

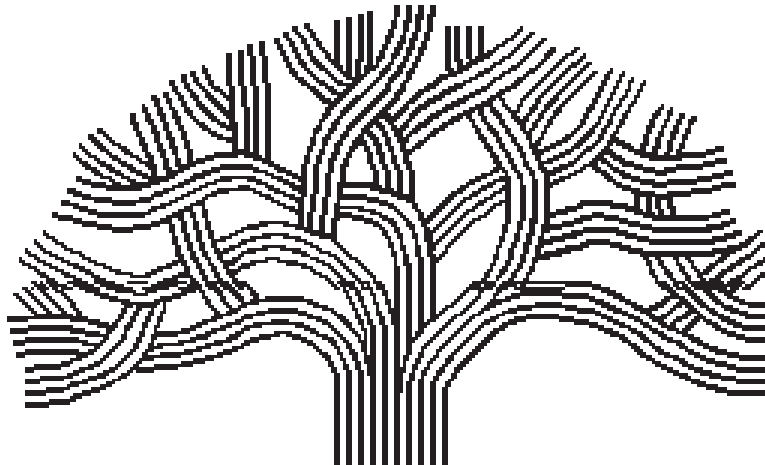
**REDEVELOPMENT AGENCY**

of the

**CITY OF OAKLAND**

**CALIFORNIA**

**(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)**



**Basic Financial Statements  
and  
Supplemental Information**

**Fiscal Year Ended June 30, 2009**

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**FINANCIAL REPORT**

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City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
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**June 30, 2009**

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**WILLIAMS, ADLEY & COMPANY, LLP**  
Certified Public Accountants / Management Consultants

### Independent Auditors' Report

The Members of the Council  
of the Redevelopment Agency of the  
City of Oakland

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Agency as of June 30, 2009, and the respective changes in financial position 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 November 19, 2009 on our consideration of the Agency'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.



**WILLIAMS, ADLEY & COMPANY, LLP**  
Certified Public Accountants  
Management Consultants

The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements of the Agency, but is 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 did not audit this 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 Agency's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Williams, Adley & Company, LLP*

Oakland, California  
November 19, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **June 30, 2009**

This section of the Redevelopment Agency of the City of Oakland ("Agency") Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency's financial statements and related footnotes.

### **FINANCIAL HIGHLIGHTS**

- The Agency's total assets exceeded its total liabilities by \$253.4 million compared to \$200.4 million for the previous fiscal year. This represents a net increase of \$53.0 million or 26.5 percent compared to last year. The net growth was driven primarily by increased property tax receipts of \$131.7 versus \$122.0 million for the previous fiscal year, as well as an \$8.1 million net increase in property held for resale and a \$27.4 million increase in notes and loans receivables. Conversely, liabilities decreased \$14.7 or 2.5 percent compared to the prior fiscal year primarily as a result of principal debt payment, restructuring and retirement of certain long-term debt.
- For the year ended June 30, 2009, the Agency's governmental fund balances were \$616.4 million compared to \$599.2 million in the previous fiscal year, an increase of 2.9 percent or \$17.2 million. The change in fund balance is primarily attributable to a \$9.8 million increase in tax increment and a \$38.0 million bond proceeds from issuance of Central District Tax Allocation Bonds, Series 2009T. These increases were offset by defeasance of the 2005 Tax Allocation Bonds for \$12.4 million and repayment of \$15.95 million to the primary government on City Center Garage West advances. The \$616.4 million fund balance is distributed by redevelopment project area as follows: 24.0 percent or \$147.9 million for the Central District; 20.0 percent or \$123.5 million for the Coliseum; 16.7 percent or \$102.8 million for Central East; 16.7 percent or \$103.0 million for Low and Moderate Housing; 13.5 percent or \$83.0 million for the Oakland Army Base; and 8.3 percent or \$51.0 million for Non-major Governmental Funds.
- As of June 30, 2009, the Agency has a total of \$531.1 million in long-term obligations outstanding compared to 540.6 million in prior fiscal year, a decrease of 1.8 percent or \$9.5 million. Long-term liability includes \$6.1 million remediation obligations and \$14.1 million advances from the primary government.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to introduce the Agency's basic financial statements. The Agency'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.

## **Government-wide Financial Statements**

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

The *statement of net assets* presents information on all of the Agency'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 Agency is improving or deteriorating.

The *statement of activities* presents information showing how the Agency's net assets changed during the most recent fiscal year. All changes in net assets are reported on the accrual basis 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.

The government-wide financial statements distinguish functions of the Agency 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 Agency include urban redevelopment and housing. The Agency does not engage in any business-type activities.

The government-wide financial statements include the operations of the various redevelopment areas and low and moderate housing program.

## **Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, 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 Agency are governmental funds.

## **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Agency's basic operations are reported in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements follow the modified accrual basis of accounting and 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 Agency'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 Agency's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Agency maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Central District Fund, Coliseum Fund, Central City East Fund, Low and Moderate Housing Fund, Oakland Army Base and Debt Service Fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation as non-major governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements immediately following the notes to the basic financial statements in this report.

### **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. The notes to the basic financial statements can be found on pages 18-37 of this report.

