 30, 2006**  
*(In Thousands)*

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Fund balance - total governmental funds	\$ 955,316
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.	811,264
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets.	23,849
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.	384,425
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(9,758)
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.	225,875
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,797,414)
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.	<u>(14,323)</u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<u><u>\$ 579,234</u></u>

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

**CITY OF OAKLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<b>General</b>	<b>Federal/State Grant Fund</b>	<b>Oakland Redevelopment Agency</b>	<b>Municipal Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes:						
Property	\$ 151,754	\$ -	\$ 89,337	\$ -	\$ 27,270	\$ 268,361
State:						
Sales and use	44,875	-	-	-	11,969	56,844
Motor vehicle in-lieu	2,984	-	-	-	-	2,984
Gas	-	-	-	-	7,476	7,476
Local:						
Business license	43,790	-	-	-	-	43,790
Utility consumption	48,770	-	-	-	-	48,770
Real estate transfer	79,483	-	-	-	-	79,483
Transient occupancy	11,690	-	-	-	-	11,690
Parking	8,469	-	-	-	6,727	15,196
Voter approved special tax	-	11,095	-	-	20,633	31,728
Franchise	12,152	-	-	-	-	12,152
Licenses and permits	18,975	-	-	-	31	19,006
Fines and penalties	23,888	118	-	-	1,461	25,467
Interest and investment income	3,808	3,538	7,320	4,274	11,781	30,721
Charges for services	66,849	177	-	-	3,685	70,711
Federal and state grants and subventions	3,587	65,233	-	139	4,819	73,778
Other	17,075	4,196	6,663	2	19,622	47,558
<b>TOTAL REVENUES</b>	<b>538,149</b>	<b>84,357</b>	<b>103,320</b>	<b>4,415</b>	<b>115,474</b>	<b>845,715</b>
<b>EXPENDITURES</b>						
Current:						
Elected and Appointed Officials:						
Mayor	1,654	3	-	300	190	2,147
Council	2,604	-	-	447	1,244	4,295
City Manager	9,930	691	-	816	2,152	13,589
City Attorney	9,459	382	-	-	3,021	12,862
City Auditor	1,157	-	-	-	4	1,161
City Clerk	1,547	-	-	-	70	1,617
Agencies/Departments:						
Personnel Resource Management	4,436	-	-	-	77	4,513
Information Technology	8,891	6	-	330	-	9,227
Financial Services	22,780	171	-	5	1,225	24,181
Police Services	179,201	3,915	-	6	4,846	187,968
Fire Services	101,247	1,141	-	828	7,946	111,162
Life Enrichment:						
Parks and Recreation	14,136	72	-	20	3,068	17,296
Library	11,120	11,477	-	14	331	22,942
Museum	-	-	-	-	267	267
Aging & Health and Human Services	5,926	28,058	-	19	12,578	46,581
Cultural Arts and Museum	6,748	-	-	84	-	6,832
Community and Economic Development	20,592	23,729	75,456	2,466	13,318	135,561
Public Works	32,621	2,381	-	8,842	35,972	79,816
Other	16,992	-	3,689	-	2,367	23,048
Capital outlay	573	6,295	-	12,918	5,228	25,014
Debt service:						
Principal repayment	-	500	10,325	605	61,153	72,583
Bond issuance costs	-	-	2,111	385	-	2,496
Interest charges	-	806	16,259	78	51,884	69,027
<b>TOTAL EXPENDITURES</b>	<b>451,614</b>	<b>79,627</b>	<b>107,840</b>	<b>28,163</b>	<b>206,941</b>	<b>874,185</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>						
<b>OVER (UNDER) EXPENDITURES</b>	<b>86,535</b>	<b>4,730</b>	<b>(4,520)</b>	<b>(23,748)</b>	<b>(91,467)</b>	<b>(28,470)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from bonds issuance	-	-	84,840	21,000	-	105,840
Premiums on issuance of bonds	-	-	124	204	-	328
Payment to refunding bond escrow agent	-	-	(27,853)	-	-	(27,853)
Property sale proceeds	3,040	-	1,033	-	189	4,262
Transfers in	2,608	-	-	241	98,794	101,643
Transfers out	(97,501)	-	-	(3,300)	(242)	(101,043)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(91,853)</b>	<b>-</b>	<b>58,144</b>	<b>18,145</b>	<b>98,741</b>	<b>83,177</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,318)</b>	<b>4,730</b>	<b>53,624</b>	<b>(5,603)</b>	<b>7,274</b>	<b>54,707</b>
Fund balances (deficit) - beginning	291,837	(2,460)	268,119	130,043	213,070	900,609
<b>FUND BALANCES - ENDING</b>	<b>\$ 286,519</b>	<b>\$ 2,270</b>	<b>\$ 321,743</b>	<b>\$ 124,440</b>	<b>\$ 220,344</b>	<b>\$ 955,316</b>

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

**City of Oakland**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the**  
**Statement of Activities of Governmental Activities**  
**For the Year Ended June 30, 2006**  
*(In Thousands)*

Net change in fund balance - total governmental funds	\$ 54,707
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.	(1,321)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.	19,353
Some expenses such as claims, vacations and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.	(5,105)
Changes to the net pension assets, as reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(7,778)
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.	946
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transactions, however have no effect on net assets. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.	
Principal payments	72,583
Payments to escrow agent for refunded debt	27,853
Issuance of bonds and notes	(105,840)
Premium on bond proceeds	(328)
Amortization of bond premiums	1,780
Amortization of refunding loss	(2,945)
Additional accrued and accreted interest calculated on bonds and notes payable	(17,964)
Reductions on other long-term liability for mandated Alameda County environmental clean-up health costs	3,180
The net loss of activities of internal service funds is reported with governmental activities	(6,952)
<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ 32,169</b>

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, 2006**  
*(In Thousands)*

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer Service</u>	<u>Nonmajor Fund Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>ASSETS</b>				
Current Assets:				
Cash and investments	\$ -	\$ 4,673	\$ 4,673	\$ 3,741
Accounts receivables (net of uncollectibles of \$1,926 and \$348) for the enterprise funds and internal service funds, respectively)	2,930	32	2,962	144
Inventories	-	-	-	850
Restricted cash and investments	<u>50,846</u>	<u>-</u>	<u>50,846</u>	<u>10,469</u>
Total current assets	<u>53,776</u>	<u>4,705</u>	<u>58,481</u>	<u>15,204</u>
Noncurrent Assets:				
Capital assets:				
Land and other assets not being depreciated	8,565	218	8,783	310
Facilities and equipment, net of depreciation	<u>116,724</u>	<u>1,714</u>	<u>118,438</u>	<u>24,417</u>
Total capital assets	<u>125,289</u>	<u>1,932</u>	<u>127,221</u>	<u>24,727</u>
Unamortized bond issuance costs	<u>687</u>	<u>-</u>	<u>687</u>	<u>-</u>
Total noncurrent assets	<u>125,976</u>	<u>1,932</u>	<u>127,908</u>	<u>24,727</u>
<b>TOTAL ASSETS</b>	<u>179,752</u>	<u>6,637</u>	<u>186,389</u>	<u>39,931</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable and accrued liabilities	1,945	-	1,945	1,503
Due to other funds	4,660	-	4,660	34,609
Deferred revenue	41	-	41	-
Other payables	-	-	-	367
Bonds, notes payables	<u>2,407</u>	<u>-</u>	<u>2,407</u>	<u>4,890</u>
Total current liabilities	<u>9,053</u>	<u>-</u>	<u>9,053</u>	<u>41,369</u>
Noncurrent Liabilities:				
Bonds, notes and other payables	<u>66,068</u>	<u>-</u>	<u>66,068</u>	<u>12,885</u>
Total noncurrent liabilities	<u>66,068</u>	<u>-</u>	<u>66,068</u>	<u>12,885</u>
<b>TOTAL LIABILITIES</b>	<u>75,121</u>	<u>-</u>	<u>75,121</u>	<u>54,254</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	108,347	1,932	110,279	6,952
Unrestricted (deficit)	<u>(3,716)</u>	<u>4,705</u>	<u>989</u>	<u>(21,275)</u>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ 104,631</u>	<u>\$ 6,637</u>	<u>\$ 111,268</u>	<u>\$ (14,323)</u>

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

**CITY OF OAKLAND**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<u>Business-type Activities Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer Service</u>	<u>Nonmajor Fund Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
<b>OPERATING REVENUES</b>				
Rental	\$ -	\$ 197	\$ 197	\$ -
Sewer services	24,678	-	24,678	-
Charges for services	-	-	-	34,964
Other	-	-	-	6,464
<b>TOTAL OPERATING REVENUES</b>	<u>24,678</u>	<u>197</u>	<u>24,875</u>	<u>41,428</u>
<b>OPERATING EXPENSES</b>				
Personnel	12,941	-	12,941	15,903
Supplies	440	-	440	6,107
Depreciation and amortization	3,614	152	3,766	4,353
Contractual services and supplies	1,401	64	1,465	7,462
Repairs and maintenance	57	-	57	1,957
General and administrative	2,061	2	2,063	3,710
Rental	1,252	11	1,263	1,578
Other	-	505	505	6,349
<b>TOTAL OPERATING EXPENSES</b>	<u>21,766</u>	<u>734</u>	<u>22,500</u>	<u>47,419</u>
<b>OPERATING INCOME (LOSS)</b>	<u>2,912</u>	<u>(537)</u>	<u>2,375</u>	<u>(5,991)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and investment income	1,834	162	1,996	(315)
Interest expense	(3,075)	-	(3,075)	(1,108)
Other, net	62	-	62	462
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>(1,179)</u>	<u>162</u>	<u>(1,017)</u>	<u>(961)</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	1,733	(375)	1,358	(6,952)
Transfers out	(600)	-	(600)	-
Change in net assets	1,133	(375)	758	(6,952)
Net Assets - Beginning	103,498	7,012	110,510	(7,371)
<b>NET ASSETS - ENDING</b>	<u>\$ 104,631</u>	<u>\$ 6,637</u>	<u>\$ 111,268</u>	<u>\$ (14,323)</u>

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

**CITY OF OAKLAND**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Nonmajor Fund</u>	<u>Total</u>	<u>Internal</u>
	<u>Service</u>	<u>Parks and</u>		<u>Service</u>
		<u>Recreation</u>		<u>Funds</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers, including other funds and cash deposits	\$ 24,959	\$ -	\$ 24,959	\$ 34,913
Cash received from tenants for rents	-	197	197	-
Cash from other sources	-	-	-	6,464
Cash paid to employees for services	(12,941)	-	(12,941)	(15,903)
Cash paid to suppliers for goods & services	(4,216)	(582)	(4,798)	(26,252)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>7,802</u>	<u>(385)</u>	<u>7,417</u>	<u>(778)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Payment of interfund loans	(91)	-	(91)	4,473
Federal and state grants	62	-	62	-
Transfers out	(600)	-	(600)	-
<b>NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES</b>	<u>(629)</u>	<u>-</u>	<u>(629)</u>	<u>4,473</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	(9,746)	(1)	(9,747)	(2,290)
Proceeds from sales of property	-	-	-	5
Long-term debt:				
Costs of issuance	29	-	29	-
Repayment of long-term debt	(2,339)	-	(2,339)	(5,615)
Interest paid on long-term debt	(3,075)	-	(3,075)	(830)
<b>NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(15,131)</u>	<u>(1)</u>	<u>(15,132)</u>	<u>(8,730)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest income received	1,834	162	1,996	(593)
Rental income	-	-	-	457
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>1,834</u>	<u>162</u>	<u>1,996</u>	<u>(136)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(6,124)</u>	<u>(224)</u>	<u>(6,348)</u>	<u>(5,171)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>56,970</u>	<u>4,897</u>	<u>61,867</u>	<u>19,381</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 50,846</u>	<u>\$ 4,673</u>	<u>\$ 55,519</u>	<u>\$ 14,210</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 2,912	\$ (537)	\$ 2,375	\$ (5,991)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Depreciation and amortization	3,614	152	3,766	4,353
Changes in assets and liabilities:				
Receivables	281	-	281	(63)
Inventories	-	-	-	12
Accounts payable and accrued liabilities	962	-	962	911
Deferred revenue	33	-	33	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 7,802</u>	<u>\$ (385)</u>	<u>\$ 7,417</u>	<u>\$ (778)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>				
Cash and investments	-	4,673	4,673	3,741
Restricted cash and investments	50,846	-	50,846	10,469
<b>TOTAL</b>	<u>\$ 50,846</u>	<u>\$ 4,673</u>	<u>\$ 55,519</u>	<u>\$ 14,210</u>

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, 2006  
*(In Thousands)*

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	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Fund</u>
<b>ASSETS</b>		
Cash and investments	\$ 3,844	\$ 5,701
Receivables:		
Accrued interest and dividends	2,601	21
Investments and contributions	79,461	-
Restricted:		
Cash and investments	634,763	-
Securities lending collateral	<u>57,659</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u>778,328</u>	<u>5,722</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	126,018	36
Due to other funds	3,658	-
Securities lending collateral	57,659	-
Other	<u>-</u>	<u>7</u>
<b>TOTAL LIABILITIES</b>	<u>187,335</u>	<u>43</u>
<b>NET ASSETS</b>		
Net assets held in trust	<u>\$ 590,993</u>	<u>\$ 5,679</u>

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

**CITY OF OAKLAND**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Fund</b>
<b>ADDITIONS:</b>		
Contributions:		
Member contributions	\$ 25	\$ -
City contributions	-	120
Total contributions	25	120
Trust receipts	-	807
Investment income:		
Net appreciation in fair value of investments	25,644	-
Interest	13,888	131
Dividends	4,898	-
Securities lending	2,020	-
TOTAL INVESTMENT INCOME	46,450	131
Less investment expenses:		
Investment expenses	(2,008)	-
Borrowers rebates and other agent fees on securities lending transactions	(1,911)	-
Total investment expenses	(3,919)	-
NET INVESTMENT INCOME	42,531	131
TOTAL ADDITIONS	42,556	1,058
<b>DEDUCTIONS:</b>		
Benefits to members and beneficiaries:		
Retirement	43,878	-
Disability	26,249	-
Death	2,191	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	72,318	-
Administrative expenses	1,080	5
Change in payable to City	1,587	-
Police services	-	150
TOTAL DEDUCTIONS	74,985	155
Change in net assets	(32,429)	903
NET ASSETS - BEGINNING	623,422	4,776
NET ASSETS - ENDING	\$ 590,993	\$ 5,679

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2006**

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**CITY OF OAKLAND**  
**Notes to Basic Financial Statements**  
**Year Ended June 30, 2006**

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**(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY**

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

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

**Blended Component Units**

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

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

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Discretely Presented Component Units**

The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (the Board) that is appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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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, 2006.

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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

Charges between the City, 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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other revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

### **Cash and Investments**

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

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

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

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

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

During the course of operations, numerous transactions 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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### **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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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## **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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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### **Net Pension Asset**

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

### **Compensated Absences**

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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## **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 \$94,174,096 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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### **Effects of New Pronouncements**

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 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 September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. The requirements of this Statement are effective for financial statement periods beginning after December 15, 2006.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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

### **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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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, 2006, the number of external investment managers was nine for the PFRS and one for the OMERS.

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

	Primary Government			Total	Port	OBRA
	Governmental Activities	Business-type Activities	Fiduciary Funds			
Cash and investments	\$ 368,492	\$ 4,673	\$ 9,545	\$ 382,710	\$ 102,462	\$ 6,317
Restricted cash and investments	566,037	50,846	634,763	1,251,646	260,647	4,095
Restricted securities lending collateral	—	—	<u>57,659</u>	<u>57,659</u>	—	—
<b>TOTAL</b>	<u>\$ 934,529*</u>	<u>\$55,519</u>	<u>\$ 701,967</u>	<u>\$1,692,015</u>	<u>\$ 363,109</u>	<u>\$ 10,412</u>
Deposits				\$ 17,553	\$ 13,071	\$ 2,470
Investments				<u>1,674,462</u>	<u>350,038</u>	<u>7,942</u>
<b>TOTAL</b>				<u>\$1,692,015</u>	<u>\$ 363,109</u>	<u>\$ 10,412</u>

\*\$934,529 consists of all governmental funds and the internal service funds.

**Investments - Primary Government**

**Custodial Credit Risk:** For investments, custodial risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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At June 30, 2006, the carrying amount of the City's deposits was \$17.6 million and the bank balance was \$17.0 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 \$16.4 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, 2006, approximately 63% 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, 2006 (in thousands):

**Pooled Investments**

	<u>Fair Value</u>	<u>Ratings as of Fiscal Year Ended 06-30-06</u>		
		<u>AAA/Aaa</u>	<u>A1/P1/F-1</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 231,353	\$ 231,353	\$ -	\$ -
U.S. Govt. Ag. Security Disc.	44,275	2,929	41,346	-
Corporate Bond	2,995	-	2,995	-
Money Market Funds	58,438	58,438	-	-
Local Agency Investment Fund (LAIF)	66,109	-	-	66,109
Commercial Paper	60,990	-	60,990	-
<b>Total Investment Pool</b>	<b>\$ 464,160</b>	<b>\$ 292,720</b>	<b>\$ 105,331</b>	<b>\$ 66,109</b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Restricted Investments**

	Fair Value	Ratings as of Fiscal Year Ended 06-30-06			
		AAA/Aaa	AA/Aa2	A1/P1/F1	Not Rated
U.S. Govt. Ag. Securities	\$ 3,005	\$ 3,005	\$ -	\$ -	\$ -
Commercial Paper	53,949	-	-	53,949	-
Corporate Bonds	3,000	-	-	3,000	-
U.S. Treasury Strips	23,246	-	-	-	23,246
LAIF	32,182	-	-	-	32,182
Money Market Funds	118,296	118,296	-	-	-
Local Govt. Bonds	117,374	-	-	-	117,374
Investment Agreement	219,175	95,469	123,706	-	-
Annuity	119,000	-	-	-	119,000
<b>Total</b>	<b>\$ 689,227</b>	<b>\$ 216,770</b>	<b>\$ 123,706</b>	<b>\$ 56,949</b>	<b>\$291,802</b>

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

Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes. The JPFA's investment in the City of Oakland General Obligation Refunding Bonds, Series 2005 in the amount of \$117,374,000 and the guaranteed non-participating annuities in New York Life Insurance Company in the amount of \$119,000,000 represents 10.2% and 10.3% of the total City portfolio respectively, at June 30, 2006. The City also has U.S. Government Securities with Federal National for \$85,896,084 and Federal Home Loan Bank for \$117,539,277 that represents 5.0% and 6.9% of the total City portfolio respectively, at June 30, 2006. The City also has Investment Agreements with the following; AIG Matching Funding Corporation \$123,706,007, FSA Capital Management \$40,261,907 and IXIS Capital Markets Inc \$ 55,207,075, representing 19.0% of the total City portfolio at June 30, 2006.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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

<b>Pooled Investments</b>			<b>Restricted Investments</b>		
	<b>Fair Value</b>	<b>% of Portfolio</b>		<b>Fair Value</b>	<b>% of Portfolio</b>
U.S. Govt. Agency Securities	\$ 231,353	49.84%	U.S. Govt. Ag. Securities	\$ 3,005	0.44%
U.S. Govt. Ag. Security Disc.	44,275	9.54%	Commercial Paper	53,949	7.83%
Corporate Bond	2,995	0.65%	Corporate Bond	3,000	0.44%
Money Market Funds	58,438	12.59%	U.S. Treasury Strips	23,246	3.37%
LAIF	66,109	14.24%	LAIF	32,182	4.67%
Commercial Paper	60,990	13.14%	Money Market Funds	118,296	17.16%
			Local Government Bonds	117,374	17.03%
			Investment Agreement	219,175	31.80%
			Annuity	119,000	17.27%
<b>TOTAL</b>	<b>\$ 464,160</b>	<b>100.00%</b>	<b>TOTAL</b>	<b>\$ 689,227</b>	<b>100.00%</b>

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

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2006, the City's pooled portfolio had an average day to maturity of 273 days and had the following investments and original maturities (in thousands):

<b>Pooled Investments</b>	<b>Fair Value</b>	<b>Interest Rates (%)</b>	<b>Maturity</b>		
			<b>12 Months or Less</b>	<b>1 - 3 Years</b>	<b>3 - 5 Years</b>
U.S. Govt. Agency Securities	\$ 231,353	2.19 – 11.89	\$ 93,389	\$ 135,073	\$ 2,891
U.S. Govt. Ag. Security Disc.	44,275	4.46 – 5.31	44,274	-	-
Corporate Bond	2,995	5.19	2,995	-	-
Money Market Funds	58,438	4.86 – 5.10	58,439	-	-
LAIF	66,109	4.77	66,109	-	-
Commercial Paper	60,990	4.26 – 6.08	60,990	-	-
<b>TOTAL</b>	<b>\$ 464,160</b>		<b>\$ 326,196</b>	<b>\$ 135,073</b>	<b>\$ 2,891</b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Restricted Investments**

	Fair Value	Interest Rates (%)	Maturity			
			12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Govt. Agency Securities	\$ 3,005	5.46	\$ 3,005	\$ -	\$ -	\$ -
Commercial Paper	53,949	0.00 – 13.70	53,949	-	-	-
Corporate Bond	3,000	7.18	-	-	-	3,000
U.S. Treasury Strips	23,246	4.17 – 5.54	2,135	3,931	3,556	13,624
LAIF	32,182	1.00 – 4.70	32,182	-	-	-
Money Market Funds	118,296	1.14 – 5.00	118,296	-	-	-
Local Government Bonds	117,374	4.86	5,290	11,411	12,663	88,010
Investment Agreement	219,175	3.53 – 5.20	18,484	200,691	-	-
Annuity	119,000	5.40	-	-	-	119,000
<b>TOTAL</b>	<b>\$ 689,227</b>		<b>\$ 233,341</b>	<b>\$ 216,033</b>	<b>\$ 16,219</b>	<b>\$ 223,634</b>

**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, 2006, the City's investment in LAIF is \$98.3 million (\$66.1 million in pooled investments and \$32.2 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$16.3 billion. Of that amount, over 97.4% is invested in non-derivative financial products and 2.6% 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 OMERS separate portion of the investment pool. As of June 30, 2006, the OMERS's share of the City's investment pool totaled \$374,610.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Investments**

OMERS investment policy authorizes investment in domestic common stocks and bonds. During the year ended June 30, 2006, OMERS investment portfolio was managed by one external investment manager.

OMERS investment policy states that the fixed income portfolio shall be 100% investment grade with a focus on capital preservation and income generation. The policy also limits the duration of the fixed income investments to within a range of 1.5 years to that of the Lehman Aggregate Bond Index. The portfolio concentrations are limited to 5% of a single issuer. This provision does not apply to U.S. Government securities.

OMERS investment policy on equity investment states that, on a total equity portfolio basis, concentration in any one industry should not exceed 40% and the investments in any single company should not exceed 7% of the total market value of the individual manager's portfolio. The total portfolio should not contain greater than 5% of the outstanding shares of any company, or 10% of the average daily shares traded for that single company, whichever is smaller.

**Interest Rate Risk:** This risk is the risk that changes in 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, 2006 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, 2006, OMERS had the following investments and maturities (in thousands):

<u>Fixed Investments</u>	<u>Fair Value</u>	<u>Modified Duration (Year)</u>
U.S. Government bonds	\$ 1,225	8.86
Corporate bonds	484	2.31
Bonds mutual funds	2,094	2.52
<b>Total Fixed Investments</b>	<b>\$ 3,803</b>	<b>4.53</b>
<b>Other Investment</b>		
Domestic equities	4,497	
<b>Total Investment</b>	<b>\$ 8,300</b>	

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table below shows OMERS credit risk as of June 30, 2006:

S & P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	\$ 2,520	66.3%
AA	1,283	33.7%
<b>Total Fixed Investments</b>	<b>\$ 3,803</b>	<b>100%</b>
<b>Other Investment</b>		
Domestic equities	4,497	
<b>Total Investment</b>	<b>\$ 8,300</b>	

**Concentration of Credit Risk:** This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2006, 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, or mutual funds) that represented 5 percent or more of OMERS investments (in thousands):

Investments	Amount
Capstead Mortgage Corp.	\$ 417
Varian Medical System, Inc	379
Nordic American Tanker Shipping, LTD	365
Total	\$ 1,161

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

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

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Oakland Police and Fire Retirement System (PFRS)**

**City's Investment Pool**

Cash in treasury is held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. It is not possible to disclose relevant information about PFRS separate portion of the investment pool. As of June 30, 2006, the PFRS share of the City's investment pool totaled \$3,471,130.

**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, 2006, the number of external investment managers was nine.

PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. PFRS investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the 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.

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

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Interest Rate Risk:** This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. As of June 30, 2006 the duration for PFRS fixed income investment portfolio was 4.28 years, excluding the fixed income short-term investments and securities lending investments.

As of June 30, 2006, PFRS had the following fixed income investments and maturities (in thousands):

<u>Fixed Income Investments</u>	<u>Fair Value</u>	<u>Modified Duration (Year)</u>
U.S. Govt. Agencies	\$ 112,331	4.0
U.S. Govt. Agencies (short-term)	31,045	0.0
U.S. Govt. Bond	50,027	7.6
Other Govt. Bonds	1,378	7.3
Corporate Bonds	104,756	4.2
<b>Total Fixed Income Investments</b>	<b>\$ 299,537</b>	<b>4.3</b>

**Credit Risk:** This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following table provides information as of June 30, 2006 concerning credit risk of fixed income securities (in thousands):

<u>S&amp;P or Moody's Rating</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Total Fixed Maturity Fair Value</u>
AAA	\$ 232,132	77.50%
AA	9,738	3.25%
A	22,119	7.38%
BBB	25,217	8.42%
BB	2,344	0.78%
B	7,856	2.62%
Not Rated	131	0.04%
<b>Total Fixed Investments</b>	<b>\$ 299,537</b>	<b>100.0%</b>

**Concentration of Credit Risk:** This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2006, with the exception of mutual funds and United States Government securities, no investment exceeded 5% of PFRS investments.

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

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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held by the pledging financial institution's trust department and is considered held in the City's name.

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

**Foreign Currency Risk:** This risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. The following summarizes PFRS investments that are denominated in foreign currencies as of June 30, 2006:

	<b>Total</b>
<b>Foreign currency:</b>	
Australian Dollar	\$ 2,024
British Pound Sterling	11,380
Canadian Dollar	1,850
Danish Krone	1,021
Euro	18,182
Hong Kong Dollar	2,639
Japanese Yen	12,226
Norwegian Krone	346
Singapore Dollar	1,097
Swedish Krona	227
Swiss Franc	6,199
<b>Total Foreign Currency</b>	<b>\$ 57,191</b>

### **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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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As of June 30, 2006, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with MetWest requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table provides information as of June 30, 2006 concerning securities lending investments and collateral received (in thousands):

<b>Securities Lending</b>	
<b>Investments and Collateral Received (At Fair Value)</b>	
<b>Type of Investment</b>	<b>Amount</b>
Cash Collateral	
U.S. Government and agencies	\$ 45,681
Corporate bonds	1,439
U.S. equity	10,539
Total Securities Lent	57,659
<b>Type of Collateral Received</b>	
Cash Collateral	
Cash	582
Corporate bonds	25,000
Repurchase agreement	34,000
Total Collateral Received	\$ 59,582

**Fair Value Highly Sensitive to Change in Interest Rates:** The term of a debt investment may cause its fair value to be highly sensitive to interest rates changes. The fair value Collateralized Mortgage Obligation (CMO) are considered sensitive to interest rate changes because they have embedded options.

The following table shows sensitive interest rate analysis as of June 30, 2006:

<u>Securities Name</u>	<u>Coupon Rate</u>	<u>Fair Value (in millions)</u>	<u>Percent of account Market value</u>
Commercial Mortgage Pass-Through	3.25%	1.19	0.83%

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Discretely Presented Component Units**

**Port of Oakland**

The Port's cash, cash equivalents, investments and deposits consisted of the following at June 30, 2006 (in thousands):

Bank Deposit	
Cash on hand and at bank	\$ 17
Bank deposit – escrow in-lieu of retentions	13,057
Investments	350,035
Total Cash, Cash Equivalents, Investments and Deposits	<u>\$ 363,109</u>

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

**Investments**

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dates as of April 1, 2006, as it may be amended from time to time (the Restated Indenture). Escrow funds are on deposit with an escrow agent.

At June 30, 2006 the Port had the following investments (in thousands):

	Fair Value	Credit Rating	Maturities		
			Less than 1 Year	1 - 5 Years	5 or More Years
U.S. Treasury Note	\$ 11,778	N/A	\$ 11,778	\$ -	\$ -
Federal Agency Securities	237	Aaa	130	107	-
Commercial Paper	574	A-1+	574	-	-
Government Securities Money					
Market Mutual Funds	7,662	Aaa	7,662	-	-
Guaranteed Investment Contracts	195,788	Not Rated	-	144,253	51,535
Bank Investment Contract	28,996	Not Rated	-	-	28,996
City Investment Pool	105,000	Aaa	105,000	-	-
<b>Total Investments</b>	<b>\$ 350,035</b>		<b>\$ 125,144</b>	<b>\$ 144,360</b>	<b>\$ 80,531</b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Investments Authorized by Debt Agreements**

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

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

**Interest Rate Risk**

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

**Credit Risk**

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

**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.

<u>Investment</u>	<u>Investment Type</u>	<u>% of Investment</u>
Bayerische LandesBank Girozentrale	Bank Investment Contract	8.28%
FSA Capital Management Services LLC	Guaranteed Investment Contract	4.42%
AMBAC Capital Funding, Inc	Guaranteed Investment Contract	18.92%
CDC Funding Corp	Guaranteed Investment Contract	18.86%
XL Asset Funding Company I LLC	Guaranteed Investment Contract	12.01%
City Investment Pool	City Pool	30.00%

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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Port revenues are deposited in the City Treasury. These and all the City funds are commingled and invested in the City's investment pool. The City's investment portfolio average maturity may not exceed 540 days; the weighted average maturity of the City's investment pool as of June 30, 2006 is 273. 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.

**Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of the investments or collateral securities in the possession of an outside party. The carrying amount of Port bank investment contracts was \$28,996 as of June 30, 2006, of which \$100,000 was insured. The remaining balance of \$28,896 as of June 30, 2006, was exposed to custodial credit risk because they are neither insured nor collateralized.

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

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

**Restricted Cash and Investments**

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Deposits and Investments**

The carrying amount of Port deposits with banks and cash on hand was \$13.1 million on at June 30, 2006. Bank balances and escrow deposits of \$13.1 million at June 30, 2006, 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 investments at June 30, 2006 consist of the following (in thousands):

	<b>Fair Value</b>
Unrestricted investments	\$ 6,317
Restricted:	
Deposits	2,470
Investments	1,625
	4,095
Total	\$ 10,412

**Deposits**

At June 30, 2006, the carrying amount of OBRA's deposits was \$2.5 million and the bank balance was \$3.9 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 \$3.8 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**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, 2006.

Investments consisted of the following fair value at June 30, 2006 (in thousands):

	<u>Fair Value</u>	<u>Credit Risk</u>	<u>Effective Duration</u>
Money market funds	\$ 6,317	Unrated	-
Deposits with banks	2,470	Unrated	-
Local Agency Investment Fund	1,625	Unrated	-
Total cash and investments	<u>\$ 10,412</u>		

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(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, 2006, is as follows (in thousands):

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal/State Grant Fund	\$ 6,598
	Oakland Redevelopment Agency	19
	Other Governmental Funds	10,646
	Sewer Service Fund	4,660
	Internal Service Funds	34,609
	Pension Trust Funds	<u>3,658</u>
<b>TOTAL</b>		<u>60,190</u>
Federal/State Grant Fund	Other Governmental Funds	547
Oakland Redevelopment Agency	General Fund	27,348
	Federal/State Grant Fund	3,076
	Other Governmental Funds	<u>2,754</u>
<b>TOTAL</b>		<u>33,178</u>
Other Governmental Funds	Oakland Redevelopment Agency	<u>2,102</u>
<b>TOTAL</b>		<u>\$ 96,017</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**INTERFUND TRANSFERS:**

<b>TRANSFERS OUT</b>	<b>TRANSFERS IN</b>			
	<b>General Fund</b>	<b>Municipal Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental</b>
General Fund	\$ -	\$ -	\$ 97,501	\$ 97,501
Municipal Capital Improvement Fund	2,007	-	1,293	3,300
Other Governmental Funds	1	241	-	242
Sewer Service Fund	600	-	-	600
<b>Total</b>	<b>\$ 2,608</b>	<b>\$ 241</b>	<b>\$ 98,794</b>	<b>\$ 101,643</b>

The \$97.5 million transferred from the General Fund consists of transfers made to provide funding for the following:

- \$9.2 million for the Kids' First Children's Program;
- \$6.4 million for special refunding revenue bonds; and
- \$81.9 million for debt service payments.

The \$1.3 million transferred from Municipal Capital Improvement Fund to Other Governmental Funds is to consolidate the retired 1994 Fire Area underground capital fund and the 1994 Rockridge Area capital fund to Other Assessment Bond Fund.

The \$2.0 million transferred from the Municipal Capital Improvement Fund to the General Fund is for lease support of capital facilities.

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**INTERFUND LOANS:**

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

Oakland Center Project	\$ 13,338
City Center Garage/Central District	17,843
Stanford/Adeline	302
West Oakland	190
Total	\$ 31,673

**(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, 2006, \$16,739,000 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, 2006, \$1,302,000 and \$532,000 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(6) NOTES AND LOANS RECEIVABLE**

The composition of the City's notes and loans receivable as of June 30, 2006, is as follows (in thousands):

<b>Type of Loan</b>	<b>General Fund</b>	<b>Federal/State Grant Fund</b>	<b>Oakland Redevelopment Agency</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds/ Governmental Activities</b>
Pass-through loans	\$ 26,972	\$ 3,076	\$ -	\$ 799	\$ 30,847
Loans to Oakland Hotel Association, LTD	12,038	-	-	-	12,038
Community Development Block Grant	-	63,978	-	-	63,978
Economic Development Loans and Other	1,932	22,078	100,510	16,484	141,004
Less: Allowance for uncollectible accounts	(107)	(5,146)	(38,176)	(168)	(43,597)
<b>TOTAL LOANS, NET</b>	<b><u>\$ 40,835</u></b>	<b><u>\$ 83,986</u></b>	<b><u>\$ 62,334</u></b>	<b><u>\$ 17,115</u></b>	<b><u>\$ 204,270</u></b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**(7) CAPITAL ASSETS**

**Primary Government**

Capital assets activity of the primary government for the year ended June 30, 2006, is as follows (in thousands):

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 77,142	289	874	\$ 76,557
Museum Collections	150	137	-	287
Construction in progress	23,410	16,904	22,473	17,841
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<u>100,702</u>	<u>17,330</u>	<u>23,347</u>	<u>94,685</u>
Capital assets, being depreciated:				
Facilities and improvements	656,086	20,599	-	676,685
Furniture, machinery and equipment	167,605	4,770	17,415	154,960
Infrastructure	377,109	21,976	-	399,085
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>1,200,800</u>	<u>47,345</u>	<u>17,415</u>	<u>1,230,730</u>
Less accumulated depreciation:				
Facilities and improvements	226,831	19,896	-	246,727
Furniture, machinery and equipment	115,889	12,132	17,402	110,619
Infrastructure	119,407	12,671	-	132,078
<b>TOTAL ACCUMULATED DEPRECIATED</b>	<u>462,127</u>	<u>44,699</u>	<u>17,402</u>	<u>489,424</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>738,673</u>	<u>2,646</u>	<u>13</u>	<u>741,306</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 839,375</u>	<u>\$ 19,976</u>	<u>\$ 23,360</u>	<u>\$ 835,991</u>

(continued)

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
<b>Business-type activities:</b>				
<b>Sewer fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 4	\$ -	\$ -	\$ 4
Construction in progress	4,780	8,851	5,070	8,561
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<u>4,784</u>	<u>8,851</u>	<u>5,070</u>	<u>8,565</u>
Capital assets, being depreciated:				
Facilities and improvements	306	-	-	306
Furniture, machinery and equipment	749	6	-	755
Sewer and storm drains	176,184	5,960	-	182,144
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>177,239</u>	<u>5,966</u>	<u>-</u>	<u>183,205</u>
Less accumulated depreciation:				
Facilities and improvements	50	21	-	71
Furniture, machinery and equipment	712	11	-	723
Sewer and storm drains	62,104	3,583	-	65,687
<b>TOTAL ACCUMULATED DEPRECIATED</b>	<u>62,866</u>	<u>3,615</u>	<u>-</u>	<u>66,481</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>114,373</u>	<u>2,351</u>	<u>-</u>	<u>116,724</u>
<b>SEWER FUND CAPITAL ASSETS, NET</b>	<u>119,157</u>	<u>11,202</u>	<u>5,070</u>	<u>125,289</u>
<b>Other Proprietary Funds:</b>				
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
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>2,632</u>	<u>-</u>	<u>-</u>	<u>2,632</u>
Less accumulated depreciation:				
Facilities and improvements	337	145	-	482
Furniture, machinery and equipment	430	6	-	436
<b>TOTAL ACCUMULATED DEPRECIATED</b>	<u>767</u>	<u>151</u>	<u>-</u>	<u>918</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>1,865</u>	<u>(151)</u>	<u>-</u>	<u>1,714</u>
<b>OTHER PROPRIETARY FUND CAPITAL ASSETS, NET</b>	<u>2,083</u>	<u>(151)</u>	<u>-</u>	<u>1,932</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 121,240</u>	<u>\$ 11,051</u>	<u>\$ 5,070</u>	<u>\$ 127,221</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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

Governmental Activities:	
General Government	\$ 5,126
Public Safety:	
Police Services	1,023
Fire Services	2,289
Life Enrichment	11,812
Community and Economic Development	2,701
Public Works	17,395
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	4,353
<b>TOTAL</b>	<b><u>\$ 44,699</u></b>
Business-Type Activities:	
Sewer	\$ 3,615
Parks and Recreation	151
<b>TOTAL</b>	<b><u>\$ 3,766</u></b>

### Construction Commitments

The City has active construction projects as of June 30, 2006. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Infrastructure – streets	\$ 102,904	\$ 49,433
Infrastructure – parks	21,367	33,151
Facility improvements	31,601	72,359
Sewers and storm drains	17,487	54,372
Technology Enhancements	17,234	6,756
Miscellaneous	15,014	11,513
<b>TOTAL</b>	<b><u>\$ 205,607</u></b>	<b><u>\$ 227,584</u></b>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Discretely Presented Component Units**

**Port of Oakland**

Capital assets activity for the Port for the year ended June 30, 2006, is as follows (in thousands):

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Adjustment and Retirements</u>	<u>Transfer of Completed Construction</u>	<u>Balance June 30, 2006</u>
Capital assets, not being depreciated:					
Land	\$ 324,175	\$ 7,329	\$ 483	\$ -	\$ 331,987
Construction in progress	<u>371,079</u>	<u>209,479</u>	<u>520</u>	<u>(160,360)</u>	<u>420,718</u>
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<u>695,254</u>	<u>216,808</u>	<u>1,003</u>	<u>(160,360)</u>	<u>752,705</u>
Capital assets, being depreciated:					
Facilities and improvements	578,958	828	(2,110)	20,047	597,743
Container cranes	152,773	-	-	17,601	170,374
OMERSs and structures	1,051,930	-	(100)	109,282	1,161,112
Other equipment	<u>36,645</u>	<u>2,111</u>	<u>(131)</u>	<u>13,430</u>	<u>52,055</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>1,820,306</u>	<u>2,959</u>	<u>(2,341)</u>	<u>160,360</u>	<u>1,981,284</u>
Less accumulated depreciation:					
Facilities and improvements	258,918	25,658	1,618	-	282,958
Container cranes	52,408	6,082	-	-	58,490
OMERSs and structures	258,297	39,180	9	-	297,468
Other equipment	<u>20,068</u>	<u>3,975</u>	<u>115</u>	<u>-</u>	<u>23,928</u>
<b>TOTAL ACCUMULATED DEPRECIATION</b>	<u>589,691</u>	<u>74,895</u>	<u>1,742</u>	<u>-</u>	<u>662,844</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>1,230,615</u>	<u>71,936</u>	<u>(599)</u>	<u>160,360</u>	<u>1,318,440</u>
<b>TOTAL CAPITAL ASSETS, NET</b>	<u>\$1,925,869</u>	<u>\$ 144,872</u>	<u>\$ 404</u>	<u>\$ -</u>	<u>\$2,071,145</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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The capital assets on lease at June 30, 2006, consist of the following (in thousands):

Land	\$ 232,302
Container cranes	170,374
Building and other facilities	<u>974,881</u>
Total	1,377,557
Less accumulated depreciation	<u>(300,983)</u>
Capital assets, net, on lease	<u><u>\$ 1,076,574</u></u>

**Leases**

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

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

A summary of revenues from long-term leases for the year ended June 30, 2006, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	\$111,142
Contingent rentals in excess of minimums	18,409
Secondary use of facilities leased under preferential assignments	<u>3,861</u>
Total	<u><u>\$133,412</u></u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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

<b>Year</b>	<b>Rental Revenues</b>
2007	\$ 120,622
2008	126,518
2009	124,995
2010	112,687
2011	100,261
2012 – 2016	415,852
2017 – 2021	79,392
2028 – 2026	17,986
2027 – 2031	16,871
2032 – 2036	15,220
2037 – 2041	14,500
2042 – 2046	10,622
Thereafter through 2071	32,291
	<u>\$ 1,187,817</u>

**Oakland Base Reuse Authority (OBRA)**

Capital asset activity for OBRA during the year ended June 30, 2006 consisted of the following (in thousands):

	<u>Balance July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2006</u>
Capital assets, being depreciated:				
Facilities and structures	\$1,000	\$ -	\$ -	\$ 1,000
Leasehold improvements	<u>458</u>	<u>-</u>	<u>1</u>	<u>457</u>
Total capital assets, being depreciated	<u>1,458</u>	<u>-</u>	<u>1</u>	<u>1,457</u>
Less accumulated depreciation for:				
Facilities and structures	657	343	-	1,000
Leasehold improvements	<u>310</u>	<u>147</u>	<u>-</u>	<u>457</u>
Total accumulated Depreciation	<u>967</u>	<u>490</u>	<u>-</u>	<u>1,457</u>
Total capital assets, being depreciated, net	<u>\$ 491</u>	<u>\$ 490</u>	<u>\$ 1</u>	<u>\$ -</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(8) PROPERTY HELD FOR RESALE**

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

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Property held for resale	\$ 57,738	\$ -	\$ 4,472	\$ 53,266

The decrease in the Property held for resale represents the sale of the Acorn Shopping Center located at 900 Market Street, Oakland California, the sale of 1072 and 1074 55<sup>th</sup> Street, and conveyance of a portion of the block bounded by the 8<sup>th</sup> Street, 9<sup>th</sup> Street, Jefferson Street and Clay Street in Oakland to certain developer. The sales of these properties produced a gain in the amount of \$1,024,081.

**Discretely Presented Component Unit**

***Oakland Base Reuse Authority (OBRA)***

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

	<u>Balance</u> <u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2006</u>
Property held for resale	\$ 89,408	\$ 1,875	\$ -	\$ 91,283

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 \$73,407,184 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, 2004 that have been recorded in property held for resale.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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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, OBRA 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, OBRA transferred 2.51 acres to the Port for total consideration of \$1,427,000. Additionally, approximately \$1,900,000 in environmental remediation costs incurred during the fiscal year ended June 30, 2006 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, 2006, 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):

	<u>Accounts Payable</u>	<u>Checks Payable</u>	<u>Accrued Payroll/ Employee Benefits</u>	<u>Total</u>
<b>Governmental funds:</b>				
General	\$ 20,885	13,263	\$ 67,648	\$ 101,796
Federal/state grant fund	3,715	-	1,069	4,784
Oakland Redevelopment Agency	16,480	-	-	16,480
Municipal Capital Improvement Fund	3,770	-	87	3,857
Other governmental funds	<u>2,845</u>	<u>-</u>	<u>73</u>	<u>2,918</u>
<b>TOTAL</b>	<u>47,695</u>	<u>13,263</u>	<u>68,877</u>	<u>129,835</u>
Governmental activities- Internal service funds	<u>1,360</u>	<u>-</u>	<u>143</u>	<u>1,503</u>
<b>TOTAL</b>	<u>\$ 49,055</u>	<u>\$13,263</u>	<u>\$ 69,020</u>	<u>\$ 131,338</u>
<b>Business-type activities – Enterprise Funds:</b>				
Sewer Service	<u>\$ 1,168</u>	<u>\$ -</u>	<u>\$ 777</u>	<u>\$ 1,945</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2006, are as follows (in thousands):

Accounts payable	\$ 5
Investment payable	119,257
Accrued investment management fees	723
Member benefits payable	<u>6,033</u>
Total Pension Trust Funds Accounts Payable and Accrued Liabilities	126,018
Private Purpose Trust Fund Accounts Payable	<u>36</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 126,054</u>

**(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, 2006, the various components of deferred revenue and unearned revenue reported were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Major Funds:		
General Fund	\$ 22,810	\$ 7003
Federal and State Grants Fund	87,024	873
Oakland Redevelopment Agency	96,862	-
Non-major Funds:		
Other Governmental Funds	<u>19,179</u>	<u>-</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 225,875</u>	<u>\$ 7,876</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE**

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of 4.00%. Principal and interest were paid on June 30, 2006.