### **Other information**

In addition to the basic financial statements and the accompanying notes, the combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the footnotes.

### **Government-wide Financial Statements Analysis**

The Agency's financial statements are presented under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments*. All of the Agency's activities are governmental; therefore, business-type activities are not reported.

### **Analysis of Net Assets**

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$253.4 million at the close of the fiscal year ended June 30, 2009.

As of the end of the fiscal year, the Agency had restricted net assets of \$578.6 million. The net assets include \$79.6 million reserved for low and moderate housing. The remaining balance of \$499.0 million represents resources that are subject to external restrictions and includes \$129.9 million invested on property held for resale and \$6.7 million in fixed assets. The Agency's deficit in unrestricted net assets of \$331.9 million is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.



**Net Assets**  
**Governmental Activities**

(In thousands)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Assets:</b>		
Current and other assets	\$ 686,267	\$ 655,922
Property held for resale	129,870	121,735
Fixed Assets	<u>6,735</u>	<u>6,887</u>
Total assets	<b>822,872</b>	<b>784,544</b>
<b>Liabilities:</b>		
Long-term liabilities	531,129	540,605
Other liabilities	<u>38,335</u>	<u>43,563</u>
Total liabilities	<b>569,464</b>	<b>584,168</b>
<b>Net assets:</b>		
Investments in capital assets, net of related debt	6,735	6,887
Restricted for:		
Low and moderate housing	79,572	98,343
Urban redevelopment projects and housing	498,986	500,827
Unrestricted	<u>(331,885)</u>	<u>(405,681)</u>
Total net assets	<b>\$ 253,408</b>	<b>\$ 200,376</b>

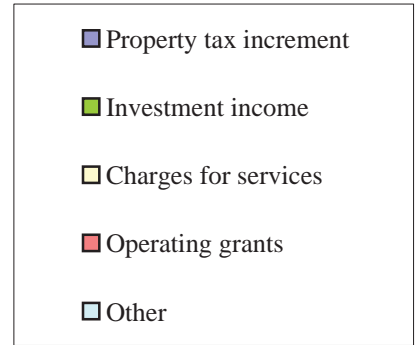
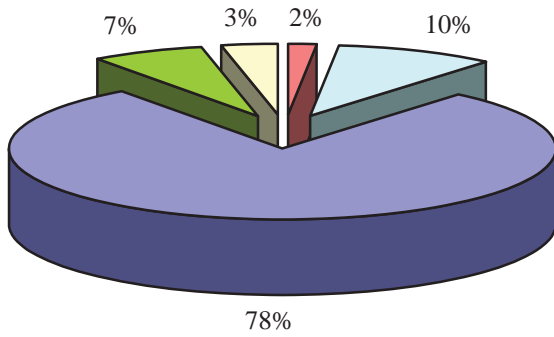
**Governmental activities.** The Agency's net assets increased by \$53.0 million or 26.5 percent in fiscal year ended June 30, 2009. Key elements of this increase are as follows:

**Changes in Net Assets**  
**Governmental Activities**

(In thousands)

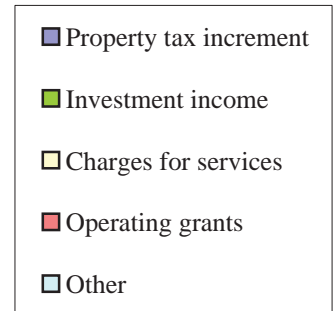
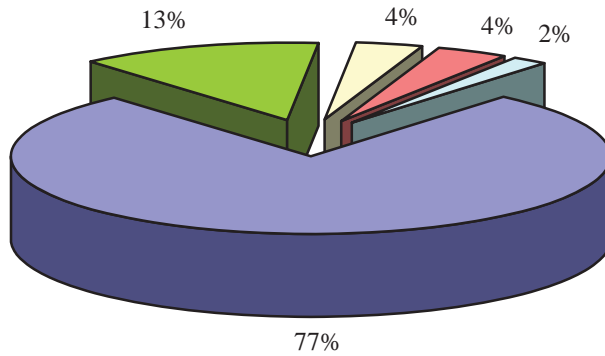
	<u>June 30, 2009</u>	<u>June 30, 2008</u>
<b>Revenues:</b>		
Program revenues:		
<b>Charges for services</b>	\$ 5,448	\$ 6,034
<b>Operating Grants and Reimbursements</b>	2,714	5,700
<b>General revenues:</b>		
Property tax increment	131,688	122,048
Investment income	11,253	20,333
Other	<u>15,934</u>	<u>3,268</u>
Total general revenues	158,875	145,649
Total charges for services, general revenues, and special items	167,037	157,383
<b>Expenses:</b>		
Urban redevelopment and housing	86,093	81,776
Interest on long-term debt	<u>27,912</u>	<u>27,491</u>
Total expenses	114,005	109,267
Increase in net assets	53,032	48,116
Net assets, beginning of year	<u>200,376</u>	<u>152,260</u>
<b>Net assets, end of year</b>	<b>\$ 253,408</b>	<b>\$ 200,376</b>