The short-term debt activity for the year ended June 30, 2006, is as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Notes	\$ —	\$ 70,000	\$(70,000)	\$ —

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**(12) LONG-TERM OBLIGATIONS**

**Long-term Obligations**

The following is a summary of long-term obligations for the year ended June 30, 2006 (in thousands):

**Governmental Activities**

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2036	2.50 – 5.00%	\$ 358,124
Tax allocation bonds (B)	2037	2.50 – 8.03%	319,115
Certificate of participation (C)	2015	4.00 – 6.55%	49,154
Lease revenue bonds (C)	2026	3.60 – 5.50%	346,110
Pension obligation bonds (D)	2022	6.09 – 7.31%	341,475
Accreted interest (C) & (D)			85,884
City guaranteed special assessment district bonds (D)	2024	4.60 – 6.70%	7,085
Notes payable (C) & (E)	2016	1.70 – 8.27%	17,940
Capital Leases (C) & (E)	2016	3.54 – 5.52%	20,218
Accrued vacation and sick leave (C)			33,709
Self – Insurance liability for workers’ compensation (C)			100,493
Estimated claims payable (C)			44,945
Estimated environmental cost (B) & (C)			2,319
Pledge obligation for Coliseum Authority debt (C)			88,100
<b>GOVERNMENTAL ACTIVITIES TOTAL</b>			<b>1,814,671</b>
<b>LONG-TERM OBLIGATIONS</b>			<b>1,814,671</b>
<b>DEFERRED AMOUNTS:</b>			
Bond issuance premiums			22,734
Bond refunding loss			(22,216)
<b>GOVERNMENTAL ACTIVITIES TOTAL</b>			<b>1,815,189</b>
<b>LONG-TERM OBLIGATIONS, NET</b>			<b>\$ 1,815,189</b>

Debt service payments are made from the following sources:

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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Business-Type Activities**

Entity and Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund – Notes payable	2014	3.00 – 3.50%	\$ 4,925
Sewer fund – Bonds	2029	3.00 – 5.25%	60,840
Unamortized Bond Premium			2,710
BUSINESS-TYPE ACTIVITIES -			
TOTAL LONG-TERM OBLIGATIONS			<u>\$ 68,475</u>

**Component Unit - Port of Oakland**

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Parity bonds	2033	3.00 – 6.00%	\$ 1,395,464
Notes and Loans	2030	3.31 – 5.12%	156,632
Total			1,552,096
Self – Insurance liability for workers’ compensation			5,829
Total			1,557,925
Unamortized bond discount and premium, net			(1,838)
Deferred loss on refunding			(4,856)
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			<u>\$ 1,551,231</u>

**Debt Compliance**

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

**Legal Debt Limit and Legal Debt Margin**

As of June 30, 2006, the City’s debt limit (3.75% of valuation subject to taxation) was \$918,508,985. The total amount of debt applicable to the debt limit was \$358,124,189. The resulting legal debt margin was \$560,384,796.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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## Interest Rate Swaps

### **Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2**

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

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

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B (“Series 2005 A & B Bonds”). However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect and is set to terminate on July 31, 2021.

*Terms.* The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2006 of \$119,300,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City’s payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

*Fair Value.* Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$14,350,780 as of June 30, 2006. 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, 2006. To mitigate the potential for credit risk, if the counterparty’s credit quality falls below “A3” by Moody’s

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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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.

**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 synthetic fixed rate swap (“2004 Swap”) with Bank of America, N.A. and UBS AG (“Counterparties”) in connection with the \$117,200,000 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2004 Series A-1 and A-2 (the “2004 Lease Revenue Bonds”). Under the terms of the 2004 Swap, (the City pays the Counterparties a fixed rate of 3.533% through the end of the swap agreement in 2026 and receives a variable rate based on 58% of 1-month LIBOR plus 35 basis points.)

The 2004 Swap effectively allowed the City to lock in the low long-term interest rates available in the marketplace at that time

*Terms.* The 2004 Swap terminates on August 1, 2026, and has a notional amount as of June 30, 2006 of \$109,200,000. The notional amount of the swap declines through 2026.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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*Fair Value.* As of June 30, 2006, the interest rate swap with Bank of America, N.A. had an outstanding notional amount of \$54,600,000 and had a positive fair value of \$236,190. As of June 30, 2006, the interest rate swap with UBS AG had an outstanding notional amount of \$54,600,000 and a positive fair value of \$222,339. 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, 2006: Bank of America, N.A. (Aa1 by Moody's Investors Service, AA by Standard and Poor's and AA- by Fitch), 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 Lease Revenue Bonds. It is assumed that the interest rate on the 2004 Lease Revenue Bonds and the variable rate portion of the 2004 Swap (58% of LIBOR)

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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averages 3.500% through the maturity date of both the 2004 Series A Bonds and the Swap (August 21, 2026).

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest*</b>	<b>Net Interest Rate Swap Payment*</b>	<b>Total Debt Service</b>
2007	\$ 3,475,000	\$ 3,563,966	\$ 35,962	\$ 7,074,928
2008	3,575,000	3,788,661	34,814	7,398,475
2009	3,750,000	3,311,570	33,449	7,095,019
2010	3,875,000	3,511,207	32,390	7,418,597
2011	4,050,000	3,051,247	31,108	7,132,355
2012	4,175,000	3,204,060	29,768	7,408,828
2013	4,375,000	2,758,504	28,176	7,161,680
2014	4,525,000	2,618,933	26,939	7,170,872
2015	4,675,000	2,713,538	25,443	7,413,981
2016	4,875,000	2,295,859	23,896	7,194,755
2017	5,050,000	2,343,383	22,040	7,415,423
2018	5,275,000	1,950,866	20,612	7,246,478
2019	5,450,000	1,951,238	18,868	7,420,106
2020	5,675,000	1,575,030	17,065	7,267,095
2021	5,900,000	1,385,422	14,903	7,300,325
2022	6,125,000	1,307,813	13,235	7,446,048
2023	6,375,000	967,846	11,209	7,354,055
2024	6,600,000	827,862	9,100	7,436,962
2025	6,875,000	514,163	6,585	7,395,748
2026	7,125,000	312,135	4,642	7,441,777
2027	7,400,000	26,255	2,285	7,428,540
<b>TOTAL</b>	<b>\$ 109,200,000</b>	<b>\$ 43,979,558</b>	<b>\$ 442,489</b>	<b>\$ 153,622,047</b>

\*Numbers of estimates; subject to change based on prevailing market conditions. The calculation above assumes to have a 3.500% interest rate and 3.556% swap rate.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Changes in Long-term Obligations**

The changes in long-term obligations for the year ended June 30, 2006, are as follows (in thousands):

	<b>Governmental Activities</b>			<b>Balance at June 30, 2006</b>	<b>Amounts Due Within One Year</b>
	<b>Balance at July 1, 2005</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements and Net Decreases</b>		
<b>Bonds Payable</b>					
General obligation bonds	\$ 349,486	\$ 21,000	\$ 12,362	\$ 358,124	\$ 12,910
Tax allocation bonds	270,085	84,840	35,810	319,115	12,040
Certificates of participation	50,195	2,203	3,244	49,154	3,359
Lease revenue bonds	366,245	-	20,135	346,110	21,005
Pension obligation bonds	366,405	-	24,930	341,475	27,850
City guaranteed special assessment district bonds	7,370	-	285	7,085	285
Accreted interest on appreciation bonds	70,811	18,882	3,809	85,884	-
Less deferred amounts:					
Bond issuance premiums	24,186	328	1,780	22,734	1,770
Bond refunding loss	(22,793)	(2,368)	(2,945)	(22,216)	(2,404)
<b>TOTAL BONDS PAYABLE</b>	<b>1,481,990</b>	<b>124,885</b>	<b>99,410</b>	<b>1,507,465</b>	<b>76,815</b>
Notes payable	18,440	-	500	17,940	850
Capital leases	26,769	-	6,551	20,218	5,722
<b>TOTAL NOTES &amp; LEASES</b>	<b>45,209</b>	<b>-</b>	<b>7,051</b>	<b>38,158</b>	<b>6,572</b>
<b>Other Long-Term Liabilities</b>					
Accrued vacation & sick leave	31,503	54,430	52,224	33,709	26,112
Pledge Obligation for Coliseum Authority debt	91,150	-	3,050	88,100	2,750
Estimated environmental cost	5,499	-	3,180	2,319	997
Self-insurance worker's compensation	96,166	21,039	16,712	100,493	19,063
Estimated claims payable	43,099	7,189	5,343	44,945	19,019
<b>TOTAL OTHER LONG- TERM LIABILITIES</b>	<b>267,417</b>	<b>82,658</b>	<b>80,509</b>	<b>269,566</b>	<b>67,941</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES – LONG TERM OBLIGATIONS</b>	<b>\$ 1,794,616</b>	<b>\$ 207,543</b>	<b>\$ 186,970</b>	<b>\$ 1,815,189</b>	<b>\$ 151,328</b>

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2006, \$17,775,000 of capital leases related to the internal service funds are included in the above amounts.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Business-Type Activities**

	<u>Balance at July 1, 2005</u>	<u>Current Maturities, Retirements and Net Decreases</u>	<u>Balance at June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Sewer fund – Notes payable	\$ 5,655	\$ 730	\$ 4,925	\$ 754
Sewer fund – Bonds	62,330	1,490	60,840	1,535
Unamortized Bond Premium	2,829	119	2,710	118
<b>Total</b>	<u>\$ 70,814</u>	<u>\$ 2,339</u>	<u>\$ 68,475</u>	<u>\$ 2,407</u>

**Component Unit - Port of Oakland**

	<u>Balance at July 1, 2005</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities, Retirements and Net Decreases</u>	<u>Balance at June 30, 2006</u>	<u>Amounts Due Within One Year</u>
Parity bonds	\$ 1,410,431	\$ -	\$ 14,967	\$ 1,395,464	\$ 19,892
Notes and loans	157,135	-	503	156,632	185
<b>Total</b>	1,567,566	-	15,470	1,552,096	20,077
Self-Insurance workers' compensation	4,600	2,263	1,034	5,829	5,829
Unamortized bond discount/ premium, net	(891)	769	1,716	(1,838)	909
Deferred loss on refunding	(5,220)	-	(364)	(4,856)	(364)
<b>TOTAL DEBT</b>	<u>\$ 1,566,055</u>	<u>\$ 3,032</u>	<u>\$ 17,856</u>	<u>\$ 1,551,231</u>	<u>\$ 26,451</u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

## Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2006, are as follows (in thousands):

	2007	2008	2009	2010	2011	2012 - 2016	2017- 2021	2022-2026	2027- 2031	2032- 2036	Total
<b>Governmental-type Activities:</b>											
General obligation bonds:											
Principal	\$ 12,910	\$ 13,686	\$ 14,340	\$ 15,006	\$ 15,762	\$ 90,046	\$101,895	\$ 45,489	\$ 32,520	\$16,470	\$ 358,124
Interest	16,702	16,595	16,014	15,398	14,688	61,281	38,294	17,286	9,010	1,550	206,818
Certificates of participation:											
Principal	3,359	5,300	5,620	5,965	6,415	22,495	-	-	-	-	49,154
Interest	3,618	1,840	1,627	1,377	1,116	2,033	-	-	-	-	11,611
Lease revenue bonds:											
Principal	21,005	21,925	22,970	23,755	25,225	131,930	47,725	44,175	7,400	-	346,110
Interest	14,207	13,709	12,332	11,682	10,259	33,724	14,475	5,826	28	-	116,242
Pension obligation bonds:											
Principal	27,850	30,920	34,250	37,860	14,959	94,953	74,840	25,843	-	-	341,475
Interest	8,118	6,091	3,833	1,321	25,347	109,037	161,810	78,907	-	-	394,464
Special assessments bonds:											
Principal	285	305	315	340	345	1,700	1,905	1,890	-	-	7,085
Interest	373	358	342	325	307	1,245	771	204	-	-	3,925
Tax allocation bonds:											
Principal	12,040	11,625	12,250	11,630	13,565	71,495	96,925	49,995	16,880	22,710	319,115
Interest	17,759	18,628	17,967	17,280	16,464	60,581	37,824	15,211	9,101	3,818	214,633
Notes payable:											
Principal	850	810	1,435	2,015	2,180	8,750	1,900	-	-	-	17,940
Interest	1,108	1,051	995	936	871	2,312	59	-	-	-	7,332
Capital leases											
Principal	5,722	3,626	3,608	2,351	1,442	2,405	1,064	-	-	-	20,218
Interest	788	575	422	290	197	402	104	-	-	-	2,778
TOTAL PRINCIPAL	\$ 84,021	\$ 88,197	\$ 94,788	\$ 98,922	\$ 79,893	\$423,774	\$ 326,254	\$167,392	\$ 56,800	\$ 39,180	\$1,459,221
TOTAL INTEREST	\$ 62,673	\$ 58,849	\$ 53,532	\$ 48,609	\$ 69,249	\$270,615	\$253,337	\$117,434	\$ 18,139	\$ 5,368	\$957,803

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

	2007	2008	2009	2010	2011	2012 - 2016	2017- 2021	2022- 2026	2027- 2031	2032- 2036	Total
<b>Business-type Activities:</b>											
Sewer revenue bonds:											
Principal	\$ 1,535	\$ 1,585	\$ 1,630	\$ 1,710	\$ 1,800	\$ 10,420	\$ 13,180	\$ 16,770	\$12,210	-	\$ 60,840
Interest	2,946	2,900	2,852	2,771	2,685	11,992	9,232	5,650	1,241	-	42,269
Sewer notes payable:											
Principal	754	780	806	833	861	891	-	-	-	-	4,925
Interest	160	135	109	82	54	51	-	-	-	-	591
TOTAL PRINCIPAL	\$ 2,289	\$ 2,365	\$ 2,436	\$ 2,543	\$ 2,661	\$ 11,311	\$ 13,180	\$ 16,770	\$12,210	-	\$ 65,765
TOTAL INTEREST	\$ 3,106	\$ 3,035	\$ 2,961	\$ 2,853	\$ 2,739	\$ 12,043	\$ 9,232	\$ 5,650	\$ 1,241	-	\$ 42,860

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

**Component Unit - Port of Oakland**

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2006, are as follows (in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 20,077	\$ 76,777	\$ 96,854
2008	28,300	76,502	104,802
2009	33,655	75,712	109,367
2010	36,583	74,757	111,340
2011	194,225	67,118	261,343
2012 – 2016	254,708	298,711	553,419
2017 – 2021	294,046	223,646	517,692
2022 – 2026	288,395	148,423	436,818
2027 – 2031	319,142	63,754	382,896
2032 – 2033	82,965	4,200	87,165
SUBTOTAL	<u>1,552,096</u>	<u>1,109,600</u>	<u>2,661,696</u>
Unamortized bond (discount) premium, net	(1,838)	-	(1,838)
Self-insurance workers' compensation	5,829	-	5,829
Deferred loss on refunding	(4,856)	-	(4,856)
TOTAL	<u>\$ 1,551,231</u>	<u>\$ 1,109,600</u>	<u>\$ 2,634,380</u>

Net interest costs of \$14,710,000 were capitalized in fiscal 2006. These amounts represented capitalized interest expense of \$21,430,000, net of interest revenue of \$6,720,000 for fiscal 2006.

**Component Unit - Oakland Base Reuse Authority**

**Note Payable**

OBRA has a non-interest bearing note payable for \$8,200,000, with the following principal amounts due on the following dates:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
<b>TOTAL</b>	<u>\$ 7,495,235</u>	<u>\$ 704,765</u>	<u>\$ 8,200,000</u>

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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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Notes payable activity for the year ended June 30, 2006 consisted of the following:

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Note Payable	\$ 7,495,235	\$ -	\$ -	\$ 7,495,235

The above note was discounted at the rate of 3.37% for the year ended June 30, 2005. The discounting resulted in the deduction of \$704,765 against Property Held for Resale and a similar deduction in notes payable. In addition, OBRA accrued interest expense of \$418,651 for the year ended June 30, 2006 related to the above liability.

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

### **City of Oakland General Obligation Bonds Series 2006, Measure G**

On June 29, 2006, the City issued \$21,000,000 of General Obligation Bonds (Series 2006, Measure G) (the “2006 GO Bonds”). The 2006 GO Bonds were issued by the City to acquire, improve, construct and finance existing and additional facilities for the Oakland Museum of California and the Oakland Zoo. This issuance constitutes the second and final series of bonds to be issued from the total authorized amount of \$59,000,000 of 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 2006 GO Bonds are tax-exempt with interest rates ranging from 4.500% to 5.000% and a final maturity of January 15, 2036.

### **Redevelopment Agency of the City of Oakland Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A Subordinated Housing Set Aside Revenue Bonds, Series 2006A-T (Federally Taxable)**

On April 4, 2006, the Redevelopment Agency of the City of Oakland (“Agency”) issued \$2,195,000 of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A (“Series 2006A Bonds”) and \$82,645,000 of Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T (“Series 2006A-T Bonds”). All of the Series 2006A Bonds and a portion of the 2006A-T Bonds were issued for the purpose of providing funds to establish an irrevocable escrow to refund and defease certain of the Agency’s Subordinated Housing Set Aside Revenue Bonds, Series 2000T. The remaining portion of the Series 2006A-T Bonds were issued to finance or refinance various redevelopment activities, including the development of low and moderate income housing within the Agency’s project areas. The Series 2006A Bonds are tax-exempt with a final maturity of September 1, 2018; the interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2036; the interest rates of these bonds range from 5.030% to 5.927%.

The refunding portion of this financing resulted in a gross cash flow savings of approximately \$2,800,968. The net economic gain on the refunding portion of this financing is \$2,033,773.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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### 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, 2006, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to \$231.6 million.

### Authorized and Unissued Debt

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

### 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, 2006, is (in thousands):

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at June 30, 2006</u>
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	\$ 64,425	01/01/29	\$ 63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/29	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	885
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern CA California), 1988	23,000	07/01/08	6,095
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	5,700
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project) 2005 Series A	160,000	10/01/50	160,000
<b>TOTAL</b>			<u><b>\$ 269,625</b></u>

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(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	\$ 57,308
Carryforward for Continuing projects	16,006
Lighting and Landscaping Assessment District gap funding	4,300
General Fund fiscal year 2007 budget allocation	<u>15,310</u>
Total designations	92,924
Unreserved/undesignated fund balance	59,444
Total General Fund unreserved fund balance	<u><u>\$ 152,368</u></u>

**(14) SELF-INSURANCE**

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2006 and 2005, are as follows (in thousands):

**Workers' Compensation**

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$ 96,166	\$ 94,874
Current year claims and changes in estimates	21,039	21,465
Claims payments	<u>(16,712)</u>	<u>(20,173)</u>
Unpaid claims, end of fiscal year (Note 12)	<u>\$ 100,493</u>	<u>\$ 96,166</u>

**General Liability**

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$ 43,099	\$ 48,716
Current year claims and changes in estimates	7,189	1,356
Claims payments	<u>(5,343)</u>	<u>(6,973)</u>
Unpaid claims, end of fiscal year (Note 12)	<u>\$ 44,945</u>	<u>\$ 43,099</u>

The above estimated undiscounted liability for claims and contingencies is based on the results of actuarial studies and includes amounts for claims incurred but not reported and allocated loss adjustment expenses. The estimated liability is calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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## **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, 2006, the amount of liability determined to be probable of occurrence is approximately \$44,945,000. Of this amount, claims and litigation approximating \$19,019,000 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 \$100,493,000 in claims liabilities as of June 30, 2006, approximately \$19,063,000 is estimated to be due within one year.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Insurance Coverage**

On July 15, 2002, the City entered into a contract with the California State Association of Counties - Excess Insurance Authority (CSAC EIA), a joint powers authority, whose purpose is to develop and fund programs of excess insurance for its member counties and cities. Self-insured retention levels and purchased insurance per occurrence are as follows:

<b>Type of Coverage</b>	<b>Self-Insurance Retention</b>	<b>Insurance Authority/Purchase Insurance</b>
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, 2006 and include an estimate of claims that have been incurred but not reported. There were no workers' compensation claims paid in fiscal year ended 2006, 2005 and 2004 above the \$1,000,000 per accident limit. Changes in the reported liability resulted from the following (in thousands):

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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	<u>2006</u>	<u>2005</u>
Workers' compensation liability at beginning of fiscal year	\$ 4,600	\$ 3,000
Current year claims and changes in estimates	2,263	2,596
Claims payments	<u>(1,034)</u>	<u>(996)</u>
Workers' compensation liability at end of fiscal year	<u>\$ 5,829</u>	<u>\$ 4,600</u>

**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. Additionally, the Port maintains a Public Officials Errors & Omissions and Employment Practices policy. The policy limits are \$25,000,000 with a \$500,000 per claim deductible. Defense costs are in addition to the policy limits, but are included in the deductible. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable. Amounts have been accrued as part of environmental and other liabilities. For additional information, please contact the Port of Oakland, 530 Water Street, Oakland, California 94607.

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

	<u>2006</u>	<u>2005</u>
General Liability at beginning of year	\$ 3,539	\$ 4,685
Current year claims and changes in estimates	3,544	2,592
Vendor payments	<u>(3,097)</u>	<u>(3,738)</u>
Workers' compensation liability at end of fiscal year	<u>\$ 3,986</u>	<u>\$ 3,539</u>

**(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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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of Directors of the Corporation consists of the City Administrator and the County Administrator.