**Redevelopment Agency of the City of Oakland  
Sources of Revenue  
For FY 2008-09**



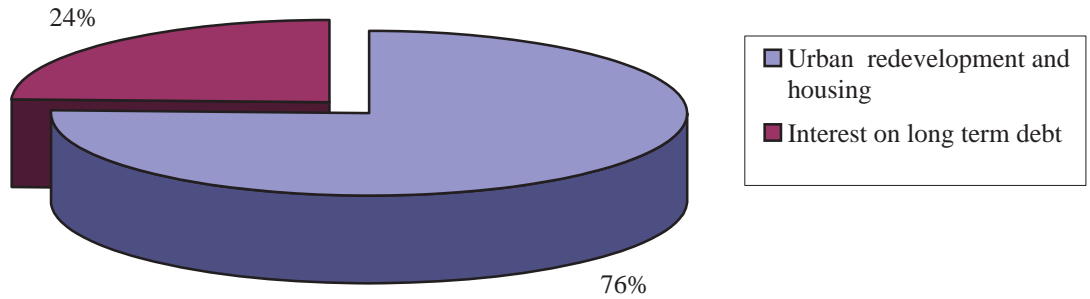
**Total Revenues \$167,037**

**Redevelopment Agency of the City of Oakland  
Sources of Revenue  
For FY 2007-08**



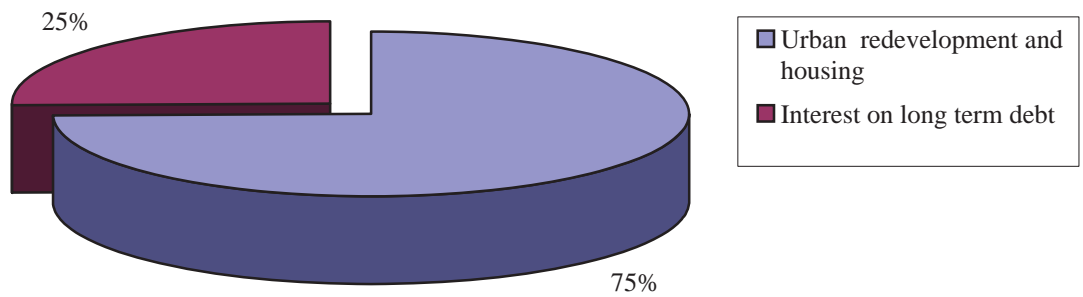
**Total Revenues \$157,383**

**Redevelopment Agency of the City of Oakland  
Functional Expenses  
For FY 2008-09**



**Total Expenditures \$114,005**

**Redevelopment Agency of the City of Oakland  
Functional Expenses  
For FY 2007-08**



**Total Expenditures \$109,267**

## **Analysis of Changes in Net Assets**

The revenues in governmental activities for the Agency exceeded expenses by \$53.0 million for the year ended June 30, 2009. This represents an increase of 10.2 percent or \$4.9 million compared to the prior year's change in net assets of \$48.1 million. The increase is primarily attributed to a \$9.6 million increase in tax increment

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function of current year compared to the previous year. Revenues totaled \$167.0 million while expenses totaled \$114.0 million for the year ended June 30, 2009 compared to \$157.4 million and \$109.3 million respectively for the year ended June 30, 2008.

Revenues increased by \$9.7 million or 6.1 percent compared to the previous fiscal year. Contributing to the increase in total revenue is tax increment which increased by \$9.6 million or 7.9 percent primarily due to improved property tax receipts. Other revenues also increased by \$12.7 million due to a \$10.8 million settlement agreement between the City of Oakland and the California Department of Transportation (Caltrans) related to the use of 26 acres of land in the West Gateway portion of the former Oakland Army Base. The increases were offset by a decrease in investment income of \$9.1 million due to earned interest yield reflects a lower interest rate environment experienced during the year.

Government-wide expenses also increased by \$4.7 million or 4.3 percent. The increase is primarily attributable to expenditures related to Central City East and Central District project areas activities.

## **Financial Analysis of the Agency's Funds**

As of June 30, 2009, the Agency's governmental funds reported combined ending fund balances of \$616.4 million, an increase of 2.9 percent or \$17.3 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$9.8 million increase in tax increment and issuance of \$38.0 million Tax Allocation Bonds. These increases were offset by \$15.95 million repayment of City Center Garage West advances, \$12.4 million in bond defeasance, and an increased project expenditure of \$2.7 million.

## **Budgetary Data**

Meaningful Agency budgetary data are not presented in the financial statements for capital projects and debt service funds because budgetary allocations are fiscal year specific while Agency project implementation may involve several fiscal years to complete.

## Capital Assets and Debt Administration

### Capital assets

The Agency has capital assets of \$8.1 million, before depreciation, which includes the Henry J. Robinson Multi-Service Center facility that provides service to the disadvantaged persons living within or near the Central District Redevelopment Project Area as major transitional housing, emergency shelter, and drop-in programs for the homeless population in Oakland; and the Fox Theater property which is leased to Fox Oakland Theater, Inc. ("FOT") through a 60 year long-term lease. Fixed assets for the fiscal year ended June 30, 2009 are reported as \$6.7 million, net of accumulated depreciation.