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

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

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. 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 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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

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, leaving Coliseum, Inc as the only defendant at trial. 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 expected on October 2006. The Raiders and the East Bay Entities have executed a stand-still agreement providing for a 90-day negotiation period after the filing of the court of appeal decision during which the parties will attempt to reach a settlement without further litigation concerning the execution of the judgment. On November 17, 2006, the Third Appellate District of the California Court of Appeal overturned this entire verdict and ordered the Raiders to pay the Coliseum, Inc costs of the appeal. The Raiders and the Coliseum Inc subsequently agreed that the Raiders would waive all rights to further appeals in return for the Coliseums Inc waving the Raiders paying the costs of appeal.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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On March 28, 2006, the East Bay Entities and the Raiders entered into the settlement agreement and mutual release of all claims between the Raiders and the East Bay Entities, except for the outstanding \$34 million judgment against Coliseum Inc. The claims released included all the claims referred to arbitration as described in the previous paragraph as well as additional claims. The settlement agreement required the Authority to wind down and dissolve Oakland Football Marketing Association (OFMA). There will be no remarketing of Personal Seat Licenses (PSLs) after the 2005 football season and the Authority will require no other charges incident to the ownership of PSLs. The Raiders will assume all marketing tasks previously performed by OFMA. The Authority will have no right or obligation to sell, market, or collect revenue from the sale or marketing of tickets for the Raiders football games, but will receive all parking revenues and share concession revenues and club fees with the Raiders. After payment of \$1 million for the Raiders start-up costs related to marketing, the Authority has no obligation whatsoever to pay marketing costs. In addition, the Authority has no past or future obligation to pay taxes, dues or assessments on the Raiders practice facility property and the Raiders executed and recorded a deed of trust in favor of the East Bay Entities on the practice facility property.

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

<b>For the Period</b> <b>Ending June 30,</b>	<b>Stadium Debt</b>		<b>Arena Debt</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
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	7,100	5,212	3,900	6,936
2012-2016	41,400	21,933	23,700	30,617
2017-2021	52,000	13,915	33,200	21,871
2022-2026	51,500	3,982	47,100	9,529
Total	<u>\$ 176,200</u>	<u>\$ 69,424</u>	<u>\$120,900</u>	<u>\$ 98,837</u>

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, 2006, the City made contributions of \$11,150,000 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 2006-07 fiscal year. There

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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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 \$88,100,000. 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.

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2005	July 01, 2005	June 30, 2005

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Significant actuarial assumptions**

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
Investment rate of return	8.0%	8.0%	7.75%
Payroll growth	3.0%	3.0%	3.25%
Inflation rate	3.5%	3.5%	3.00%

**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, 2006, 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, 2006 and 2005, 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 year 1997 and, as a result, no employer contributions are required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of \$17,709,888 to PFRS.

The City's actuaries do not make an allocation of the contribution amount between normal cost and the unfunded actuarial liability because the plan is closed. The actuarial calculations are based on the aggregate cost method and the asset valuation method is on the market value

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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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, 2006, were as follows:

Pension assets, beginning of year	<b>\$ 392,202,699</b>
Plus interest on pension asset	31,376,216
Less adjustment to the annual required contribution	(39,154,478)
Plus pension contribution	-
Pension asset, end of year	<b>\$ 384,424,437</b>

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2006 and each of the three preceding years:

<b>Fiscal Year Ended June 30</b>	<b>Annual Pension Cost</b>	<b>Percentage (%) Contributed</b>	<b>Net Pension Asset</b>
2004	6,367,485	-	381,369,695
2005	10,833,004	164%	392,202,699
2006	7,778,262	-	384,424,436

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, 2006, stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to CalPERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2006, and will not receive any employee contributions in the future. Because of the Retirement System current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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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 Systems (PERS)**

### **Plan Description**

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available.

### **Funding Policy**

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 18.552% for non-safety employees and 29.711% 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 2005-06, the City's annual pension cost of \$94,967,434 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2003, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.25% to 14.45%), and (c) payroll growth of 3.25%. Both (a) and (b) included an inflation component of 3.0%. 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Three-Year Trend Information for PERS**  
**(in millions)**

<b>Fiscal Year Ended June 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
2004	\$ 48.4	100%	\$ -
2005	87.4	100	-
2006	95.0	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 \$2,978,954 was paid on behalf of 806 retirees under this program for the year ended June 30, 2006.

**(18) COMMITMENTS AND CONTINGENT LIABILITIES**

**Construction Commitments**

**Primary Government**

The City has committed to funding in the amount of \$232,566,302 to a number of capital improvement projects for fiscal years 2005-06 to 2006-07.

**Discretely Presented Component Unit**

The Port anticipates spending \$473,645,000 through June 2009 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.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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As of June 30, 2006, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	\$ 92,108
Aviation	130,212
Commercial real estate	<u>596</u>
Total	<u>\$ 222,916</u>

The most significant projects for which the Port has contractual commitments are airport terminal expansion of \$80,509,000; and modernization of maritime wharfs and terminals new cranes of \$77,654,000.

### **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, 2006 is approximately \$6,087,000.

### **Other Commitments**

#### **Primary Government**

As of June 30, 2006, the Agency has entered into contractual commitments of \$48,785,204 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, 2006, the Agency was committed to fund \$40,548,443 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 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. In May 2006, the Agency paid \$4,669,336 to Alameda County for the fiscal year 2005-06 ERAF shift.

The City is also liable for environmental remediation cost of about \$2,319,000 as of June 30, 2006 for the Agency's Uptown Project and its Edgewater Service Center.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**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, 2006, is as follows (in thousands):

Environmental remediation	\$ 6,419
Miscellaneous compliance	199
Total environmental liabilities	<u>\$ 6,618</u>

**Oakland Base Reuse Authority**

**Commitments and Contingencies**

**Environmental Remediation**

Land conveyed to OBRA from the Army may be subject to environmental remediation as required by Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA 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

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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\$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**

Under a separate agreement between the OBRA and Port dated July 31, 2003, the two parties each agreed to pay fifty percent (50%) of certain EDC property-related acquisition and remediation costs. Accordingly, OBRA has recorded a liability of \$5,400,000 to reflect its share of the total \$10,800,000 payable to the Workforce Collaborative. As of June 30, 2006, the OBRA's share of the remaining liability to the Workforce Collaborative is \$456. The Port, on the other hand, paid the Oakland Redevelopment Agency its 50% share of \$5,400,000 as of August 7, 2006. These funds will be paid to the Collaborative when final arrangements are completed.

**(19) DEFICIT FUND BALANCES/NET ASSETS**

As of June 30, 2006, the following funds reported deficits in fund balance/net assets (in thousands):

Special Revenue - ORA Projects	\$ (4,091)
Debt Service – Lease Financing	(442)

The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The Lease Financing deficit will be cleared by transferring in sufficient funds to cover debt service payments.

Internal Service:	
Facilities	\$ (18,179)
Central Stores	(6,493)

The City's facilities and central stores funds deficits are expected to be funded through increased user charges for future years.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**(20) SUBSEQUENT EVENTS**

**Tax and Revenue Anticipation Notes**

On July 18, 2006, the City issued tax and revenue anticipation notes payable of \$75,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 4.50%. Principal and interest are due and payable on July 17, 2007.

**Tax Exempt Lease Financing**

The City Council approved resolution #79904 C.M.S. on May 16, 2006 authorizing the City, through the Oakland Joint Powers Financing Authority (JPFA), to exercise the option to purchase real estate property located at 450 Lancaster Street for use by the Oakland Museum of California through tax exempt lease financing not to exceed \$5,000,000. The JPFA will lease the property to the Oakland Museum for its use and title to the property will transfer to the City at the conclusion of the financing period. Lease payments not to exceed \$40,000 per month will continue to be made from the City's general fund revenues. The tax exempt lease financing was completed on July 21, 2006 with lease financing principal of \$4,940,000.

**Redevelopment Agency of the City of Oakland**  
**Central City East Redevelopment Project Tax Allocation Bonds**  
**Series 2006A-TE & Series 2006A-T (Federally Taxable)**

On October 12, 2006, the Redevelopment Agency of the City of Oakland ("Agency") issued \$13,780,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE (the "Series 2006A-TE Bonds") and \$62,520,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T (Federally Taxable) (the "Series 2006A-T Bonds"). The collective Series 2006A-TE Bonds and Series 2006A-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central City East Redevelopment Project Area. The Series 2006A-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2034; the interest rates of these bonds range from 5.263% to 5.537%.

The Series 2006A-TE Bonds and Series 2006A-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central City East Redevelopment Project Area.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Redevelopment Agency of the City of Oakland**  
**Coliseum Area Redevelopment Project Tax Allocation Bonds**  
**Series 2006B-TE & Series 2006B-T (Federally Taxable)**

On October 12, 2006, the Redevelopment Agency of the City of Oakland (“Agency”) issued \$28,770,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE (the “Series 2006B-TE Bonds”) and \$73,820,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T (Federally Taxable) (the “Series 2006B-T Bonds”). The collective Series 2006B-TE Bonds and Series 2006B-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency’s Coliseum Area Redevelopment Project Area as well as to refund all of the outstanding Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2003. The Series 2006B-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rates of these bonds range from 4.000% to 5.000%. The Series 2006B-T Bonds are federally taxable with a final maturity of September 1, 2035; the interest rates of these bonds range from 5.263% to 5.537%.

The Series 2006B-TE Bonds and Series 2006B-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Coliseum Area Redevelopment Project Area.

**Redevelopment Agency of the City of Oakland**  
**Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds**  
**Series 2006C-TE & Series 2006C-T (Federally Taxable)**

On October 12, 2006, the Redevelopment Agency of the City of Oakland (“Agency”) issued \$4,945,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the “Series 2006C-TE Bonds”) and \$12,325,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the “Series 2006C-T Bonds”). The collective Series 2006C-TE Bonds and Series 2006C-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency’s Broadway/MacArthur/San Pablo Redevelopment Project Area. The Series 2006C-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rate of these bonds is 5.000%. The Series 2006C-T Bonds are federally taxable with a final maturity of September 1, 2032; the interest rates of these bonds range from 5.283% to 5.587%.

The Series 2006C-TE Bonds and Series 2006C-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Broadway/MacArthur/San Pablo Redevelopment Project Area.

**CITY OF OAKLAND**  
**Notes to Basic Financial Statements, (continued)**  
**Year Ended June 30, 2006**

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**Oakland Base Reuse Authority**

On August 7, 2006 OBRA was dissolved and all its assets and obligations were transferred to and were accepted by the Oakland Redevelopment Agency. Also transferred were the rights and obligations with respect to the balance of \$1.05 million of a \$2.4 million public works grant awarded by the United States Department of Commerce Economic Development Administration.

**CITY OF OAKLAND**  
**Required Supplementary Information**  
**(unaudited)**  
**June 30 2006**

**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]
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%
2005	820,642,031	602,422,608	218,219,423	73.4%	122,893,613	177.6%

**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]
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%
2005	1,397,236,509	1,156,704,781	240,531,728	82.8%	206,261,519	116.6%

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

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**(1) BUDGETARY DATA**

In accordance with the provisions of the City Charter, the City prepares and adopts a budget on or before June 30 for each fiscal year. The City Charter prohibits expending funds for which there is no legal appropriation. Therefore, the City is required to adopt budgets for all City funds.

Prior to July 1, the original adopted budget is finalized through the passage of a resolution by the City Council. The level of legal budgetary control by the City Council is established at the fund level. For management purposes, the budget is controlled at the departmental level of expenditure within funds.

In June 2004, the City Council approved the City's fourth two-year budget for fiscal years 2004-05 and 2005-06. 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 2005-06 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

Transfers of appropriations between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues must be approved by the City Council.

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

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## **Budgetary Basis of Accounting**

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except as to certain investment earnings.

Certain funds of the City contain capital projects, grant projects, loan programs or other programs that are budgeted on a multi-year basis. The amounts of the projects and programs budgeted on a multi-year basis are significant compared to the items budgeted on an annual basis; therefore, a comparison of budget to actual for the fund would not be meaningful. As a result, such funds that are excluded from budgetary reporting are:

### **Major Funds**

- Federal and State Grants
- Oakland Redevelopment Agency
- Municipal Capital Improvement

### **Nonmajor Funds**

- Special Revenue Funds
  - ORA Projects
  - Parks and Recreation and Cultural

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multi-year basis.

**CITY OF OAKLAND**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Budgetary Basis</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES</b>				
Taxes:				
Property	\$ 140,519	\$ 140,520	\$151,754	\$ 11,234
State:				
Sales and use	42,425	42,424	44,875	2,451
Motor vehicle in-lieu	8,316	8,316	2,984	(5,332)
Local:				
Business license	45,960	45,960	43,790	(2,170)
Utility consumption	50,203	50,203	48,770	(1,433)
Real estate transfer	60,220	60,220	79,483	19,263
Transient occupancy	10,040	10,040	11,690	1,650
Parking	8,650	8,650	8,469	(181)
Franchise	12,231	12,231	12,152	(79)
Licenses and permits	16,724	16,717	18,975	2,258
Fines and penalties	25,390	25,391	23,888	(1,503)
Interest and investment income	-	-	3,243	3,243
Charges for services	65,968	66,126	66,849	723
Federal and state grants and subventions	1,396	2,256	3,587	1,331
Annuity income	13,500	13,500	-	(13,500)
Other	<u>17,673</u>	<u>18,733</u>	<u>17,075</u>	<u>(1,658)</u>
<b>TOTAL REVENUES</b>	<u>519,215</u>	<u>521,287</u>	<u>537,584</u>	<u>16,297</u>
<b>EXPENDITURES</b>				
Current:				
Elected and Appointed Officials-				
Mayor	2,189	2,191	1,654	537
Council	2,748	2,789	2,604	185
City Manager	10,534	10,828	9,930	898
City Attorney	9,126	9,201	9,459	(258)
City Auditor	1,291	1,295	1,157	138
City Clerk	2,234	2,523	1,547	976
Agencies/Departments:				
Personnel Resource Management	4,344	5,359	4,436	923
Information Technology	8,540	8,677	8,891	(214)
Financial Services	23,338	23,787	22,780	1,007
Police Services	171,532	175,269	179,201	(3,932)
Fire Services	104,320	104,760	101,247	3,513
Life Enrichment:				
Parks and Recreation	13,836	18,217	14,136	4,081
Library	11,428	11,736	11,120	616
Cultural Arts and Museum	7,062	6,494	6,748	(254)
Aging & Health and Human Services	5,079	6,896	5,926	970
Community and Economic Development	24,269	26,400	20,592	5,808
Public Works	36,406	39,459	32,621	6,838
Other	10,155	12,816	16,992	(4,176)
Capital outlay	19	1,094	573	521
Debt service:				
Principal repayment	1,281	1,115	-	1,115
Interest charges	466	523	-	523
<b>TOTAL EXPENDITURES</b>	<u>450,197</u>	<u>471,429</u>	<u>451,614</u>	<u>19,815</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	69,018	49,858	85,970	36,112
<b>OTHER FINANCING SOURCES (USES)</b>				
Property sale proceeds	2,747	2,754	3,040	286
Transfers in	29,721	29,721	2,608	(27,113)
Transfers out	<u>(104,202)</u>	<u>(109,219)</u>	<u>(97,501)</u>	<u>11,718</u>
<b>TOTAL OTHER FINANCING USES, NET</b>	<u>(71,734)</u>	<u>(76,744)</u>	<u>(91,853)</u>	<u>(15,109)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,716)	(26,886)	(5,883)	21,003
Fund balances - beginning	299,405	299,405	299,405	-
<b>FUND BALANCES - ENDING</b>	<u>\$296,689</u>	<u>\$ 272,519</u>	<u>\$293,522</u>	<u>\$ 21,003</u>

The notes to the required supplementary information are an integral part of this schedule.

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

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**(2) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS**

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The “Budgetary Comparison Schedule – General Fund” has been prepared on a budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget to actual comparison schedule in accordance with the budgetary process (Budgetary Basis) to provide a meaningful comparison with the budget.

The main difference between Budgetary Basis “actual” and GAAP basis is a timing difference:

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately \$9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2006, was \$565,306.

The following schedule is a reconciliation of the GAAP and budgetary results of operations (in thousands):

	<b>General Fund</b>
Net change in fund balance – budgetary basis	\$ (5,883)
Amortization of debt service deposit agreement	565
Net change in fund balance – GAAP basis	\$ (5,318)

**CITY OF OAKLAND**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

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The General Fund's fund balance on a Budgetary Basis is reconciled to that on a GAAP basis as of June 30, 2006, which is as follows (in thousands):

	<b>General Fund</b>
Fund Balance, June 30, 2006 - Budgetary Basis	\$ 293,522
Unamortized debt service deposit agreement	(7,003)
Fund Balance, June 30, 2006 – GAAP Basis	\$ 286,519

General Fund Budgetary Basis Fund Balance at June 30, 2006, is composed of the following (in thousands):

	<b>General Fund</b>
Reserved:	
Encumbrances	\$ 6,708
Long-term receivables	6,000
Debt service	2,443
Pension obligations	119,000
Unreserved reported in:	
General fund	159,371
<b>TOTAL FUND BALANCES</b>	<b>\$ 293,522</b>

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2006**  
*(In Thousands)*

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 61,557	\$ 6,003	\$ 619	\$ 68,179
Receivables, net:				
Accrued interest and dividends	427	51	4	482
Property taxes	2,710	848	-	3,558
Accounts receivable	3,141	-	-	3,141
Grants receivable	508	-	-	508
Due from other funds	1,959	143	-	2,102
Due from component unit	2,540	-	-	2,540
Notes and loans receivable, net	17,115	-	-	17,115
Restricted cash and investments	-	144,367	14,681	159,048
<b>TOTAL ASSETS</b>	<u>\$ 89,957</u>	<u>\$ 151,412</u>	<u>\$ 15,304</u>	<u>\$ 256,673</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 2,502	\$ 109	\$ 307	\$ 2,918
Due to other funds	8,126	1,067	4,754	13,947
Deferred revenue	18,331	848	-	19,179
Other	285	-	-	285
<b>TOTAL LIABILITIES</b>	<u>29,244</u>	<u>2,024</u>	<u>5,061</u>	<u>36,329</u>
<b>Fund Balances</b>				
Reserved:				
Encumbrances	6,356	-	41	6,397
Debt service	-	149,388	-	149,388
Unreserved/designated:				
Special revenue funds	54,357	-	-	54,357
Capital project funds	-	-	10,202	10,202
<b>TOTAL FUND BALANCES</b>	<u>60,713</u>	<u>149,388</u>	<u>10,243</u>	<u>220,344</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 89,957</u>	<u>\$ 151,412</u>	<u>\$ 15,304</u>	<u>\$ 256,673</u>

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Chages in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Nonmajor Governmental Total
<b>REVENUES</b>				
Taxes:				
Property	\$ 13,729	\$ 13,541	\$ -	\$ 27,270
State:				
Sales and use	11,969	-	-	11,969
Gas	7,476	-	-	7,476
Licenses and permits	31	-	-	31
Parking	6,727	-	-	6,727
Voter approved special tax	20,633	-	-	20,633
Fines and penalties	1,369	92	-	1,461
Interest and investment income	2,452	9,028	301	11,781
Charges for services	3,685	-	-	3,685
Federal and state grants and subventions	4,819	-	-	4,819
Other	18,812	810	-	19,622
<b>TOTAL REVENUES</b>	<u>91,702</u>	<u>23,471</u>	<u>301</u>	<u>115,474</u>
<b>EXPENDITURES</b>				
Current:				
Elected and Appointed Officials:				
Mayor	190	-	-	190
Council	1,244	-	-	1,244
City Manager	2,152	-	-	2,152
City Attorney	3,001	-	20	3,021
City Auditor	4	-	-	4
City Clerk	70	-	-	70
Agencies/Departments:				
Personnel resource management	77	-	-	77
Financial Services	1,220	5	-	1,225
Police Services	4,829	-	17	4,846
Fire Services	7,946	-	-	7,946
Life Enrichment:				
Parks and Recreation	3,068	-	-	3,068
Library	331	-	-	331
Museum	267	-	-	267
Aging & health and Human Services	12,578	-	-	12,578
Community and Economic Development	13,318	-	-	13,318
Public Works	35,223	-	749	35,972
Other	2,284	83	-	2,367
Capital outlay	3,566	-	1,662	5,228
Debt service:				
Principal repayment	107	61,046	-	61,153
Interest Charges	20	51,864	-	51,884
<b>TOTAL EXPENDITURES</b>	<u>91,495</u>	<u>112,998</u>	<u>2,448</u>	<u>206,941</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>207</u>	<u>(89,527)</u>	<u>(2,147)</u>	<u>(91,467)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Property sale proceeds	189	-	-	189
Transfers in	15,425	83,369	-	98,794
Transfers out	(19)	(223)	-	(242)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>15,595</u>	<u>83,146</u>	<u>-</u>	<u>98,741</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>15,802</u>	<u>(6,381)</u>	<u>(2,147)</u>	<u>7,274</u>
Fund balances - beginning	44,911	155,769	12,390	213,070
<b>FUND BALANCES - ENDING</b>	<u>\$ 60,713</u>	<u>\$ 149,388</u>	<u>\$ 10,243</u>	<u>\$ 220,344</u>

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Special Revenue**  
**June 30, 2006**  
*(In Thousands)*

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessmt District	Assessment Districts	Other Special Revenue	ORA Projects	Parks and Recreation and Cultural	Total
<b>ASSETS</b>								
Cash and Investments	\$ 30,937	\$ -	\$ -	\$ 1,938	\$ 25,722	\$ -	\$ 2,960	\$ 61,557
Receivable, net:								
Accrued interest and dividends	220	-	-	15	172	-	20	427
Property taxes	-	-	1,736	88	854	-	32	2,710
Accounts receivable	1,833	678	-	24	606	-	-	3,141
Grants receivable	374	-	-	-	134	-	-	508
Due from other funds	-	-	-	-	-	1,959	-	1,959
Due from component unit	-	-	-	-	2,540	-	-	2,540
Notes and loans receivable, net	-	-	-	-	17,115	-	-	17,115
<b>TOTAL ASSETS</b>	<u>\$ 33,364</u>	<u>\$ 678</u>	<u>\$ 1,736</u>	<u>\$ 2,065</u>	<u>\$ 47,143</u>	<u>\$ 1,959</u>	<u>\$ 3,012</u>	<u>\$ 89,957</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable and accrued liabilities	\$ 346	\$ 67	\$ 346	\$ 412	\$ 1,122	\$ 190	\$ 19	\$ 2,502
Due to other funds	395	51	520	-	1,949	5,211	-	8,126
Deferred revenues	2	-	187	88	17,373	649	32	18,331
Other	-	-	-	-	-	-	285	285
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>743</u>	<u>118</u>	<u>1,053</u>	<u>500</u>	<u>20,444</u>	<u>6,050</u>	<u>336</u>	<u>29,244</u>
<b>Fund Balances (deficit)</b>								
Reserved:								
Encumbrance	397	58	99	58	4,564	1,111	69	6,356
Unreserved/designated:								
Unreserved (deficit)	5,615	(1,591)	397	1,507	(6,192)	(13,638)	1,661	(12,241)
Projects	26,609	2,093	187	-	28,327	8,436	946	66,598
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>32,621</u>	<u>560</u>	<u>683</u>	<u>1,565</u>	<u>26,699</u>	<u>(4,091)</u>	<u>2,676</u>	<u>60,713</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 33,364</u>	<u>\$ 678</u>	<u>\$ 1,736</u>	<u>\$ 2,065</u>	<u>\$ 47,143</u>	<u>\$ 1,959</u>	<u>\$ 3,012</u>	<u>\$ 89,957</u>

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds-Special Revenue**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks and Recreation and Cultural	Total
<b>REVENUES</b>								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ 1,675	\$ 12,054	\$ -	\$ -	\$ 13,729
State:								
Sales and use	11,969	-	-	-	-	-	-	11,969
Gas	-	7,476	-	-	-	-	-	7,476
Licenses and permits	-	-	31	-	-	-	-	31
Parking	-	-	-	-	6,727	-	-	6,727
Voter approved special tax	-	-	17,874	-	2,759	-	-	20,633
Fines and penalties	1,348	-	-	-	21	-	-	1,369
Interest and investment income	987	-	-	60	1,283	-	122	2,452
Charges for services	263	25	49	3	3,344	1	-	3,685
Federal and state grants and subventions	989	138	-	-	3,692	-	-	4,819
Other	-	78	1	12	1,560	16,597	564	18,812
<b>TOTAL REVENUES</b>	<u>15,556</u>	<u>7,717</u>	<u>17,955</u>	<u>1,750</u>	<u>31,440</u>	<u>16,598</u>	<u>686</u>	<u>91,702</u>
<b>EXPENDITURES</b>								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	-	190	-	190
Council	15	10	-	-	-	1,219	-	1,244
City Manager	428	-	67	2	599	1,056	-	2,152
City Attorney	-	-	140	-	390	2,471	-	3,001
City Auditor	-	-	4	-	-	-	-	4
City Clerk	-	-	-	-	-	70	-	70
Agencies/Departments:								
Personnel resource management	-	-	-	-	77	-	-	77
Financial Services	-	108	125	-	129	858	-	1,220
Police Services	-	-	-	-	4,085	744	-	4,829
Fire Services	-	-	-	2,074	5,871	-	1	7,946
Life Enrichment:								
Parks and Recreation	-	-	2,787	-	247	-	34	3,068
Library	1	-	-	-	-	-	330	331
Cultural Arts and Museum	-	-	221	-	-	-	46	267
Aging & health and Human Services	1,241	-	1	-	10,898	438	-	12,578
Community and Economic Development	211	-	-	-	4,672	8,435	-	13,318
Public Works	8,400	8,533	17,989	25	269	-	7	35,223
Other	-	-	1	3	2,280	-	-	2,284
Capital outlay	2,115	365	-	-	-	947	139	3,566
Debt Service:								
Principal repayment	-	-	-	-	-	107	-	107
Interest charges	-	-	-	-	-	20	-	20
<b>TOTAL EXPENDITURES</b>	<u>12,411</u>	<u>9,016</u>	<u>21,335</u>	<u>2,104</u>	<u>29,517</u>	<u>16,555</u>	<u>557</u>	<u>91,495</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,145</u>	<u>(1,299)</u>	<u>(3,380)</u>	<u>(354)</u>	<u>1,923</u>	<u>43</u>	<u>129</u>	<u>207</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Property sale proceeds	-	189	-	-	-	-	-	189
Transfers in	-	-	3,000	148	12,181	96	-	15,425
Transfers out	-	-	-	(19)	-	-	-	(19)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>189</u>	<u>3,000</u>	<u>129</u>	<u>12,181</u>	<u>96</u>	<u>-</u>	<u>15,595</u>
<b>NET CHANGE IN FUND BALANCES (DEFICIT)</b>	<u>3,145</u>	<u>(1,110)</u>	<u>(380)</u>	<u>(225)</u>	<u>14,104</u>	<u>139</u>	<u>129</u>	<u>15,802</u>
Fund balances (deficit) - beginning	29,476	1,670	1,063	1,790	12,595	(4,230)	2,547	44,911
<b>FUND BALANCES - ENDING</b>	<u>\$ 32,621</u>	<u>\$ 560</u>	<u>\$ 683</u>	<u>\$ 1,565</u>	<u>\$ 26,699</u>	<u>\$ (4,091)</u>	<u>\$ 2,676</u>	<u>\$ 60,713</u>

**CITY OF OAKLAND**  
**Special Revenue Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2006**  
*(In Thousands)*

	Traffic Safety and Control				State Gas Tax				Landscaping and Lighting District			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>												
Taxes:												
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State:												
Sales and use	10,168	10,168	11,969	1,801	-	-	-	-	-	-	-	-
Gas	-	-	-	-	7,704	7,704	7,476	(228)	-	-	-	-
Local	-	-	-	-	-	-	-	-	17,509	17,509	17,874	365
Licenses and permits	-	-	-	-	-	-	-	-	27	27	31	4
Fines and penalties	1,000	1,000	1,348	348	-	-	-	-	-	-	-	-
Interest and investment income	-	-	987	987	-	-	-	-	-	-	-	-
Charges for services	175	175	263	88	-	-	25	25	22	22	49	27
Federal and state grants and subventions	77	312	989	677	-	-	138	138	-	-	-	-
Other	-	-	-	-	-	-	78	78	-	-	1	1
<b>TOTAL REVENUES</b>	<b>11,420</b>	<b>11,655</b>	<b>15,556</b>	<b>3,901</b>	<b>7,704</b>	<b>7,704</b>	<b>7,717</b>	<b>13</b>	<b>17,558</b>	<b>17,558</b>	<b>17,955</b>	<b>397</b>
<b>EXPENDITURES</b>												
Current:												
Elected and Appointed Officials-												
Mayor	-	-	-	-	-	-	-	-	-	-	-	-
Council	-	1,274	15	1,259	-	1,364	10	1,354	-	-	-	-
City Manager	-	-	428	(428)	-	-	-	-	88	100	67	33
City Attorney	-	-	-	-	-	-	-	-	140	140	140	-
City Auditor	-	-	-	-	-	-	-	-	-	-	4	(4)
Information Technology	-	-	-	-	-	-	-	-	34	34	-	34
Financial Services	-	-	-	-	106	106	108	(2)	127	127	125	2
Police Services	-	2	-	2	-	-	-	-	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	-	-	-	-	-	-	2,720	2,724	2,787	(63)
Library	-	-	1	(1)	-	-	-	-	-	-	-	-
Museum	-	-	-	-	-	-	-	-	326	326	221	105
Aging & Health and Human Services	1,206	2,108	1,241	867	-	-	-	-	-	-	1	(1)
Community and Economic Development	-	1,325	211	1,114	-	-	-	-	-	-	-	-
Public Works	8,193	20,921	8,400	12,521	7,720	8,351	8,533	(182)	17,023	17,191	17,989	(798)
Other	-	24	-	24	-	-	-	-	-	-	1	(1)
Capital outlay	4,580	13,965	2,115	11,850	-	572	365	207	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>13,979</b>	<b>39,619</b>	<b>12,411</b>	<b>27,208</b>	<b>7,826</b>	<b>10,393</b>	<b>9,016</b>	<b>1,377</b>	<b>20,458</b>	<b>20,642</b>	<b>21,335</b>	<b>(693)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,559)</b>	<b>(27,964)</b>	<b>3,145</b>	<b>31,109</b>	<b>(122)</b>	<b>(2,689)</b>	<b>(1,299)</b>	<b>1,390</b>	<b>(2,900)</b>	<b>(3,084)</b>	<b>(3,380)</b>	<b>(296)</b>
<b>OTHER FINANCING SOURCES (USES)</b>												
Property sale proceeds	-	-	-	-	-	-	189	189	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	3,000	3,000	3,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189</b>	<b>189</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(2,559)</b>	<b>(27,964)</b>	<b>3,145</b>	<b>31,109</b>	<b>(122)</b>	<b>(2,689)</b>	<b>(1,110)</b>	<b>1,579</b>	<b>100</b>	<b>(84)</b>	<b>(380)</b>	<b>(296)</b>
Fund balances -beginning	29,476	29,476	29,476	-	1,670	1,670	1,670	-	1,063	1,063	1,063	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 26,917</b>	<b>\$ 1,512</b>	<b>\$ 32,621</b>	<b>\$ 31,109</b>	<b>\$ 1,548</b>	<b>\$ (1,019)</b>	<b>\$ 560</b>	<b>\$ 1,579</b>	<b>\$ 1,163</b>	<b>\$ 979</b>	<b>\$ 683</b>	<b>\$ (296)</b>

(Continued)

**CITY OF OAKLAND**  
**Special Revenue Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2006**  
*(In Thousands)*

(Continued)	Assessment Districts				Other Special Revenue			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>								
Taxes:								
Property	\$ 1,884	\$ 1,735	\$ 1,675	\$ (60)	\$ 12,211	\$ 12,211	12,054	\$ (157)
State:								
Sales and use	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-
Local	-	-	-	-	10,119	10,119	9,486	(633)
Licenses and permits	-	-	-	-	-	-	-	-
Fines and penalties	-	-	-	-	26	26	21	(5)
Interest and investment income	-	-	60	60	-	326	1,283	957
Charges for services	-	-	3	3	3,893	3,893	3,344	(549)
Federal and state grants and subventions	-	-	-	-	4,094	4,634	3,692	(942)
Other	2	2	12	10	100	726	1,560	834
<b>TOTAL REVENUES</b>	<u>1,886</u>	<u>1,737</u>	<u>1,750</u>	<u>13</u>	<u>30,443</u>	<u>31,935</u>	<u>31,440</u>	<u>(495)</u>
<b>EXPENDITURES</b>								
Current:								
Elected and Appointed Officials-								
Council	-	-	-	-	-	-	-	-
City Manager	-	5	2	3	19	46	599	(553)
City Attorney	-	-	-	-	390	390	390	-
City Auditor	-	-	-	-	15	30	-	30
Agencies/Departments:								
Personnel resource management	-	-	-	-	-	518	77	441
Financial Services	-	-	-	-	132	150	129	21
Police Services	-	-	-	-	9,838	11,766	4,085	7,681
Fire Services	1,757	2,094	2,074	20	7,544	10,310	5,871	4,439
Life Enrichment:								
Parks and Recreation	-	127	-	127	-	274	247	27
Aging, Health and Human Services	-	-	-	-	16,136	17,818	10,898	6,920
Community and Economic Development	-	-	-	-	4,340	11,675	4,672	7,003
Public Works	-	-	25	(25)	-	1,327	269	1,058
Other	-	-	3	(3)	-	7,012	2,280	4,732
Capital outlay	-	-	-	-	-	1,487	-	1,487
<b>TOTAL EXPENDITURES</b>	<u>1,757</u>	<u>2,226</u>	<u>2,104</u>	<u>122</u>	<u>38,414</u>	<u>62,803</u>	<u>29,517</u>	<u>33,286</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	129	(489)	(354)	135	(7,971)	(30,868)	1,923	32,791
<b>OTHER FINANCING SOURCES</b>								
Property sale proceeds	-	-	-	-	-	-	-	-
Transfers in	-	148	148	-	9,622	9,622	12,181	2,559
Transfers out	-	-	(19)	(19)	(1,429)	(1,429)	-	1,429
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>148</u>	<u>129</u>	<u>(19)</u>	<u>8,193</u>	<u>8,193</u>	<u>12,181</u>	<u>3,988</u>
<b>NET CHANGE IN FUND BALANCE</b>	129	(341)	(225)	116	222	(22,675)	14,104	36,779
Fund balances - beginning	1,790	1,790	1,790	-	12,595	12,595	12,595	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,919</u>	<u>\$ 1,449</u>	<u>\$ 1,565</u>	<u>\$ 116</u>	<u>\$ 12,817</u>	<u>\$ (10,080)</u>	<u>\$ 26,699</u>	<u>\$ 36,779</u>

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Debt Service Funds**  
**June 30, 2006**  
*(In Thousands)*

	<b>General Obligation Bonds</b>	<b>Lease Financing</b>	<b>Civic Improvement</b>	<b>JPFA Fund</b>	<b>Other Assessment Bonds</b>	<b>Special Revenue Bonds</b>	<b>Total</b>
<b>ASSETS</b>							
Cash and investments	\$ 3,189	\$ -	\$ -	\$ -	\$ 2,814	\$ -	\$ 6,003
Receivables, net:							
Accrued interest and dividends	19	-	-	25	7	-	51
Property taxes	560	-	-	-	288	-	848
Due from other funds	-	-	143	-	-	-	143
Restricted cash and investments	<u>33</u>	<u>4</u>	<u>24,711</u>	<u>117,462</u>	<u>1,053</u>	<u>1,104</u>	<u>144,367</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,801</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 24,854</u></b>	<b><u>\$ 117,487</u></b>	<b><u>\$ 4,162</u></b>	<b><u>\$ 1,104</u></b>	<b><u>\$ 151,412</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable and accrued liabilities	\$ 30	\$ 7	\$ -	\$ 6	\$ -	\$ 66	\$ 109
Due to other funds	-	439	417	34	-	177	1,067
Deferred revenue	<u>560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>	<u>-</u>	<u>848</u>
<b>TOTAL LIABILITIES</b>	<b><u>590</u></b>	<b><u>446</u></b>	<b><u>417</u></b>	<b><u>40</u></b>	<b><u>288</u></b>	<b><u>243</u></b>	<b><u>2,024</u></b>
<b>Fund Balances</b>							
Reserved:							
Reserved for debt service	<u>3,211</u>	<u>(442)</u>	<u>24,437</u>	<u>117,447</u>	<u>3,874</u>	<u>861</u>	<u>149,388</u>
<b>TOTAL FUND BALANCES</b>	<b><u>3,211</u></b>	<b><u>(442)</u></b>	<b><u>24,437</u></b>	<b><u>117,447</u></b>	<b><u>3,874</u></b>	<b><u>861</u></b>	<b><u>149,388</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,801</u></b>	<b><u>\$ 4</u></b>	<b><u>\$ 24,854</u></b>	<b><u>\$ 117,487</u></b>	<b><u>\$ 4,162</u></b>	<b><u>\$ 1,104</u></b>	<b><u>\$ 151,412</u></b>

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds-Debt Service Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<u>General Obligation Bonds</u>	<u>Lease Financing</u>	<u>Civic Improvement</u>	<u>JPFA Fund</u>	<u>Other Assessment Bonds</u>	<u>Special Revenue Bonds</u>	<u>Total</u>
<b>REVENUES</b>							
Property taxes	\$ 13,541	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,541
Fines and penalties	92	-	-	-	-	-	92
Interest and investment income	105	-	2,739	6,090	94	-	9,028
Other	42	-	-	1	767	-	810
<b>TOTAL REVENUES</b>	<u>13,780</u>	<u>-</u>	<u>2,739</u>	<u>6,091</u>	<u>861</u>	<u>-</u>	<u>23,471</u>
<b>EXPENDITURES</b>							
Agencies/Departments:							
Financial services	-	-	-	5	-	-	5
Other	3	14	12	20	27	7	83
Debt Service:							
Principal repayment	7,157	9,679	2,100	8,555	285	33,270	61,046
Interest charges	10,828	8,008	1,054	10,313	387	21,274	51,864
<b>TOTAL EXPENDITURES</b>	<u>17,988</u>	<u>17,701</u>	<u>3,166</u>	<u>18,893</u>	<u>699</u>	<u>54,551</u>	<u>112,998</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(4,208)</u>	<u>(17,701)</u>	<u>(427)</u>	<u>(12,802)</u>	<u>162</u>	<u>(54,551)</u>	<u>(89,527)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	2,959	17,124	-	5,129	1,291	56,866	83,369
Transfers out	(215)	-	-	-	(8)	-	(223)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>2,744</u>	<u>17,124</u>	<u>-</u>	<u>5,129</u>	<u>1,283</u>	<u>56,866</u>	<u>83,146</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,464)</u>	<u>(577)</u>	<u>(427)</u>	<u>(7,673)</u>	<u>1,445</u>	<u>2,315</u>	<u>(6,381)</u>
Fund balances - beginning	4,675	135	24,864	125,120	2,429	(1,454)	155,769
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,211</u>	<u>\$ (442)</u>	<u>\$ 24,437</u>	<u>\$117,447</u>	<u>\$ 3,874</u>	<u>\$ 861</u>	<u>\$ 149,388</u>

**CITY OF OAKLAND**  
**Debt Service Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2006**  
*(In Thousands)*

	General Obligation Bonds				Lease Financing				Civic Improvement			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>												
Taxes:												
Property	\$ 18,270	\$ 29,314	\$ 13,541	\$ (15,773)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	92	92	-	-	-	-	-	-	-	-
Interest and investment income	592	592	105	(487)	500	500	-	(500)	2,481	2,481	2,739	258
Other	-	-	42	42	23,000	23,000	-	(23,000)	-	-	-	-
<b>TOTAL REVENUES</b>	<u>18,862</u>	<u>29,906</u>	<u>13,780</u>	<u>(16,126)</u>	<u>23,500</u>	<u>23,500</u>	<u>-</u>	<u>(23,500)</u>	<u>2,481</u>	<u>2,481</u>	<u>2,739</u>	<u>258</u>
<b>EXPENDITURES</b>												
Current:												
Agencies/Departments:												
Financial Services	-	-	-	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-	-	-	-
Other	41	47	3	44	17	17	14	3	18	18	12	6
Debt service:												
Principal Repayment	6,540	11,642	7,157	4,485	32,679	32,679	9,679	23,000	2,100	2,100	2,100	-
Interest Charges	11,689	17,625	10,828	6,797	7,834	7,834	8,008	(174)	869	869	1,054	(185)
<b>TOTAL EXPENDITURES</b>	<u>18,270</u>	<u>29,314</u>	<u>17,988</u>	<u>11,326</u>	<u>40,530</u>	<u>40,530</u>	<u>17,701</u>	<u>22,829</u>	<u>2,987</u>	<u>2,987</u>	<u>3,166</u>	<u>(179)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	592	592	(4,208)	(4,800)	(17,030)	(17,030)	(17,701)	(671)	(506)	(506)	(427)	79
<b>OTHER FINANCING SOURCES (USES)</b>												
Proceeds from bonds issuance	-	-	-	-	-	-	-	-	-	-	-	-
Premiums on issuance of bonds	-	-	-	-	-	-	-	-	506	506	-	(506)
Transfers in	-	-	2,959	2,959	17,295	17,521	17,124	(397)	-	-	-	-
Transfers out	-	-	(215)	(215)	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>2,744</u>	<u>2,744</u>	<u>17,295</u>	<u>17,521</u>	<u>17,124</u>	<u>(397)</u>	<u>506</u>	<u>506</u>	<u>-</u>	<u>(506)</u>
<b>NET CHANGE IN FUND BALANCE</b>	592	592	(1,464)	(2,056)	265	491	(577)	(1,068)	-	-	(427)	(427)
Fund balances - beginning	4,675	4,675	4,675	-	135	135	135	-	24,864	24,864	24,864	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 5,267</u>	<u>\$ 5,267</u>	<u>\$ 3,211</u>	<u>\$ (2,056)</u>	<u>\$ 400</u>	<u>\$ 626</u>	<u>\$ (442)</u>	<u>\$ (1,068)</u>	<u>\$ 24,864</u>	<u>\$ 24,864</u>	<u>\$ 24,437</u>	<u>\$ (427)</u>

(Continued)

**CITY OF OAKLAND**  
**Debt Service Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2006**  
*(In Thousands)*

(Continued)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>												
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	-	-	-	-	-	-	-	-	-	-
Interest and investment income	-	5,942	6,090	148	84	84	94	10	118	118	-	(118)
Other	-	-	1	1	755	755	767	12	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>5,942</b>	<b>6,091</b>	<b>149</b>	<b>839</b>	<b>839</b>	<b>861</b>	<b>22</b>	<b>118</b>	<b>118</b>	<b>-</b>	<b>(118)</b>
<b>EXPENDITURES</b>												
Current:												
Agencies/Departments:												
Financial Services	-	-	5	(5)	23	23	-	23	-	-	-	-
Other	13	19	20	(1)	33	33	27	6	8	26	7	19
Debt service:												
Principal repayment	3,350	8,555	8,555	-	285	285	285	-	35,020	43,270	33,270	10,000
Interest charges	4,047	9,829	10,313	(484)	389	389	387	2	9,928	18,580	21,274	(2,694)
<b>TOTAL EXPENDITURES</b>	<b>7,410</b>	<b>18,403</b>	<b>18,893</b>	<b>(490)</b>	<b>730</b>	<b>730</b>	<b>699</b>	<b>31</b>	<b>44,956</b>	<b>61,876</b>	<b>54,551</b>	<b>7,325</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>	<b>(7,410)</b>	<b>(12,461)</b>	<b>(12,802)</b>	<b>(341)</b>	<b>109</b>	<b>109</b>	<b>162</b>	<b>53</b>	<b>(44,838)</b>	<b>(61,758)</b>	<b>(54,551)</b>	<b>7,207</b>
<b>OVER EXPENDITURES</b>												
<b>OTHER FINANCING SOURCES (USES)</b>												
Proceeds from bonds issuance	-	-	-	-	-	-	-	-	-	-	-	-
Premiums on issuance of bonds	-	-	-	-	-	-	-	-	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	7,410	7,410	5,129	(2,281)	674	674	1,291	617	44,956	61,876	56,866	(5,010)
Transfers out	-	-	-	-	(674)	(674)	(8)	666	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,410</b>	<b>7,410</b>	<b>5,129</b>	<b>(2,281)</b>	<b>-</b>	<b>-</b>	<b>1,283</b>	<b>1,283</b>	<b>44,956</b>	<b>61,876</b>	<b>56,866</b>	<b>(5,010)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(5,051)</b>	<b>(7,673)</b>	<b>(2,622)</b>	<b>109</b>	<b>109</b>	<b>1,445</b>	<b>1,336</b>	<b>118</b>	<b>118</b>	<b>2,315</b>	<b>2,197</b>
Fund balances - beginning	125,120	125,120	125,120	-	2,429	2,429	2,429	-	(1,454)	(1,454)	(1,454)	-
<b>FUND BALANCES - ENDING</b>	<b>\$ 125,120</b>	<b>\$ 120,069</b>	<b>\$ 117,447</b>	<b>\$ (2,622)</b>	<b>\$ 2,538</b>	<b>\$ 2,538</b>	<b>\$ 3,874</b>	<b>\$ 1,336</b>	<b>\$ (1,336)</b>	<b>\$ (1,336)</b>	<b>\$ 861</b>	<b>\$ 2,197</b>