### Long-term debt

At June 30, 2009, the Agency had total outstanding long-term debt of \$505.8 million, an increase of \$9.2 million or 1.8 percent more than the prior fiscal year. The increase was primarily attributed to issuances of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T and restructuring of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005.

### Bond Ratings

The Agency's bond ratings at June 30, 2009 are as follows (in thousands):

	Moody's	Standard & Poors	Fitch JBCA	Balance Outstanding
Tax allocation	A3	A-	N/A	\$ 418,520
Housing set-aside revenue bonds	A2	A	A	87,075
General obligation bonds	N/A	N/A	N/A	170
<b>TOTAL</b>				<u>\$ 505,765</u>

Long-term liabilities at the end of June 30, 2009 and June 30, 2008 are comprised of the following (in thousands):

	<u>FY 2009</u>	<u>FY 2008</u>
<b>Bonds Payable:</b>		
Tax allocation bonds payable	\$ 418,520	\$ 406,945
Housing set-aside revenue bonds	87,075	89,465
General obligation bonds	170	220
<b>Total Bonds Payable</b>	<u>505,765</u>	<u>496,630</u>
<b>Other Long-Term Liabilities:</b>		
Deferred amounts, net	5,083	6,703
Uptown remediation costs	7	433
Fox Court remediation costs	-	379
OBRA remediation costs	5,500	5,828
Other remediation costs	620	-
Advances from City of Oakland	14,154	30,632
<b>Total Other Long-Term Liabilities</b>	<u>25,364</u>	<u>43,975</u>
<b>Total Long-Term Obligations</b>	<u>\$ 531,129</u>	<u>\$ 540,605</u>

## **Other Potentially Significant Matters**

Supplementary Educational Revenue Augmentation Funds (SERAF): On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county SERAF to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The Agency's share of this revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. Further information regarding the City's response and SERAF impact is contained in the Subsequent events footnote to the basic financial statements.

## **Requests for Information**

This financial report is designed to provide a general overview of the Redevelopment Agency of the City of Oakland's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, California 94612-2093.

# BASIC FINANCIAL STATEMENTS

# REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

## Statement of Net Assets

June 30, 2009

(In Thousands)

### ASSETS

Cash and investments	\$	260,660
Tax increment receivable		2,225
Accrued interest receivable		880
Accounts receivable (net of allowance for uncollectibles of \$226)		2,179
Due from the City of Oakland		15,278
Due from other government		14
Notes receivable (net of allowance for uncollectibles of \$46,728 )		143,823
Property held for resale		129,870
Fixed assets (net of accumulated depreciation)		6,735
Restricted cash and investments		252,525
Other assets		40
Deferred charges - bond issuance costs		<u>8,643</u>
<b>TOTAL ASSETS</b>		<u>822,872</u>

### LIABILITIES

Accrued interest payable		9,363
Accounts payable and accrued liabilities		3,534
Due to the City of Oakland		11,286
Due to other governments		13,052
Deposits and other liabilities		1,100
Noncurrent liabilities (net of unamortized refunding losses and premiums):		
Due within one year		20,418
Due in more than one year		<u>510,711</u>
<b>TOTAL LIABILITIES</b>		<u>569,464</u>

### NET ASSETS (Deficit)

Invested in capital assets, net of related debt		6,735
Restricted for:		
Low and moderate housing		102,964
Urban redevelopment projects and housing		473,850
Unrestricted (deficit)		<u>(330,141)</u>
<b>TOTAL NET ASSETS</b>	\$	<u>253,408</u>

See accompanying notes to the financial statements.



**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

Statement of Activities

For the year ended June 30, 2009

(In Thousands)