**CITY OF OAKLAND**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds-Capital Projects Funds**  
**June 30, 2006**  
*(In Thousands)*

	<u>Parks and Recreation</u>	<u>Emergency Services</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 619	\$ -	\$ 619
Receivables, net:			
Accrued interest and dividends	4	-	4
Restricted cash and investments	<u>3,749</u>	<u>10,932</u>	<u>14,681</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,372</u>	<u>\$10,932</u>	<u>\$ 15,304</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable and accrued liabilities	\$ 4	\$ 303	\$ 307
Due to other funds	<u>-</u>	<u>4,754</u>	<u>4,754</u>
<b>TOTAL LIABILITIES</b>	<u>4</u>	<u>5,057</u>	<u>5,061</u>
<b>Fund balances</b>			
Reserved:			
Encumbrance	31	10	41
Unreserved/designated:			
Projects	<u>4,337</u>	<u>5,865</u>	<u>10,202</u>
<b>TOTAL FUND BALANCES</b>	<u>4,368</u>	<u>5,875</u>	<u>10,243</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,372</u>	<u>\$10,932</u>	<u>\$ 15,304</u>

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds-Capital Projects Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

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	<u>Parks and Recreation</u>	<u>Emergency Services</u>	<u>Total</u>
<b>REVENUES</b>			
Interest and investment income	\$ -	\$ 301	\$ 301
<b>EXPENDITURES</b>			
Current:			
Elected and Appointed Officials:			
City Attorney	20	-	20
Agencies/departments:			
Police Services	-	17	17
Public Works	401	348	749
Capital outlay	<u>162</u>	<u>1,500</u>	<u>1,662</u>
<b>TOTAL EXPENDITURES</b>	<u>583</u>	<u>1,865</u>	<u>2,448</u>
DEFICIENCY OF REVENUES			
UNDER EXPENDITURES	<u>(583)</u>	<u>(1,564)</u>	<u>(2,147)</u>
NET CHANGE IN FUND BALANCE			
Fund balances - beginning	<u>4,951</u>	<u>7,439</u>	<u>12,390</u>
FUND BALANCES - ENDING	<u>\$ 4,368</u>	<u>\$ 5,875</u>	<u>\$ 10,243</u>

**CITY OF OAKLAND**  
**Capital Project Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2006**  
*(In Thousands)*

	Parks and Recreation				Emergency Services			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>								
Interest and investment income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 301	\$ 301
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>
<b>EXPENDITURES</b>								
Current:								
Elected and Appointed Officials-								
City Attorney	20	20	20	-	-	-	-	-
Agencies/Departments:								
Police Services	-	-	-	-	-	91	17	74
Life Enrichment:								
Parks and Recreation	-	-	-	-	-	20	-	20
Community and Economic Development	-	1	-	1	-	-	-	-
Public Works	-	3,044	401	2,643	-	7,741	348	7,393
Capital outlay	-	432	162	270	-	1,641	1,500	141
<b>TOTAL EXPENDITURES</b>	<u>20</u>	<u>3,497</u>	<u>583</u>	<u>2,914</u>	<u>-</u>	<u>9,493</u>	<u>1,865</u>	<u>7,628</u>
<b>NET CHANGE IN FUND BALANCE</b>	(20)	(3,497)	(583)	2,914	-	(9,493)	(1,564)	7,929
Fund balances - beginning	4,951	4,951	4,951	-	7,439	7,439	7,439	-
<b>FUND BALANCES - ENDING</b>	<u>\$ 4,931</u>	<u>\$ 1,454</u>	<u>\$ 4,368</u>	<u>\$ 2,914</u>	<u>\$ 7,439</u>	<u>\$ (2,054)</u>	<u>\$ 5,875</u>	<u>\$ 7,929</u>

**CITY OF OAKLAND**  
**Combining Statement of Net Assets**  
**Internal Service Funds**  
**June 30, 2006**  
*(In Thousands)*

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and Investments	\$ -	\$ 3,368	\$ -	\$ 373	\$ -	\$ 3,741
Accounts receivable	35	34	-	2	73	144
Inventories	273	-	-	-	577	850
Restricted cash and investments	9,951	518	-	-	-	10,469
Total Current assets	<u>10,259</u>	<u>3,920</u>	<u>-</u>	<u>375</u>	<u>650</u>	<u>15,204</u>
Noncurrent assets:						
Capital assets:						
Land and other assets not being depreciated	-	-	310	-	-	310
Facilities and equipment, net of depreciation	23,176	1,054	179	8	-	24,417
Total noncurrent assets	<u>23,176</u>	<u>1,054</u>	<u>489</u>	<u>8</u>	<u>-</u>	<u>24,727</u>
<b>TOTAL ASSETS</b>	<u>33,435</u>	<u>4,974</u>	<u>489</u>	<u>383</u>	<u>650</u>	<u>39,931</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued liabilities	438	29	940	96	-	1,503
Due to other funds	13,165	-	14,301	-	7,143	34,609
Other liabilities	-	-	367	-	-	367
Notes payable	4,395	331	164	-	-	4,890
Total current liabilities	<u>17,998</u>	<u>360</u>	<u>15,772</u>	<u>96</u>	<u>7,143</u>	<u>41,369</u>
Noncurrent liabilities:						
Notes payable	8,100	1,889	2,896	-	-	12,885
<b>TOTAL LIABILITIES</b>	<u>26,098</u>	<u>2,249</u>	<u>18,668</u>	<u>96</u>	<u>7,143</u>	<u>54,254</u>
<b>NET ASSETS (DEFICIT)</b>						
Invested in capital assets, net of related debt	10,681	(1,166)	(2,571)	8	-	6,952
Unrestricted (deficit)	<u>(3,344)</u>	<u>3,891</u>	<u>(15,608)</u>	<u>279</u>	<u>(6,493)</u>	<u>(21,275)</u>
<b>TOTAL NET ASSETS (DEFICIT)</b>	<u>\$ 7,337</u>	<u>\$ 2,725</u>	<u>\$ (18,179)</u>	<u>\$ 287</u>	<u>\$ (6,493)</u>	<u>\$ (14,323)</u>

**CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Internal Service Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Total</u>
<b>OPERATING REVENUES</b>						
Charges for services	\$ 13,824	\$ 2,007	\$ 15,050	\$ 1,473	\$ 2,610	\$ 34,964
Other	<u>44</u>	<u>-</u>	<u>6,416</u>	<u>-</u>	<u>4</u>	<u>6,464</u>
<b>TOTAL OPERATING REVENUES</b>	<u>13,868</u>	<u>2,007</u>	<u>21,466</u>	<u>1,473</u>	<u>2,614</u>	<u>41,428</u>
<b>OPERATING EXPENSES</b>						
Personnel	4,700	1,034	8,489	427	1,253	15,903
Supplies	4,370	535	1,019	165	18	6,107
Depreciation and amortization	4,015	321	17	-	-	4,353
Contractual services and supplies	124	41	7,297	-	-	7,462
Repairs and maintenance	426	127	1,334	69	1	1,957
General and administrative	854	68	2,399	227	162	3,710
Rental	380	155	423	573	47	1,578
Other	<u>-</u>	<u>-</u>	<u>4,883</u>	<u>3</u>	<u>1,463</u>	<u>6,349</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>14,869</u>	<u>2,281</u>	<u>25,861</u>	<u>1,464</u>	<u>2,944</u>	<u>47,419</u>
<b>OPERATING INCOME (LOSS)</b>	(1,001)	(274)	(4,395)	9	(330)	(5,991)
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and investment income	-	152	(473)	6	-	(315)
Interest expense	(622)	(106)	(135)	-	(245)	(1,108)
Other, net	<u>5</u>	<u>-</u>	<u>457</u>	<u>-</u>	<u>-</u>	<u>462</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(617)</u>	<u>46</u>	<u>(151)</u>	<u>6</u>	<u>(245)</u>	<u>(961)</u>
Changes in net assets	(1,618)	(228)	(4,546)	15	(575)	(6,952)
Total net assets (deficit) - beginning	<u>8,955</u>	<u>2,953</u>	<u>(13,633)</u>	<u>272</u>	<u>(5,918)</u>	<u>(7,371)</u>
<b>TOTAL NET ASSETS (DEFICIT) - ENDING</b>	<u>\$ 7,337</u>	<u>\$ 2,725</u>	<u>\$ (18,179)</u>	<u>\$ 287</u>	<u>\$ (6,493)</u>	<u>\$(14,323)</u>

**CITY OF OAKLAND**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Stores</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from customers, including other funds and cash deposits	\$ 13,769	\$ 2,036	\$ 15,042	\$ 1,473	\$ 2,593	\$ 34,913
Cash from other sources	44	-	6,416	-	4	6,464
Cash paid to employees for services	(4,700)	(1,034)	(8,489)	(427)	(1,253)	(15,903)
Cash paid to suppliers for goods & services	(6,142)	(940)	(16,694)	(980)	(1,496)	(26,252)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>2,971</u>	<u>62</u>	<u>(3,725)</u>	<u>66</u>	<u>(152)</u>	<u>(778)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Proceeds of interfund loans	2,614	-	1,462	-	397	4,473
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>2,614</u>	<u>-</u>	<u>1,462</u>	<u>-</u>	<u>397</u>	<u>4,473</u>
<b>CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES</b>						
Acquisition of capital assets	(1,798)	(421)	(71)	-	-	(2,290)
Proceeds from sales of property	5	-	-	-	-	5
Repayment of long-term debt	(4,219)	(317)	(1,079)	-	-	(5,615)
Interest paid on long-term debt	(589)	(106)	(135)	-	-	(830)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(6,601)</u>	<u>(844)</u>	<u>(1,285)</u>	<u>-</u>	<u>-</u>	<u>(8,730)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest income received	(33)	152	(473)	6	(245)	(593)
Rental income	-	-	457	-	-	457
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(33)</u>	<u>152</u>	<u>(16)</u>	<u>6</u>	<u>(245)</u>	<u>(136)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,049)</u>	<u>(630)</u>	<u>(3,564)</u>	<u>72</u>	<u>-</u>	<u>(5,171)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>11,000</u>	<u>4,516</u>	<u>3,564</u>	<u>301</u>	<u>-</u>	<u>19,381</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 9,951</u>	<u>\$ 3,886</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 14,210</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (1,001)	\$ (274)	\$ (4,395)	\$ 9	\$ (330)	\$ (5,991)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>						
Depreciation	4,015	321	17	-	-	4,353
Receivables	(11)	29	(8)	-	(73)	(63)
Inventories	(44)	-	-	-	56	12
Accounts payable and accrued liabilities	12	(14)	661	57	195	911
Total Adjustments	<u>3,972</u>	<u>336</u>	<u>670</u>	<u>57</u>	<u>178</u>	<u>5,213</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 2,971</u>	<u>\$ 62</u>	<u>\$ (3,725)</u>	<u>\$ 66</u>	<u>\$ (152)</u>	<u>\$ (778)</u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS</b>						
Cash and investments	-	3,368	-	373	-	3,741
Restricted cash and investments	9,951	518	-	-	-	10,469
<b>TOTAL</b>	<u>\$ 9,951</u>	<u>\$ 3,886</u>	<u>\$ -</u>	<u>\$ 373</u>	<u>\$ -</u>	<u>\$ 14,210</u>

**CITY OF OAKLAND**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds - Fiduciary**  
**June 30, 2006**  
*(In Thousands)*

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	<b>OMERS</b>	<b>PFRS</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and investments	\$ 373	\$ 3,471	\$ 3,844
Receivables:			
Interest and dividends	35	2,566	2,601
Investments and contributions	8	79,453	79,461
Restricted cash and investments	9,217	625,546	634,763
Securities lending collateral	-	<u>57,659</u>	<u>57,659</u>
<b>TOTAL ASSETS</b>	<u>9,633</u>	<u>768,695</u>	<u>778,328</u>
<b>LIABILITIES</b>			
Due to other funds	3,658	-	3,658
Accounts payable and accrued liabilities	86	125,932	126,018
Securities lending liability	-	<u>57,659</u>	<u>57,659</u>
<b>TOTAL LIABILITIES</b>	<u>3,744</u>	<u>183,591</u>	<u>187,335</u>
<b>NET ASSETS</b>			
<b>HELD IN TRUST FOR PENSION BENEFITS</b>	<u>\$ 5,889</u>	<u>\$ 585,104</u>	<u>\$ 590,993</u>

**CITY OF OAKLAND**  
**Combining Statement of Changes in Fiduciary Net Assets**  
**Pension Trust Funds - Fiduciary**  
**Year Ended June 30, 2006**  
*(In Thousands)*

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
<b>ADDITIONS:</b>			
Contributions:			
Members	\$ -	\$ 25	\$ 25
Investment Income:			
Net increase (decrease)			
in fair value of investments	(189)	25,833	25,644
Interest	132	13,756	13,888
Dividends	316	4,582	4,898
Securities lending income	-	2,020	2,020
Total investment income, net	259	46,191	46,450
Less investment expense	(33)	(1,975)	(2,008)
Borrowers' rebates and other agent fees and securities lending transactions	-	(1,911)	(1,911)
Net investment income	226	42,305	42,531
<b>TOTAL ADDITIONS</b>	<u>226</u>	<u>42,330</u>	<u>42,556</u>
<b>DEDUCTIONS:</b>			
Disbursements to members and beneficiaries:			
Retirement	832	43,046	43,878
Disability	133	26,116	26,249
Death	2	2,189	2,191
<b>TOTAL DISBURSEMENTS TO MEMBERS AND BENEFICIARIES</b>	967	71,351	72,318
Administrative expenses	307	773	1,080
Change in payable to City	1,587	-	1,587
<b>TOTAL DEDUCTIONS</b>	<u>2,861</u>	<u>72,124</u>	<u>74,985</u>
Change in net assets	(2,635)	(29,794)	(32,429)
Net Assets - beginning	8,524	614,898	623,422
Net assets - ending	<u>\$ 5,889</u>	<u>\$ 585,104</u>	<u>\$ 590,993</u>

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 1**

**NET ASSETS BY COMPONENT**

*(in thousands)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 395,311	\$ 385,354	\$ 389,345	\$ 310,633	\$ 319,932
Restricted	246,923	429,353	316,026	292,415	267,824
Unrestricted	(634,634)	(400,886)	(260,074)	(55,983)	(8,522)
Total governmental activities net assets	<u>\$ 7,600</u>	<u>\$ 413,821</u>	<u>\$ 445,297</u>	<u>\$ 547,065</u>	<u>\$ 579,234</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 103,197	\$ 109,682	\$ 113,610	\$ 107,396	\$ 110,279
Restricted	-	-	-	-	-
Unrestricted	(4,287)	(3,643)	(6,185)	3,114	989
Total business-type activities net assets	<u>\$ 98,910</u>	<u>\$ 106,039</u>	<u>\$ 107,425</u>	<u>\$ 110,510</u>	<u>\$ 111,268</u>
Primary government					
Invested in capital assets, net of related debt	\$ 498,508	\$ 495,036	\$ 502,955	\$ 418,029	\$ 430,211
Restricted	246,923	429,353	316,026	292,415	267,824
Unrestricted	(638,921)	(404,529)	(266,259)	(52,869)	(7,533)
Total primary government net assets	<u>\$ 106,510</u>	<u>\$ 519,860</u>	<u>\$ 552,722</u>	<u>\$ 657,575</u>	<u>\$ 690,502</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Assets

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 2**

**CHANGES IN NET ASSETS**

*(in thousands)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Expenses</b>					
Governmental Activities:					
General government	\$ 80,170	\$ 95,671	\$ 67,069	\$ 65,865	\$ 71,471
Public safety	250,503	302,273	297,869	319,908	335,171
Life enrichment	99,223	105,133	102,314	96,649	101,902
Community and economic development	108,101	110,400	121,160	117,689	140,351
Public works	72,639	83,548	70,369	107,457	100,448
Interest on long-term debt	72,924	56,072	58,820	62,238	73,224
Total governmental activities expenses	<u>\$ 683,560</u>	<u>\$ 753,097</u>	<u>\$ 717,601</u>	<u>\$ 769,806</u>	<u>\$ 822,567</u>
Business-type activities:					
Sewer	\$ 15,848	\$ 17,960	\$ 20,597	\$ 21,337	\$ 24,841
Parks and recreation	94	68	159	160	734
Total business-type activities	<u>\$ 15,942</u>	<u>\$ 18,028</u>	<u>\$ 20,756</u>	<u>\$ 21,497</u>	<u>\$ 25,575</u>
Total primary government expenses	<u>\$ 699,502</u>	<u>\$ 771,125</u>	<u>\$ 738,357</u>	<u>\$ 791,303</u>	<u>\$ 848,142</u>
<b>Program Revenues (see schedule 3)</b>					
Governmental activities:					
Charges for services:					
General government	\$ 25,131	\$ 27,946	\$ 14,913	\$ 25,641	\$ 16,266
Public safety	14,715	15,489	38,959	66,983	42,492
Life enrichment	5,123	4,355	73	125	79
Community and economic development	21,553	21,599	7,287	12,528	7,947
Public works	21,872	26,898	3,600	6,190	3,927
Interest on long-term debt	-	-	-	-	-
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154
Capital grants and contributions	10,553	9,262	10,366	-	-
Total governmental activities program revenues	<u>\$ 162,182</u>	<u>\$ 185,333</u>	<u>\$ 154,163</u>	<u>\$ 186,161</u>	<u>\$ 147,865</u>
Business-type activities:					
Charges for services:					
Sewer	\$ 19,153	\$ 19,364	\$ 22,590	\$ 24,252	\$ 24,678
Parks and recreation	100	122	58	244	197
Operating grants and contributions	19	19	-	-	-
Total business-type activities program revenues	<u>\$ 19,272</u>	<u>\$ 19,505</u>	<u>\$ 22,648</u>	<u>\$ 24,496</u>	<u>\$ 24,875</u>
Total primary government program revenues	<u>\$ 181,454</u>	<u>\$ 204,838</u>	<u>\$ 176,811</u>	<u>\$ 210,657</u>	<u>\$ 172,740</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	\$ (521,378)	\$ (567,764)	\$ (563,438)	\$ (583,645)	\$ (674,702)
Business-type activities	3,330	1,477	1,892	2,999	(700)
Total primary government net expense	<u>\$ (518,048)</u>	<u>\$ (566,287)</u>	<u>\$ (561,546)</u>	<u>\$ (580,646)</u>	<u>\$ (675,402)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental activities:					
Taxes					
Property taxes	\$ 172,029	\$ 202,297	\$ 200,731	\$ 234,127	\$ 268,693
State taxes	68,603	79,444	72,906	68,451	67,304
Local taxes	160,729	199,720	197,873	251,301	261,815
Other taxes	66,883	64,414	117,238	84,850	30,406
Interest and investment income	36,463	40,043	5,566	46,063	78,053
Transfers	659	629	600	621	600
Total governmental activities	<u>\$ 505,366</u>	<u>\$ 586,547</u>	<u>\$ 594,914</u>	<u>\$ 685,413</u>	<u>\$ 706,871</u>
Business-type activities:					
Interest and investment income	\$ 10	\$ 199	\$ 94	\$ 707	\$ 1,996
Other	1,891	6,082	-	-	62
Transfers	(659)	(629)	(600)	(621)	(600)
Total business-type activities	<u>\$ 1,242</u>	<u>\$ 5,652</u>	<u>\$ (506)</u>	<u>\$ 86</u>	<u>\$ 1,458</u>
Total primary government	<u>\$ 506,608</u>	<u>\$ 592,199</u>	<u>\$ 594,408</u>	<u>\$ 685,499</u>	<u>\$ 708,329</u>
<b>Change in Net Assets</b>					
Governmental activities	\$ (16,012)	\$ 18,783	\$ 31,476	\$ 101,768	\$ 32,169
Business-type activities	4,572	7,129	1,386	3,085	758
Total primary government	<u>\$ (11,440)</u>	<u>\$ 25,912</u>	<u>\$ 32,862</u>	<u>\$ 104,853</u>	<u>\$ 32,927</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 3**

**PROGRAM REVENUES BY FUNCTION/PROGRAM**

*(in thousands)*

<b>Function/Program</b>	<b><u>2002</u></b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Governmental activities:					
General government	\$ 25,131	\$ 27,946	\$ 14,913	\$ 25,641	\$ 16,266
Public safety	14,715	15,489	38,959	66,983	42,492
Life enrichment	5,123	4,355	73	125	79
Community and economic development	21,553	21,599	7,287	12,528	7,947
Public works	21,872	26,898	3,600	6,190	3,927
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154
Capital grants and contributions	10,553	9,262	10,366	-	-
Subtotal governmental activities	<u>\$ 162,182</u>	<u>\$ 185,333</u>	<u>\$ 154,163</u>	<u>\$ 186,161</u>	<u>\$ 147,865</u>
Business-type activities:					
Sewer	\$ 19,153	\$ 19,364	\$ 22,590	\$ 24,252	\$ 24,678
Parks and recreation	100	122	58	244	197
Operating grants and contributions	19	19	-	-	-
Subtotal business-type activities	<u>\$ 19,272</u>	<u>\$ 19,505</u>	<u>\$ 22,648</u>	<u>\$ 24,496</u>	<u>\$ 24,875</u>
Total primary government	<u><u>\$ 181,454</u></u>	<u><u>\$ 204,838</u></u>	<u><u>\$ 176,811</u></u>	<u><u>\$ 210,657</u></u>	<u><u>\$ 172,740</u></u>

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 4**

**FUND BALANCES, GOVERNMENTAL FUNDS**

*(in thousands)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 196,067	\$ 214,317	\$ 10,779	\$ 151,494	\$ 134,151
Unreserved	29,666	38,801	222,529	140,343	152,368
Total general fund	<u>\$ 225,733</u>	<u>\$ 253,118</u>	<u>\$ 233,308</u>	<u>\$ 291,837</u>	<u>\$ 286,519</u>
All Other Governmental Funds					
Reserved	\$ 327,871	\$ 475,385	\$ 284,475	\$ 445,531	\$ 496,474
Unreserved, reported in:					
Special revenue funds	(11,809)	(108,238)	4,704	19,785	42,102
Capital projects funds	4,222	6,599	164,788	143,456	130,221
Debt service funds	-	-	-	-	-
Total all other governmental funds	<u>\$ 320,284</u>	<u>\$ 373,746</u>	<u>\$ 453,967</u>	<u>\$ 608,772</u>	<u>\$ 668,797</u>

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Balance Sheet, Governmental Funds

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 5**

**CHANGES IN FUND BALANCES,  
GOVERNMENTAL FUNDS**

*(in thousands)*

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Revenues</b>										
Taxes (see Schedule 6)	\$ 282,060	\$ 311,114	\$ 330,836	\$ 368,764	\$ 403,226	\$ 402,435	\$ 439,159	\$ 457,949	\$ 535,706	\$ 578,474
Licenses, fees, and permits	7,097	7,701	8,061	9,098	11,442	11,758	13,098	13,476	15,676	19,006
Fines and penalties	10,218	12,494	14,736	15,625	17,111	17,806	20,645	28,189	26,325	25,467
Interest/investment net income	41,569	53,401	48,275	35,449	37,116	35,481	40,619	7,672	38,495	30,721
Charges for services	33,449	34,510	38,192	41,181	50,310	60,840	65,324	67,176	73,133	70,711
Special assessments	-	-	-	-	-	-	-	-	-	-
Federal and State grants and subventions	77,659	85,346	61,334	83,759	75,701	48,234	72,483	79,918	97,009	73,778
Other revenues	20,601	25,312	40,580	17,159	22,001	61,391	70,027	48,608	53,711	47,558
<b>Total revenues</b>	<b>\$ 472,653</b>	<b>\$ 529,878</b>	<b>\$ 542,014</b>	<b>\$ 571,035</b>	<b>\$ 616,907</b>	<b>\$ 637,945</b>	<b>\$ 721,355</b>	<b>\$ 702,988</b>	<b>\$ 840,055</b>	<b>\$ 845,715</b>
<b>Expenditures</b>										
General government	\$ 26,442	\$ 24,273	\$ 29,166	\$ 31,689	\$ 35,338	\$ 41,389	\$ 39,365	\$ 42,225	\$ 45,466	\$ 49,411
Financial services	8,938	12,166	13,565	15,978	15,327	16,637	17,025	22,339	22,197	24,181
Police services	97,721	105,248	114,462	130,662	145,521	151,791	166,266	166,175	178,813	187,968
Fire services	53,613	58,151	60,637	72,237	77,129	84,239	88,154	91,542	98,029	111,162
Life enrichment										
Administration	-	-	-	-	1,693	561	660	1	7	-
Parks & Recreation	24,783	24,526	27,290	41,818	38,180	32,481	28,556	29,445	16,740	17,296
Library	12,906	13,425	14,314	13,871	15,178	16,540	17,096	18,460	20,547	22,942
Museum	4,557	4,815	4,597	5,512	5,707	7,278	7,561	8,327	7,383	267
Marketing	-	-	-	-	-	-	-	2,367	-	-
Aging, Health & Human Services	16,891	20,340	20,849	19,856	21,347	24,568	27,740	33,238	35,609	46,581
Cultural Arts	-	-	-	1,717	1,972	1,382	1,753	41	-	6,832
Community & Economic Development	81,247	73,833	73,923	84,394	73,745	118,234	122,715	92,788	101,031	135,561
Public Works	47,618	46,768	42,527	48,504	60,835	52,841	51,458	60,328	73,338	79,816
Other	463,772	30,906	55,054	48,313	46,773	41,471	36,652	30,372	38,327	23,048
Capital outlay	85,054	82,702	64,108	18,606	14,397	22,055	27,056	24,779	36,219	25,014
Debt service										
Bond issuance costs	-	-	-	-	-	3,711	4,212	12,874	4,478	2,496
Principal	22,846	26,664	30,457	36,144	50,351	39,686	50,356	61,831	88,506	72,583
Interest	62,519	81,167	74,410	73,743	75,649	58,558	55,020	62,897	60,656	69,027
<b>Total expenditures</b>	<b>\$ 1,008,907</b>	<b>\$ 604,984</b>	<b>\$ 625,359</b>	<b>\$ 643,044</b>	<b>\$ 679,142</b>	<b>\$ 713,422</b>	<b>\$ 741,645</b>	<b>\$ 760,029</b>	<b>\$ 827,346</b>	<b>\$ 874,185</b>
Excess of revenues over(under) expenditures	\$ (536,254)	\$ (75,106)	\$ (83,345)	\$ (72,009)	\$ (62,235)	\$ (75,477)	\$ (20,290)	\$ (57,041)	\$ 12,709	\$ (28,470)
<b>Other Financing Sources (Uses)</b>										
Issuance of refunding bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,655	\$ 202,765	\$ 188,650	\$ -	\$ -
Proceeds from bond issuance	438,844	-	-	1,166	1,573	-	-	3,927	433,956	105,840
Premiums on issuance of bonds	-	-	-	-	-	788	-	587	13,535	328
Payment to refunding bond escrow agent	-	-	-	-	-	(208,907)	(110,826)	(96,395)	(247,860)	(27,853)
Property sale proceeds	322	255	-	79	104	16,094	8,569	1,497	394	4,262
Transfers in	18,068	34,869	73,122	116,700	8,514	142,816	79,144	95,404	109,911	101,643
Transfers out	(47,190)	(70,971)	(111,121)	(164,902)	(59,261)	(142,157)	(78,515)	(94,804)	(109,311)	(101,043)
<b>Total other financing sources (uses)</b>	<b>\$ 410,044</b>	<b>\$ (35,847)</b>	<b>\$ (37,999)</b>	<b>\$ (46,957)</b>	<b>\$ (49,070)</b>	<b>\$ 22,289</b>	<b>\$ 101,137</b>	<b>\$ 98,866</b>	<b>\$ 200,625</b>	<b>\$ 83,177</b>
<b>Change in fund balances</b>										
Total fund balance - beginning	\$ 28,461	\$ 29,700	\$ 24,464	\$ 42,872	\$ 32,234	\$ 599,205	\$ 546,017	\$ 645,450	\$ 687,275	\$ 900,609
Total fund balance - ending	29,700	24,464	42,872	32,234	22,796	546,017	626,864	687,275	900,609	955,316
<b>Net change in fund balances</b>	<b>\$ 1,239</b>	<b>\$ (5,236)</b>	<b>\$ 18,408</b>	<b>\$ (10,638)</b>	<b>\$ (9,438)</b>	<b>\$ (53,188)</b>	<b>\$ 80,847</b>	<b>\$ 41,825</b>	<b>\$ 213,334</b>	<b>\$ 54,707</b>
Debt service as a percentage of noncapital expenditures	9.24%	20.65%	18.68%	17.60%	18.95%	14.75%	15.34%	18.71%	19.42%	16.97%

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 6**

**TAX REVENUES BY SOURCE,  
GOVERNMENTAL FUNDS**

*(in thousands)*

<b>Fiscal Year</b>	<b>Property</b>	<b>Sales &amp; Use</b>	<b>Motor Vehicle in-lieu</b>	<b>Gas</b>	<b>Business License</b>	<b>Utility Consumption</b>	<b>Real Estate Transfer</b>	<b>Transient Occupancy</b>	<b>Parking</b>	<b>Voter Approved</b>	<b>Franchise</b>	<b>Total</b>
1997	\$ 119,813	\$ 37,253	\$ 15,080	\$ 7,056	\$ 31,935	\$ 32,783	\$ 17,645	\$ 7,321	\$ 4,595	\$ -	\$ 8,579	\$ 282,060
1998	135,605	40,202	16,410	7,209	31,198	35,695	22,716	8,466	4,837	-	8,776	311,114
1999	140,029	43,808	17,701	7,389	31,825	36,938	28,892	9,430	5,827	-	8,997	330,836
2000	155,941	46,791	19,314	8,052	35,845	41,592	34,359	12,100	5,686	-	9,084	368,764
2001	162,895	52,877	21,361	10,419	38,738	48,703	38,309	12,766	6,762	-	10,396	403,226
2002	163,130	45,749	22,854	7,705	42,094	49,547	37,272	10,530	7,525	5,085	10,944	402,435
2003	193,738	48,798	24,259	6,387	42,020	46,581	42,088	10,863	8,242	5,359	10,824	439,159
2004	200,646	47,760	18,178	6,968	44,223	48,056	55,665	9,857	9,799	5,205	11,592	457,949
2005	232,061	51,148	9,656	7,647	43,902	49,781	77,722	10,926	11,580	30,155	11,128	535,706
2006	268,361	56,844	2,984	7,476	43,790	48,770	79,483	11,690	15,196	31,728	12,152	578,474
Change 1997-2006	124.0%	52.6%	-80.2%	6.0%	37.1%	48.8%	350.5%	59.7%	230.7%	n/a	41.6%	105.1%

Note: Reflects revenues of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 7**

**ASSESSED VALUE AND ESTIMATED ACTUAL  
VALUE OF TAXABLE PROPERTY**

*(in thousands)*

<u>Fiscal Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Less: Redevelopment Tax Increments</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
1997	\$ 5,741,638	\$ 11,036,651	\$ 1,690,311	\$ 18,468,600	\$ 1,612,267	\$ 1,646,294	\$ 15,210,039	5.231	\$ 79,563,714	19.12%
1998	5,848,619	11,385,631	1,824,028	19,058,278	1,667,673	1,747,932	15,642,673	5.689	88,991,167	17.58%
1999	6,000,890	11,816,263	2,065,964	19,883,117	1,570,310	1,881,435	16,431,372	5.325	87,497,056	18.78%
2000	6,293,257	12,756,685	1,860,397	20,910,339	1,700,240	2,193,715	17,016,384	5.816	98,967,289	17.19%
2001	6,645,913	13,862,254	2,004,626	22,512,793	1,791,760	2,452,166	18,268,867	5.451	99,583,594	18.35%
2002	7,200,754	15,231,115	2,165,091	24,596,960	1,666,969	3,057,178	19,872,813	5.613	111,546,099	17.82%
2003	7,725,624	16,906,517	1,997,630	26,629,771	1,828,260	3,524,500	21,277,011	5.392	114,725,643	18.55%
2004	8,374,188	18,571,148	1,964,460	28,909,796	1,863,890	4,090,609	22,955,297	5.811	133,393,231	17.21%
2005	9,157,808	20,308,258	1,878,079	31,344,145	2,067,228	5,186,441	24,090,476	5.534	133,316,694	18.07%
2006	10,206,973	22,383,882	1,962,917	34,553,772	2,310,189	7,750,010	24,493,573	5.519	135,180,029	18.12%

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 8**

**DIRECT AND OVERLAPPING  
PROPERTY TAX RATES**

Fiscal Year	<u>City Direct Rates</u>				<u>Overlapping Rates</u>								
	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
1997	0.3485	0.0153	0.1575	0.5213	0.3086	0.2165	0.0304	0.0517	0.0225	0.0487	0.0108	0.0260	0.0080
1998	0.3485	0.0629	0.1575	0.5689	0.3086	0.2165	0.0332	0.0517	0.0220	0.0505	0.0096	0.0242	0.0081
1999	0.3485	0.0265	0.1575	0.5325	0.3086	0.2165	0.0318	0.0517	0.0167	0.0505	0.0091	0.0242	0.0092
2000	0.3485	0.0756	0.1575	0.5816	0.3086	0.2165	0.0274	0.0517	-	0.0505	0.0087	0.0242	0.0088
2001	0.3485	0.0391	0.1575	0.5451	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0085	0.0242	0.0065
2002	0.3485	0.0553	0.1575	0.5613	0.3086	0.2165	0.0959	0.0517	-	0.0505	0.0084	0.0242	0.0072
2003	0.3485	0.0332	0.1575	0.5392	0.3086	0.2165	0.0994	0.0517	-	0.0505	0.0084	0.0242	0.0065
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057

Note: Rates per \$1,000 assessed value

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 9**

**PRINCIPAL PROPERTY TAX PAYERS**

<u>Taxpayer</u>	<u>1997</u>		<u>2006</u>	
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Oakland City Center LLC	\$ -	-	\$ 206,552,862	0.641%
Kaiser Foundation Health Plan	101,204,994	0.600%	145,425,631	0.451%
Kaiser Center, Inc.	91,432,198	0.542%	139,879,530	0.434%
Prentiss Properties Acquisition Partners LP	-	-	133,704,977	0.415%
1800 Harrison Foundation	-	-	112,647,611	0.349%
555 Twelfth Street Venture LLC	-	-	108,696,836	0.337%
Lake Merritt Plaza	86,828,715	0.515%	103,668,725	0.322%
Clorox Company	75,825,436	0.450%	91,935,112	0.285%
KSL Claremont Resort, Inc.	-	-	84,466,482	0.262%
Union Pacific Railroad Company	-	-	60,554,007	0.188%
<b>Total</b>	<b>\$ 355,291,343</b>	<b>2.108%</b>	<b>\$ 1,187,531,773</b>	<b>3.683%</b>

(1) 2006 based on total assessed value of \$32,243,583,182

(2) 1997 based on total assessed value of \$16,856,333,000

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 10**

**PROPERTY TAX LEVIES  
AND COLLECTIONS**

*(in thousands)*

<b>1% TAX ROLL</b>				
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		
		Amount	Percentage of Levy	
1997	\$ 44,606	\$ 43,276	97.02%	
1998	45,176	43,948	97.28%	
1999	47,448	46,138	97.24%	
2000	49,855	47,921	96.12%	
2001	53,376	51,120	95.77%	
2002	56,947	55,270	97.06%	
2003	61,164	59,276	96.91%	
2004	65,248	63,546	97.39%	
2005	68,095	66,301	97.37%	
2006	73,331	71,198	97.09%	

<b>Voter-Approved Debt Tax Roll</b>				
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		
		Amount	Percentage of Levy	
1997	\$ 29,115	\$ 27,720	95.21%	
1998	35,745	34,229	95.76%	
1999	35,848	34,599	96.52%	
2000	45,245	43,475	96.09%	
2001	42,225	40,748	96.50%	
2002	49,024	46,849	95.56%	
2003	48,441	46,001	94.96%	
2004	61,760	59,602	96.51%	
2005	59,673	57,558	96.46%	
2006	63,369	60,887	96.08%	

Source: County of Alameda

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 11**

**TAXABLE SALES BY CATEGORY**

*(in thousands)*

	Calendar Year									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Auto & Transportation	n/a	n/a	n/a	n/a	\$ 922,018	\$ 895,331	\$ 929,517	\$ 871,710	\$ 817,924	\$ 860,194
Business & Industry	n/a	n/a	n/a	n/a	688,074	588,871	715,740	700,079	622,816	667,630
General Consumer Goods	n/a	n/a	n/a	n/a	501,218	504,084	480,747	453,363	461,085	554,136
Restaurants and Hotels	n/a	n/a	n/a	n/a	439,638	442,948	430,058	406,565	441,158	496,814
Building & Construction	n/a	n/a	n/a	n/a	319,187	348,829	393,261	369,886	491,196	488,972
Food & Drugs	n/a	n/a	n/a	n/a	372,774	342,013	341,625	308,529	316,990	321,467
Fuel & Service Stations	n/a	n/a	n/a	n/a	290,612	317,736	342,098	593,926	869,866	1,058,122
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$3,533,521</b>	<b>\$3,439,812</b>	<b>\$3,633,046</b>	<b>\$3,704,058</b>	<b>\$4,021,035</b>	<b>\$ 4,447,335</b>
City direct sales tax rate										1.5%

Source of taxable sales data is CEDA (<http://www.business2oakland.com/main/localeconomy.htm>) - obtained from HdL

CITY OF OAKLAND  
STATISTICS

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SCHEDULE 12

DIRECT AND OVERLAPPING  
SALES TAX RATES

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of California</u>
1997	n/a	n/a
1998	n/a	n/a
1999	n/a	n/a
2000	n/a	n/a
2001	n/a	n/a
2002	n/a	n/a
2003	n/a	n/a
2004	n/a	n/a
2005	n/a	n/a
2006	1.50%	7.25%

Source: California State Board of Equalization

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 13**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

*(in thousands)*

Fiscal Year	<u>Governmental Activities</u>														<u>Business-type Activities</u>					
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes Payable	Capital Leases	Accrued Vacation and Sick Leave	Workers' Comp. Liability	Claims Payable (est.)	Environmental Cost (est.)	Pledge Oblig. For Authority Debt	Sewer Fund Notes Payable	Sewer Fund Bonds	Unamortized Bond Premium	Total Primary Government	Percentage of Personal Income (1)	Per Capita
1997	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1998	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1999	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2001	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2002	133,295	214,295	67,346	399,675	435,686	-	8,870	52,283	-	31,923	90,694	45,242	-	99,048	7,663	-	-	1,586,020	13.56%	4
2003	167,350	246,660	63,631	382,645	442,592	-	8,463	49,448	-	32,798	91,367	49,569	-	96,590	7,045	-	-	1,638,158	14.00%	4
2004	232,045	235,555	59,594	386,200	436,873	-	7,940	46,153	-	37,436	94,874	48,716	-	93,950	6,362	-	-	1,685,698	14.41%	4
2005	227,010	270,085	50,195	488,721	366,405	70,811	7,370	18,440	26,769	31,503	96,166	43,099	5,499	91,150	5,655	62,330	2,829	1,864,037	15.94%	5
2006	358,124	319,115	49,154	346,110	341,475	85,884	7,085	17,940	20,218	33,709	100,493	44,945	2,319	88,100	4,925	60,840	2,710	1,883,146	16.10%	5

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations

(1) Per capita income \$28,409 multiplied by population 411,755 gives personal income \$11,697,548

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 14**

**RATIOS OF GENERAL BONDED  
DEBT OUTSTANDING**

*(in thousands)*

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>Net Bonded Debt (1)</u>	<u>Assessed Value</u>	<u>Percentage of Actual Taxable Value of Property (%)</u>	<u>Per Capita (2) <i>(in dollars)</i></u>
1997	\$ 138,315	\$ 16,856	8.206	\$ 356.85
1998	136,135	17,390	7.828	350.77
1999	132,960	18,313	7.260	332.48
2000	129,665	19,210	6.750	322.47
2001	137,080	20,721	6.616	336.81
2002	133,295	22,930	5.813	326.06
2003	167,350	24,802	6.747	405.99
2004	232,045	27,046	8.580	563.76
2005	227,010	29,277	7.754	550.59
2006	358,124	32,244	11.107	869.75

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2006

(2) Population 411,755 as of 1/1/06 per State of California Demographic Information by City.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 15**

**DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT**

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable</u>	<u>City Share of Debt</u>
<b>Direct Bonded Debt</b>		
City of Oakland (1)	100	\$ 358,124,189
City of Oakland and Coliseum Lease Revenue Obligations	100	543,813,667
City of Oakland 1915 Act Bond Obligations	100	7,005,000
City of Oakland Pension Special Assessment Obligations	100	341,474,842
<b>Total Direct Bonded Debt:</b>		<u>\$ 1,250,417,698</u>
<b>Overlapping Bonded Debt</b>		
Alameda-Contra Costa Transit District Certificates of Participation	21.739	\$ 4,316,278
Alameda County Board of Education Public Facilities Corporation	18.172	233,510
Alameda County and Coliseum Authority General Fund Obligation	18.172	111,086,526
Alameda County Pension Obligations	18.172	51,259,201
Bay Area Rapid Transit District	7.26	7,260,000
East Bay Municipal Utility District	20.587	432,327
East Bay Municipal Utility District, Special District #1	52.256	19,076,053
East Bay Regional Park District	10.62	11,806,254
Chabot-Las Positas Community College District	1.298	1,158,801
Chabot-Las Positas Community College District Certificates of Participation	1.298	101,504
Peralta Community College District	54.923	109,417,601
Peralta Community College District Pension Obligation	54.923	84,444,020
Berkeley & Castro Valley Unified School District	0.005 & 0.140	111,252
Oakland Unified School District	99.996	447,016,328
Oakland Unified School District Certificates of Participation	99.996	84,376,625
San Leandro Unified School District	12.693	5,839,293
San Leandro Unified School District Certificates of Participation	12.693	229,743
Castro Valley Unified School District Certificates of Participation	0.14	1,820
City of Emeryville 1915 Act Bonds	4.183	478,744
<b>Total Overlapping Bonded Debt:</b>		<u>\$ 938,645,880</u>
<b>Total Direct and Overlapping Debt</b>		<b>\$ 2,189,063,578</b>
Less: East Bay M.U.D. (100% self-supporting)		432,327
Less: East Bay M.U.D. Special District #1 (100% self-supporting)		19,076,053
<b>Total Net Direct and Overlapping Bonded Debt</b>		<u><u>\$ 2,169,555,198</u></u>

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2006

Source: City of Oakland Treasury Division

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 16**

**LEGAL DEBT MARGIN INFORMATION**

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$570,376,496	\$586,600,245	\$616,176,449	\$638,114,414	\$685,082,511	\$745,230,478	\$798,115,131	\$860,823,608	\$903,392,821	\$918,508,985
Total net debt applicable to limit	138,315,000	136,135,000	132,960,000	129,665,000	137,080,000	133,295,000	167,350,000	232,045,000	227,010,000	358,124,189
Legal debt margin	\$432,061,496	\$450,465,245	\$483,216,449	\$508,449,414	\$548,002,511	\$611,935,478	\$630,765,131	\$628,778,608	\$676,382,821	\$560,384,796
Total net debt applicable to the limit as a percentage of debt limit (%)	24.25%	23.21%	21.58%	20.32%	20.01%	17.89%	20.97%	26.96%	25.13%	38.99%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2006).