<u>Functions/Programs</u>	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Urban redevelopment and housing	\$ 86,093	\$ 5,448	\$ 2,714	\$ (77,931)
Interest on long-term debt	<u>27,912</u>	-	-	<u>(27,912)</u>
Total governmental activities	\$ <u>114,005</u>	\$ <u>5,448</u>	\$ <u>2,714</u>	<u>(105,843)</u>
General Revenues:				
Property tax increment				131,688
Investment income				11,253
Other				<u>15,934</u>
Total general revenues				<u>158,875</u>
Change in net assets				53,032
Net assets at beginning of year				<u>200,376</u>
Net assets at end of year				\$ <u>253,408</u>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	Capital Projects						Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	
<b>ASSETS</b>							
Cash and investments	\$ 46,911	\$ 47,275	\$ 35,527	\$ 58,532	\$ 35,500	\$ 763	\$ 36,152
Tax increment receivable	875	564	392	-	88	-	306
Accrued interest receivable	187	151	114	189	118	2	119
Accounts receivable (net of allowance for uncollectibles of \$226)	-	-	-	-	2,179	-	-
Due from other governments	-	10	2	-	2	-	-
Advances to the City	12,566	16	-	2,153	61	-	482
Notes receivable (net of allowance for uncollectibles of \$46,728)	44,747	1,083	-	95,700	85	-	2,208
Property held for resale	57,773	3,740	6,995	8,012	48,939	-	4,411
Other Assets	-	40	-	-	-	-	-
Restricted cash and investments	49,434	80,943	66,114	36,806	-	4,671	14,557
<b>TOTAL ASSETS</b>	<b>\$ 212,493</b>	<b>\$ 133,822</b>	<b>\$ 109,144</b>	<b>\$ 201,392</b>	<b>\$ 86,972</b>	<b>\$ 5,436</b>	<b>\$ 58,235</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Accounts payable and accrued liabilities	723	968	102	955	268	-	518
Due to the City	2,822	3,117	3,023	20	617	2	1,685
Due to other governments	2,933	4,617	2,833	-	551	-	2,118
Deposits and other liabilities	874	-	-	4	178	-	44
Deferred revenue	57,289	1,647	392	97,449	2,351	-	2,955
<b>TOTAL LIABILITIES</b>	<b>64,641</b>	<b>10,349</b>	<b>6,350</b>	<b>98,428</b>	<b>3,965</b>	<b>2</b>	<b>7,320</b>
<b>FUND BALANCES</b>							
Reserved for advances	1,030	16	-	383	61	-	309
Reserved for property held for resale	57,773	3,740	6,995	8,012	48,939	-	4,411
Reserved for approved capital projects/activities	89,049	119,717	95,799	94,569	34,007	5,434	44,724
Unreserved - reported in Capital Project Funds	-	-	-	-	-	-	1,471
<b>TOTAL FUND BALANCES</b>	<b>147,852</b>	<b>123,473</b>	<b>102,794</b>	<b>102,964</b>	<b>83,007</b>	<b>5,434</b>	<b>50,915</b>
<b>TOTAL LIABILITIES AND FUND BALANCE:</b>	<b>\$ 212,493</b>	<b>\$ 133,822</b>	<b>\$ 109,144</b>	<b>\$ 201,392</b>	<b>\$ 86,972</b>	<b>\$ 5,436</b>	<b>\$ 58,235</b>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets for  
Governmental Activities**

**June 30, 2009**

**(In Thousands)**

Fund balance - total governmental funds \$ 616,439

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

Capital assets used in governmental activities are not financial resources and  
therefore, are not reported in the funds. 6,735

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. 8,643

Interest on long-term debt is not accrued in the funds, but rather is recognized  
as an expenditure when due. (9,363)

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. 162,083

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

<u>Type</u>	<u>Amount</u>	
Tax allocation bonds	\$ (418,520)	
Housing set-aside revenue bonds	(87,075)	
General obligation bonds	(170)	
Issuance discounts	767	
Issuance premiums	(9,887)	
Refunding loss	4,037	
Other remediation cost	(620)	
Uptown remediation costs	(7)	
Oakland Army Base remediation costs	(5,500)	
Advances from the City of Oakland	(14,154)	
Subtotal		<u>(531,129)</u>

Net assets of governmental activities \$ 253,408

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2009**  
**(In Thousands)**

	Capital Projects							Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	Nonmajor Governmental Funds	
<b>REVENUES</b>								
Tax increment	\$ 51,777	\$ 33,379	\$ 23,198	\$ -	\$ 5,222	\$ -	\$ 17,960	\$ 131,536
Interest on restricted investments	979	41	293	1,830	-	3,681	88	6,912
Interest on pooled investments	682	788	570	973	627	20	670	4,330
Interest on notes receivable	-	11	-	-	-	-	-	11
Rents and reimbursements	3,596	27	-	-	2,594	-	516	6,733
Other	1,314	213	266	732	10,972	2,016	421	15,934
<b>TOTAL REVENUES</b>	<b>58,348</b>	<b>34,459</b>	<b>24,327</b>	<b>3,535</b>	<b>19,415</b>	<b>5,717</b>	<b>19,655</b>	<b>165,456</b>
<b>EXPENDITURES</b>								
Current:								
Urban redevelopment and housing	39,472	16,913	13,931	23,955	6,068	162	11,805	112,306
Debt Service:								
Payment on advances	-	-	-	-	-	17,245	-	17,245
Retirement of long-term debt	-	-	-	-	-	29,620	-	29,620
Interest	-	-	-	-	-	26,391	-	26,391
Bond issuance cost	601	-	-	-	-	-	-	601
<b>TOTAL EXPENDITURES</b>	<b>40,073</b>	<b>16,913</b>	<b>13,931</b>	<b>23,955</b>	<b>6,068</b>	<b>73,418</b>	<b>11,805</b>	<b>186,163</b>
Excess (deficiency) of revenues over expenditures	18,275	17,546	10,396	(20,420)	13,347	(67,701)	7,850	(20,707)
<b>OTHER FINANCING SOURCES (USES)</b>								
Tax allocations bonds issued	38,755	-	-	-	-	-	-	38,755
Discount on bonds issued	(779)	-	-	-	-	-	-	(779)
Transfers in	857	-	-	32,884	-	73,174	969	107,884
Transfers out	(69,500)	(13,885)	(8,843)	(7,843)	(1,306)	-	(6,507)	(107,884)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(30,667)</b>	<b>(13,885)</b>	<b>(8,843)</b>	<b>25,041</b>	<b>(1,306)</b>	<b>73,174</b>	<b>(5,538)</b>	<b>37,976</b>
Change in fund balances	(12,392)	3,661	1,553	4,621	12,041	5,473	2,312	17,269
Fund balances (deficit) at beginning of year	160,244	119,812	101,241	98,343	70,966	(39)	48,603	599,170
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 147,852</b>	<b>\$ 123,473</b>	<b>\$ 102,794</b>	<b>\$ 102,964</b>	<b>\$ 83,007</b>	<b>\$ 5,434</b>	<b>\$ 50,915</b>	<b>\$ 616,439</b>

See accompanying notes to the basic financial statements.

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Reconciliation of Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2009**

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Net change in fund balances - total governmental funds	\$	17,269
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets cost is allocated over their estimated useful lives and reported as depreciation expenses in the current period.		(152)
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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.		27,433
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Principal of bonds issued	\$	(38,755)	
Premiums and discounts on bonds issued		767	
Bond issuance costs		601	
Amortization of bond issuance costs		(542)	
Retirement of long-term debt		29,620	
Payment on advances		17,294	
Interest on advances		(816)	
Amortization of premiums and discounts		1,145	
Amortization of refunding loss		(292)	
Net changes in remediation cost		513	9,535

Additional accrued interest on bonds payable		(1,053)
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Change in net assets of governmental activities	\$	53,032
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See accompanying notes to the basic financial statements.

# NOTES TO BASIC FINANCIAL STATEMENTS

**1) ACTIVITIES OF THE REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

The Redevelopment Agency (Agency), a blended component unit of the City of Oakland (City), was activated on October 11, 1956, for the purpose of redeveloping certain areas of the City designated as project areas. The Agency is included as a blended component unit in the City's basic financial statements because the Agency's governing body is the same as the City Council. Its principal activities are the acquisition of real property for the purpose of removing or preventing blight, providing for the construction of improvements thereon and the rehabilitation and restoration of existing properties. In addition, the Agency finances numerous low and moderate-income housing projects throughout the City.

The principal sources of funding for the Agency's activities have been:

- Bond issues, notes and other financing sources;
- Advances, loans and grants-in-aid from the City;
- Property tax revenue attributable to increases in the assessed valuations in the associated project areas; and
- Rental income derived from parking and rental of Agency owned properties.

Generally, funding from bond issues, notes, loans, and City advances are eventually repayable from incremental property tax revenue. The Agency has entered into repayment agreements with the City or is obligated to do so under the terms of other funding agreements. The amount of incremental property tax revenue received is dependent upon the local property tax assessments and rates, which are outside the control of the Agency. Accordingly, the length of time that will be necessary to repay the City is not readily determinable.

The Agency currently has the following project areas: Central District (which is segmented into several action areas including Chinatown, City Center, Uptown and City Hall Plaza); Coliseum; Central City East; Acorn; Broadway/MacArthur/San Pablo; Oakland Army Base; West Oakland; and Other Project Areas (Oak Center; Stanford/Adeline; and Oak Knoll).

The Central District Redevelopment Project, which generates the greatest tax revenue for the Agency, provides for the development and rehabilitation of commercial and residential structures for approximately 200 blocks of Oakland's downtown area. At 6,764 acres, the Coliseum Redevelopment Project is physically the largest adopted project area and provides for the development and rehabilitation of significant industrial, commercial, and residential areas in Oakland.

## 2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Government-wide Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report all the activities of the Agency. The effect of interfund activity has been removed from these statements. The activities of the Agency are governmental in nature, which normally are supported by taxes and intergovernmental transfers.

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 rents, grants, contributions and charges for use of property owned. Taxes and other items not properly included as program revenues are reported instead as general revenues.

### 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue when all eligibility requirements have been met.

The Agency's 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period, using the modified accrual basis of accounting as described above, are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Agency considers property tax revenues to be available for the year levied if they are collected within 60 days of the end of the current fiscal period. Interest and grant revenues are considered available if they are collected within 60 days of year-end. Reimbursable grant revenues are considered available if they are collected within 180 days of year-end.

The Agency reports the following major governmental funds:

**Central District Fund** – The Central District Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central District Project area.



REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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**Coliseum Fund** – The Coliseum Fund accounts for the financial resources and the costs of acquisition, construction and improvement of commercial, industrial, residential and airport related facilities in the Coliseum Project area.

**Central City East Fund** – The Central City East Fund accounts for the financial resources and the costs of acquisition, construction, improvement and management of commercial and residential facilities in the Central City East Project area.

**Low and Moderate Housing Fund** – The Low and Moderate Housing Fund accounts for 20% and 5% set aside from all tax increments received, as mandated by State law and the Oakland Redevelopment Agency board, respectively. The fund also accounts for the proceeds from the Subordinated Housing Set Aside Revenue Bonds, Series 2000T and 2006A, and Subordinated Housing Set Aside Revenue Refunding Bonds, Series 2006A-T. These funds are used to increase, improve and preserve the supply of housing within the City of Oakland available at affordable housing cost to persons or families of low and moderate income. The Series 2006A Bonds are used to defease certain amount of the Redevelopment Agency's Subordinated Housing Set Aside Revenue Bonds, Series 2000T.