**CITY OF OAKLAND  
STATISTICS**

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**SCHEDULE 17**

**PLEGGED-REVENUE COVERAGE,  
PORT OF OAKLAND**

*(thousands of dollars)*

Fiscal Year	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1997	72,895	10,140	24,843	34,983	208.37%
1998	79,194	12,095	25,564	37,659	210.29%
1999	79,302	11,620	26,039	37,659	210.58%
2000	83,655	12,180	25,496	37,676	222.04%
2001	98,605	18,920	18,757	37,677	261.71%
2002	85,485	13,810	39,380	53,190	160.72%
2003	94,610	10,638	46,323	56,961	166.10%
2004	110,797	9,241	50,124	59,365	186.64%
2005	126,636	8,155	53,633	61,788	204.95%
2006	136,566	14,968	56,806	71,774	190.27%

Source: Port of Oakland.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 18**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
1997	387,600	\$ 11,505,131	\$ 29,683	-	62,601	5.0
1998	388,100	-	-	-	62,806	4.2
1999	399,900	-	-	-	63,652	3.5
2000	402,100	12,919,473	32,130	33.3	54,867	2.8
2001	407,000	13,730,552	33,736	33.3	55,525	2.9
2002	408,800	16,192,977	39,611	33.3	53,108	6.7
2003	412,200	17,979,340	43,618	33.3	52,629	6.8
2004	411,600	18,163,496	44,129	33.3	49,334	6.1
2005	412,300	9,044,213	21,936	33.3	49,334	5.3
2006	411,755	11,697,548	28,409	33.3	41,467	7.1

**Note:** Median Age according to Community and Economic Development Agency website, Demographics.  
*(<http://www.business2oakland.com/main/demographics.htm>)*

Source: Unemployment rate - CEDA, Per Capital Income - Bay Area Census, School Enrollment - OUSD.

**CITY OF OAKLAND  
STATISTICS**

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**SCHEDULE 19**

**PRINCIPAL EMPLOYERS**

<u>Employer</u>	<u>1997</u> <u>Employees</u>	<u>2006</u> <u>Employees</u>
County of Alameda	N/A	9,740
Oakland City Unified School District	N/A	8,000
Kaiser Permanente Medical Group Inc	N/A	5,450
Kaiser Foundation Hospitals	N/A	4,340
City of Oakland	N/A	4,290
San Francisco Bay Area Rapid Transit	N/A	2,800
Federal Express	N/A	2,790
Alta-Bates Medical Center	N/A	2,620
Kaiser Foundation Health Plan Inc	N/A	2,590
Summit Medical Center	N/A	2,230
Total	<u>-</u>	<u>44,850</u>

Source: Economic Development Alliance for Business, Alameda County Largest Employers.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 20**

**FULL-TIME-EQUIVALENT CITY GOVERNMENT  
EMPLOYEES BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Aging, Health & Human Services	N/A	224	219	210						
Community & Economic										
Development Agency	N/A	285	266	258						
Fire										
Firefighters and officers	467	492	492	492	492	492	506	481	464	445
Civilians	67	70	65	66	66	74	81	78	72	77
General Government										
Management services	N/A	214	207	199						
Finance	N/A	184	175	201						
Retirement Services	N/A	8	6	7						
Personnel Resource Mgmt	N/A	36	35	38						
Information Technology Division	N/A	73	72	76						
Library	N/A	181	172	173						
Marketing - CAM	N/A	22	22	22						
Museum	N/A	67	61	56						
Parks and recreation	N/A	216	81	88						
Police										
Officers	658	690	713	751	747	839	763	759	714	701
Civilians	385	395	412	462	494	443	443	385	370	354
Public Works	N/A	609	698	709						
<b>Total</b>	<b>3,424</b>	<b>4,027</b>	<b>4,025</b>	<b>4,218</b>	<b>4,218</b>	<b>4,556</b>	<b>3,858</b>	<b>3,822</b>	<b>3,634</b>	<b>3,614</b>

Note: FTE's not broken down by function/program prior to FY04.

Source: City of Oakland Office of Information Technology.

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 21**

**OPERATING INDICATORS BY  
FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>General Government</b>							
Building permits issued	16,725	16,879	15,805	15,910	16,424	15,942	15,674
Building inspections conducted							78,306
Authorized new dwelling units	542	954	757	930	857	1350	1,377
Commercial value	195,270	481,635	165,731	260,000	156,669	173,292	173,908
Residential value	272,170	138,570	317,792	170,527	268,600	356,256	646,214
<b>Police</b>							
Dispatched calls	-	-	-	-	-	-	317,323
Field Contacts	-	-	-	-	-	-	8,270
Physical arrests	-	-	-	-	-	-	10,958
Parking violations	-	-	-	-	548,922	539,115	512,376
Traffic violations	-	-	-	-	-	-	36,233
<b>Fire</b>							
Emergency responses	62,230	62,453	62,825	60,819	41,999	34,806	58,736
Fires extinguished	-	-	-	-	-	-	3,095
Inspections	5,636	5,636	3,563	1,070	1,070	2,310	2,515
<b>Port of Oakland</b>							
Imports (in tonnage)	9,448,826	9,668,640	9,144,261	9,905,575	10,759,090	12,434,675	15,223,082
Exports (in tonnage)	<u>14,259,767</u>	<u>14,833,276</u>	<u>13,795,200</u>	<u>13,071,935</u>	<u>14,170,929</u>	<u>14,510,634</u>	<u>14,837,250</u>
Total tonnage	23,708,593	24,501,916	22,939,461	22,977,510	24,930,019	26,945,309	30,060,332
Containers	1,001,918	931,913	968,895	1,079,479	N/A	1,160,270	1,292,277
<b>Other public works</b>							
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A	N/A	2.44
Potholes repaired	N/A	N/A	N/A	N/A	N/A	N/A	5,020
<b>Parks and recreation</b>							
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	N/A	465
Community center admissions	-	-	-	-	-	-	909,303
<b>Library</b>							
Volumes in collection	-	-	-	1,291,097	1,292,980	1,357,589	1,300,023
Total volumes borrowed	-	-	-	1,950,437	1,779,358	2,062,891	2,316,772
<b>Water</b>							
New connections	N/A	N/A	N/A	N/A	N/A	N/A	890
Water main breaks	N/A	N/A	N/A	N/A	N/A	N/A	269
Average daily consumption (gallons/family)	282	282	214.5	213	213	203	203
Peak daily consumption (thousands of gallons)	395,000	365,000	385,000	385,000	385,000	385,000	385,000
<b>Wastewater</b>							
Average daily sewage treatment (thousands of gallons)	75,000	75,000	75,000	72,000	72,000	76,000	77,000

Source of Library data: Kathleen DiGiovanni, City of Oakland Library

**CITY OF OAKLAND  
STATISTICS**

**SCHEDULE 22**

**CAPITAL ASSET STATISTICS  
BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Aviation facilities										
Airports operated	n/a	1	1							
Paved airport runways	n/a	4	4							
Total length of runways (in feet)	n/a	24,520	25,038							
Area of airport (in acres)	n/a	2,500	2,600							
Police										
Stations	n/a	-	2							
Patrol units	n/a	-	611							
Fire stations	n/a	25	25							
Harbor facilities										
Miles at waterfront	n/a	-	19							
Berthing length at wharves (in feet)	n/a	-	23,063							
Harbor area (in acres)	n/a	-	786							
Hospitals	n/a	-	2							
Library branches	n/a	16	16							
Museums	n/a	2	2							
Other public works										
Streets (in lane miles)	n/a	-	2294							
Streetlights	n/a	-	36,219							
Traffic signals	n/a	-	671							
Parks and recreation										
Acreage	n/a	2500	2500							
Swimming pools	n/a	7	7							
Tennis courts	n/a	44	44							
Playgrounds	n/a	13	13							
Baseball/softball diamonds	n/a	64	46							
Soccer/football fields	n/a	13	13							
Community centers	n/a	29	29							
Water										
Water mains (miles)	n/a	-	-							
Fire hydrants	n/a	-	6700							
Storage capacity (thousands of gallons)	n/a	-	-							
Wastewater										
Sanitary sewers (miles)	n/a	-	29.1							
Treatment capacity (million gallons per day)	n/a	-	120							

Source: City of Oakland, East Bay Municipal Utilities District

# CITY OF OAKLAND STATISTICS

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## ***GENERAL INFORMATION***

The City of Oakland is located on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers 19 miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the *transportation hub and center of commerce* for the Bay Area.

With an estimated population of over 400,000, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 106 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the “Necklace of Lights.” Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

## **ALL-AMERICAN CITY**

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

In recognition of these activities, the City and its residents were awarded the National Civic League’s prestigious All-American City designation. Ten cities out of 151 applicants were selected. Each had to demonstrate broad-based citizen involvement reflecting the community’s demographics, the shared decision-making among its public and private sectors, the creative mobilization of community resources, and the willingness to confront critical local issues and results that have a lasting impact.

## **GOVERNMENT**

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. The City Auditor and the City Attorney are both elected officials and serve four-year terms.

## CITY OF OAKLAND STATISTICS

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The Mayor and City Council is the governing body of the City and is comprised of eight elected officials. One Council member is elected “at large”, while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms. The City Manager, appointed by the Mayor, is responsible for day-to-day administrative and fiscal operations of the City.

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

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services. Oakland is also the seat of Alameda County, which is one of California’s largest counties.

### COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. While manufacturing jobs have decreased, the economy now offers a healthy mix of trade, transshipment, government, high tech, financial, real estate, medical, publishing, and service-oriented occupations. It also has growing skilled-crafts and re-emerging food production sectors. Because it is considered the transportation hub of Northern California, the growth in its port and international airport activities have been unprecedented in the last five years driven by agricultural and high tech products shipped to and from the far east economies. In a March 18, 2004 press release, the Port moved \$1.2 billion in agricultural goods in 2003 and is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, live performance venues, and a nine-screen movie theater makes Jack London Square a lively nighttime attraction. In addition, new office and retail buildings, public facilities, hotels, a convention center, park enhancements, and outdoor art have created a cosmopolitan environment in the downtown. The City’s 40 increasingly robust neighborhood retail areas are expanding and being revitalized. Abandoned warehouses, foundries and long silent cigar, macaroni, and tent factories are being converted into live/work studios for crafts people.

City departments and processes are being streamlined, restructured, and customer focused to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The East Bay Entrepreneur Center, located in downtown Oakland, links businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the

## CITY OF OAKLAND STATISTICS

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City. Neighborhood Commercial Revitalization Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

Oakland is a city of rich history, impressive growth, and a promising future. Located within the nation's largest metropolitan area, California's eighth largest city is strategically positioned as the economic heart of the East Bay. Oakland is ready for the twenty-first century with a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland offers competitively priced office space, a fiber optic infrastructure, and the amenities for both traditional and emerging enterprises.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City's approximately 411,600 residents per capita income in 2006 averaged \$28,409. Portions of Oakland are among the wealthiest consumer markets in California; nearly one-quarter of the City's households report household income in excess of \$77,500. Estimated annual taxable sales were \$3.4 billion in 2004. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

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

- "...4<sup>th</sup> Best commercial real estate market in the country" (Moody's Investors 2003);
- "...6<sup>th</sup> Best City to live in the U.S." (Money, Dec. 2002);
- "...7<sup>th</sup> Most Creative City in America." (Carnegie Mellon);
- "...8<sup>th</sup> Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "...uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce);
- "...projected to have the highest average household income growth rate (3.67%) in the U.S. for the period 2004-2009. (NPA Data Services, 2005);
- "...ranked 4<sup>th</sup> best potential retail market in the nation (Marcus & Millichap, 2005);
- "...ranked 2<sup>nd</sup> in technology intensity and 4<sup>th</sup> highest percentage of U.S. households with computer users. (MetaFacts, April 2003).

These pronouncements are testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8<sup>th</sup> as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Jerry Brown's leadership that enthusiastically supports and embraces sustainable economic development.

### DEMOGRAPHICS

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

## CITY OF OAKLAND STATISTICS

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The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

The prospects for Oakland's economy are better than ever. Ranked the eighth best city for business in 2002 by *Forbes Magazine*, Oakland has experienced dramatic economic growth.

**Mayor Jerry Brown's "Downtown 10K Initiative":** 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 September 2006, the 10K Downtown Housing Initiative has resulted in the start of 84 residential projects with 10,784 units. Of these, twenty-two projects (2,055 units) have been completed, sixteen projects (1,960 units) are in construction, twenty-four projects (3,147 units) have received planning approvals, and twenty-three projects (3,622 units) are in the planning process. The Initiative has literally altered Oakland's skyline with the construction of the Essex on Lake Merritt, the first high-rise residential construction in downtown Oakland in a decade. Once these projects are completed, the 10K Initiative will have exceeded its goal by 4,784 units or almost double.

To enhance the downtown for retail, the City/Redevelopment Agency is (1) constructing \$7 million of sidewalk improvements and pedestrian and transit amenities, (2) providing Façade Improvement and Tenant Improvement matching grants; and (3) encouraging the development of public parking.

Both Oakland's Maritime and International Airport operations are undergoing major capital improvements. The Maritime Division has added 12 new giant cranes to its cargo handling capacity, reflecting an investment of over \$50 million to connect with the new Joint Intermodal Terminal, and over \$38 million investment in federal transportation and private funds. This new 85-acre Intermodal Terminal affords Oakland two viable dock-to-rail alternatives to offer shipping customers. This facility will also benefit the community by taking more than 20,000 truck moves a year off the Interstate 80 freeway.

The Oakland Airport has nearly doubled its passenger volume to about 12 million passengers per year. To accommodate passenger growth, the Port is moving forward with its \$1.6 billion Airport Development Program (ADP) to enhance the airport improvements at its two terminals. The Airport is scheduled to add 17 new passenger gates, including new and expanded cargo facilities, a new two-level roadway system, parking structure, and streamlined rental car facilities. The expansion plans have been designed to accommodate the proposed Bay Area Rapid Transit (BART) rail connector between the airport and Coliseum BART station.

The Mayor and City Council have achieved considerable success in their active recruitment of and support for new and existing companies in five major target industries: telecommunications, software/multimedia, biotechnology, transportation, and food processing. The Oakland metro region is now home to more than 2,145 high-tech companies employing more than 52,000 people.

## CITY OF OAKLAND STATISTICS

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As the Bay Area's economic boom spreads to Oakland, the City is also focusing its efforts on ensuring that more of its residents are able to enjoy the benefits of that boom. In conjunction with Freddie Mac and Bank of America, the City has launched an aggressive \$1 billion First-time Homebuyer Program targeted at helping Oakland residents buy their own home. Mayor Brown has set a goal of raising Oakland's home ownership rate by one percent every year for the next four years. Private mortgage lenders and community organizations are also helping to achieve this ambitious goal.

### HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharves began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharves and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing, and shipping companies based in Oakland. Auto makers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city, and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards, and many of these people, as well as large numbers of military

# CITY OF OAKLAND STATISTICS

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personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

Oakland has a rich literary and cultural heritage. Such historical notables as writers Bret Harte, Jack London, Joaquin Miller, Ina Donna Coolbrith, Jessica Mitford, Narman Jayo, Ishmael Reed, and Gertrude Stein; architect Julia Morgan; and dancer Isadora Duncan are just a few who have left their cultural mark on the City. It is also the birthplace of the West Coast Blues.

## **TRANSPORTATION**

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24), and the Bay Area Rapid Transit (BART) system guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

### **The Port of Oakland**

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the third largest container port on the Pacific Coast, fourth largest in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal, and the 85 acre intermodal rail terminal operated by the BNSF. The recently renovated and expanded Union Pacific Railroad intermodal facility is located adjacent to the BNSF facility. As part of the Port's Vision 2000 expansion, a new harbor roadway has been constructed along with other harbor area roadway improvements. In addition, the Middle Harbor Shoreline Park and Wildlife Habitat have been completed in 2003.

### **Oakland International Airport**

Oakland International is San Francisco Bay Area's most convenient airport and is a leader in on-time performance with 72.6% of its flights out on time. Strategically located at the center of the region, Oakland International handled 14.3 million passengers in 2004 and almost 700,000 metric tons of air cargo annually. It is the 31<sup>st</sup> largest airport in the United States by passenger traffic, and the second largest airport in the Bay Area. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Between the two airfields, Oakland International handles more than a half million

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operations annually, making it the 8th busiest airport in the world. From South Field, there are more than 200 departures daily to domestic and international destinations. The passenger terminal complex consists of two terminals with 22 gates, including an international arrivals building for Oakland's growing international service to such destinations as Guadalajara, Morelia, Leon, Mexico, Paris, and Papeete, Tahiti and the Azores Islands. Service between Oakland and Hawaii was inaugurated in February 2000 and direct flights to New York, JFK and Newark, New Jersey were started. The \$110 million Terminal 2 Expansion Project will add five gates and a food court, plus new baggage-screening facilities. The airport employs approximately 15,900 people. United Airlines and Alaska Airlines operate maintenance facilities at Oakland International.

### **Air Cargo at Oakland International Airport**

Oakland International handles nearly 700,000 metric tons of cargo annually, making it the 27th largest airport in the world in the amount of cargo handled. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx, which currently doubled its operations in Oakland by opening a new 13-acre, 191,000 square foot complex, operates a regional sorting and international import clearance facility at Oakland, where nearly 2,100 people are employed. UPS employs 450 people in its airport sort facility and operates a regional distribution center at the nearby Oakland Airport Business Park.

### **Mass Transit**

Local bus service is provided by AC Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 390 square miles along the east shore of San Francisco Bay. Serving a population of 1.4 million, AC Transit operates a network of 147 transbay and local East Bay bus routes, 98% of which make transfer connections with the Bay Area Rapid Transit (BART) system. AC Transit buses also serve the new Amtrak Station and ferry terminal at Jack London Square, the Oakland International Airport, and many other Bay Area attractions including downtown San Francisco.

BART is a 95-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 17 Bay Area cities and 39 stations. Travel between Oakland and San Francisco averages only 20 minutes on BART. People in the Bay Area ride BART because it is a safe, reliable, economical, and energy-efficient means of transportation.

Other modes of transportation include the Alameda/Oakland Ferry Service that also links Oakland with San Francisco. Nine major U.S. and California highways pass through Oakland. Daily service to rail destinations throughout the U.S. is offered at the Oakland Amtrak Station. Greyhound Bus Lines likewise offers daily bus service to cities throughout the United States.

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## EDUCATION

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 66 elementary, 14 middle, 6 comprehensive high, and 6 alternative high schools. They also operate 35 child development centers and 4 adult education schools. The pupil to teacher ratio is 20:1 for K-3, 31:1 for grades 4-5, and 32:1 for 6-12 graders. Current implementation of 20:1 ratio for 9th graders is ongoing.

There are two community colleges and four four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses is offered in Oakland by nine other Bay Area colleges, including U.C. Berkeley. A wide array of non-profit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

## HEALTH CARE

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over 1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

## PUBLIC SAFETY

The Oakland Police Department is striving to use successful and innovative techniques to reduce crime in the City. The Department continues to strengthen its commitment to Community Policing by employing a new patrol reorganization plan. This plan emphasizes each officer's ability to utilize the Problem Oriented Policing and Problem Solving Teams approach in an effort to reduce Part 1 crimes in the coming years.

## PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Six outdoor pools offer seasonal lap and recreational swimming, instruction, and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing, and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.

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There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

### CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 36 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to “Celebrate Arts and Culture to express the creativity and diversity of Oakland.” The Cultural Arts & Marketing Division, Office of the City Administrator, is the City’s local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland’s creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland’s rich artistic and cultural heritage at the local, regional, and national level.

**Cultural Funding Program**—The City of Oakland, through a competitive application process, awards over \$1.5 million in contracts each year to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

**Public Art Program**—The City commissions works of art for public buildings, parks, and open spaces to beautify neighborhoods, enrich civic spaces, and help create a unified vision for the entire City. Current projects include: completing three new murals in the African American Museum and Library, installing artwork at the Broadway Transit Center for four BART entrances, installing the Frank H. Ogawa Plaza Fountain Sculpture, coordinating the Arts Partnership Program on Murals, and implementing the Adopt-A-Sculpture Program.

**Special Projects**—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland’s art and culture. Current projects include: Oakland Artisan Marketplace, Alice Arts Center Windows Exhibition Series, the Art in Public Places Program, and the Art & Soul Oakland Festival.

**Galleries**—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a ‘partnership in the arts’ collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

**Oakland Museum of California**—One of the world’s finest regional museums, the Oakland Museum of California hosts traveling exhibitions each year and maintains three permanent exhibitions featuring

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California's artistic heritage, history and natural resources. The Museum's permanent and special exhibitions, tours, educational programs and public festivals celebrate the state's far-reaching diversity, attracting over 200,000 visitors and serving more than 60,000 school children annually.

**Paramount Theater**—This 1931 movie place, authentically restored in 1973, is Oakland's premiere live performance facility. The Oakland East Bay Symphony, led by maestro Michael Morgan, showcases a fine classical repertoire and works of California composers. The internationally recognized Oakland Ballet is expanding its definition of Ballet under Artistic Director Karen Brown. Both the Symphony and the Ballet perform at the Paramount Theater, which also hosts Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

**Alice Arts Center**—The Alice Arts Center is a multi-cultural performing arts complex that is home to the Oakland Ballet, Citicentre Dance Theater, Dimensions Dance Theater and the Oakland Ensemble Theater, all founding resident companies. In addition to hosting local, regional and national theater, dance and music productions, rental space for arts events are available.

**The Oakland School of the Arts**—This new Charter School provides students with intensive pre-professional training in the arts, within a college-preparatory curriculum for grades 8-12, and will be located in the Alice Arts Center. It is among the highest performing private schools in the State.

### SPORTS

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games often garner broad national media coverage. In the last two decades, Oakland's professional sports teams have won six world championships in three major sports. Of those, the Oakland Athletics have won six American League Championships and four baseball World Series titles. The Oakland Coliseum complex is home to the Athletics, the Golden State Warriors, and the Oakland Raiders. The city's fine sports reputation has made it a natural home for key events such as the 1987 All Star Game, the 1988, 1989 and 1990 World Series, 1989 Masters Rowing Regatta, the 1991 Summer Police Games, the World Figure Skating Championships in 1992, the Olympic Boxing Team Trials of 1996, the NBA All Star game in 2000, and the AFC Championship game between the Oakland Raiders and the Tennessee Titans in 2002. The Oakland Ice Rink, located in downtown City Center area, is one of the most technologically advanced ice rinks in the nation.

In March 23 and 25, 2006, the University of San Francisco and the Oakland Arena hosted the 2006 NCAA Men's Basketball Division 1 Regional Finals. It was the first time the University of San Francisco hosted this prestigious event and the first time since 1995 that the Oakland Arena served as the host venue. The City of Oakland drew considerable praise from the NCAA for its hosting of this exciting run-up to the Final Four while attracting more than 50,000 visitors and generating extensive regional media coverage.

### MEDIA

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. Its neighborhoods distribute 50 newsletters. In addition to media and cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven

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television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.