**Oakland Army Base Fund** – The Oakland Army Base Fund accounts for the financial resources and the costs of the redevelopment and reuse of the closed military facilities into commercial and industrial facilities in the former Oakland Army Base.

**Debt Service Fund** – The Tax Allocation Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term obligation principal, interest and related costs.

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

### **Investments**

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2009, and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

### **Pooled Cash and Investments**

Income on pooled assets is allocated to the individual fund based on the fund's average daily balance in relation to total pooled assets.

### **Restricted Cash and Investments**

Proceeds from debt and other funds, which are restricted for the payment of debt or for use in approved projects and held by fiscal agents by agreement, are classified as restricted assets. Also, rental revenues received from the University of California Office of the President (UCOP), Ice

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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Rink, and City Center Garage West, which are restricted for the operation of each of the facilities, are classified as restricted.

### **Property Held for Resale**

Property held for resale is acquired as part of the Agency's redevelopment program. These properties are both residential and commercial. Costs of administering Agency projects are charged to capital outlay expenditures as incurred. A primary function of the redevelopment process is to prepare land for specific private development.

For financial statement presentation, property held for resale is stated at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use.

Property held for resale may, during the period it is held by the Agency, generate rental or operating income. This income is recognized as it is earned in the Agency's statement of activities and generally is recognized in the Agency's governmental funds in the same period depending on when the income becomes available on a modified accrual basis of accounting. The Agency does not depreciate property held for resale, as it is the intention of the Agency to only hold the property for a period of time until it can be resold for development.

### **Capital Assets**

Capital assets, which includes land, facilities and improvements are reported in the governmental activities column in the government-wide financial statements. Capital assets, as defined by the Agency, are 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 Agency governmental funds and as assets in the government-wide financial statements to the extent the Agency'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.

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

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Infrastructure	5-50 years

### **Environmental Remediation Costs**

Expenditures for environmental remediation of real properties acquired by purchase or donation are added to the recorded amounts when incurred. All estimated environmental remediation costs

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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that would result in the recorded amount of property held for resale exceeding estimated net realizable values are accrued as expenses when such amounts become known.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The Agency in its fund financial statements has reserved fund balance as follows:

**Reserved for advances** – To account for assets owed from the City that will not be collected in time to be considered available for appropriation.

**Reserved for property held for resale** – To account for assets acquired by the Agency which are not available for appropriation.

**Reserved for approved capital projects/activities** – To account for assets set aside that have been committed to a specific use by contractual agreement or Agency resolution.

### **Restricted Net Assets and Revenues**

Under various agreements with the United States Department of the Army (Army), the use of substantially all assets of approximately 366 acres of the former Oakland Army Base and related lease income is restricted for the operation, maintenance and economic development of real properties, facilities and improvements from June 16, 1999 to August 7, 2010.

### **Tax Increment Revenue**

Incremental property tax revenues represent taxes collected on the redevelopment areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment. 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 Agency. Incremental property taxes are assessed and levied as of July 1, and result in a lien on real property. Incremental 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.

### **Budgetary Data**

The Agency operates on a project basis and each of the capital project funds is for individual redevelopment areas consisting of several individual projects. All of the Agency's budgets are approved by the Agency's governing board. Unexpended budget appropriations are carried forward to the next year.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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**Deferred Revenue**

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met in fund statements. The Agency typically records deferred revenue in the governmental fund financial statements related to notes receivable arising from developers financing arrangement and long-term receivables.

**Long-term Obligations**

In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premium, discount and deferred refunding losses, 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, discount and deferred refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt service issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

**(3) CASH AND INVESTMENTS**

The Agency maintains a common cash and investment pool for use by all funds. Each fund's portion of this pool is reported in the governmental funds balance sheet as unrestricted cash and investments.

The Agency's cash and investments consist of the following at June 30, 2009: (in thousands)

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$ 260,660
Restricted cash and investments	252,525
Total cash and investments	<u>\$ 513,185</u>

The Agency has adopted the investment policy of the City, which is governed by provisions of the California Government Code and the City's Municipal Code. The Agency also has investments

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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subject to provisions of the bond indentures of its various bond issues. According to the investment policy and bond indentures, the Agency is permitted to invest in the Agency's cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. Government agencies, time deposits, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

The Agency maintains all of its unrestricted investments in a cash and investment pool. As of June 30, 2009, the Agency's cash and investment pool totaled \$260.7 million. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2009 the Agency's investment in LAIF was \$41.2 million (\$38.6 million in pooled cash and investments and \$2.6 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$25.2 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$50.7 billion. Of that amount, 85.29% is invested in non-derivative financial products and 14.71% 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 Agency's position in the pool.

**Custodial Credit Risk:**

At June 30, 2009, the carrying amount of the Agency's deposits was \$4.0 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, \$1.3 million was FDIC insured and \$2.7 million was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

**Credit Risk:**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The Agency's investment policy has mitigated credit risk by limiting investments to the safest types of securities. Additionally, the Agency prequalifies financial institutions, diversifies its portfolio and has established monitoring procedures.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

The following tables show the Agency's credit risk as rated by Moody's for the Pool and Restricted portfolios as of June 30, 2009 (in thousands):

**Pooled Cash and Investments**

Ratings as of Fiscal Year Ended June 30, 2009

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>A-1/P1</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 95,560	\$ 95,560	\$ -	\$ -
U.S. Govt. Agency Securities Disc.	60,957	60,957	-	-
Money Market Funds	49,700	49,700	-	-
LAIF	38,643	-	-	38,643
Negotiable CDs	13,015	-	13,015	-
<b>Subtotal</b>	<b>\$ 257,875</b>	<b>\$ 206,217</b>	<b>\$ 13,015</b>	<b>\$ 38,643</b>
Deposits	2,785			
<b>Total</b>	<b>\$ 260,660</b>			

**Restricted Cash and Investments**

Ratings as of Fiscal Year Ended June 30, 2009

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>Not Rated</u>
Money Market Funds	\$ 248,668	\$ 248,668	\$ -
LAIF	2,604	-	2,604
<b>Total</b>	<b>\$ 251,272</b>	<b>\$ 248,668</b>	<b>\$ 2,604</b>
Deposits	1,253		
<b>Total</b>	<b>\$ 252,525</b>		

**Concentration of Credit Risk:**

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in single issuers. However, there is no limitation for investments issued by federal agencies or LAIF. The Agency has U.S. Government Agency Securities with Federal National Mortgage Association for \$49.8 million and Federal Home Loan Bank for \$69.7 million, which represents 9.78% and 13.69% of the total Agency portfolio respectively.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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

**Pooled Cash and Investments**

**Restricted Investments**

	% of			% of	
	Fair Value	Portfolio		Fair Value	Portfolio
U.S. Govt. Agency Securities	\$ 95,560	36.66%	Money Market Funds	\$ 248,668	98.47%
U.S. Govt. Agency Securities Disc.	60,957	23.39%	LAIF	2,604	1.03%
Money Market Funds	49,700	19.07%	Deposits	1,253	0.50%
LAIF	38,643	14.83%	<b>Total</b>	<b>\$ 252,525</b>	<b>100%</b>
Negotiable CDs	13,015	4.99%			
Certificates of Deposit	500	0.19%			
City Pooled Cash	2,285	0.88%			
<b>Total</b>	<b>\$ 260,660</b>	<b>100%</b>			

**Interest Rate Risk**

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 395 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2009, the Agency had the following investments and original maturities (in thousands):

**Pooled Cash and Investments**

	Fair Value	Interest Rates	Maturities		
			12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	\$ 95,560	0.41 - 4.53	\$ 15,161	\$ 48,589	\$ 31,810
U.S. Govt. Agency Securities Disc.	60,957	0.08 - 0.34	60,957	-	-
Money Market Funds	49,700	0.31 - 0.42	49,700	-	-
LAIF	38,643	1.38	38,643	-	-
Negotiable CDs	13,015	1.16 - 1.94	13,015	-	-
Certificates of Deposit	500	2.66	500	-	-
City Pooled Cash	2,285	N/A	2,285	-	-
<b>Total</b>	<b>\$ 260,660</b>		<b>\$ 180,261</b>	<b>\$ 48,589</b>	<b>\$ 31,810</b>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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**Restricted Investments**

	<u>Fair Value</u>	<u>Interest Rates</u>	<u>Maturities</u>
			<u>12 Months or Less</u>
Money Market Funds	\$ 248,668	0.01 - 0.96	\$ 248,668
LAIF	2,604	1.38	2,604
Deposits	1,253	-	1,253
Total	<u>\$ 252,525</u>		<u>\$ 252,525</u>

**Restricted Investments in the Debt Service Funds**

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2009, the amounts held by the trustees aggregated \$252.5 million of which \$252.5 million is available to be used for restricted projects. All restricted investments held by trustees as of June 30, 2009 were invested in a money market mutual funds and LAIF, and were in compliance with the bond indentures.

Total Agency cash and investments as of June 30, 2009, are as follow (in thousands):

	<u>Equity in Pooled Cash and Investment</u>	<u>Restricted Cash and Investment With Fiscal Agent</u>	<u>Total Governmental Funds</u>
Central District	\$ 46,911	\$ 49,434	\$ 96,345
Coliseum	47,275	80,943	128,218
Central City East	35,527	66,114	101,641
Low and moderate housing	58,532	36,806	95,338
Oakland Army Base	35,500	-	35,500
Debt Service	763	4,671	5,434
Nonmajor governmental funds	36,152	14,557	50,709
TOTAL	<u>\$ 260,660</u>	<u>\$ 252,525</u>	<u>\$ 513,185</u>



REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

**(4) NOTES RECEIVABLE**

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2009, follows (in thousands):

	Central District	Coliseum	Low and Moderate Housing	Oakland Army Base	Nonmajor Governmental Funds	Total Governmental Funds
Housing development project	\$ -	\$ -	\$ 129,251	\$ -	\$ 1,462	\$ 130,713
Development loans	56,753	1,083	-	85	720	58,641
Small business loans	128	-	-	-	1,069	1,197
Gross notes receivable	56,881	1,083	129,251	85	3,251	190,551
Less: Allowance for uncollectible accounts	(12,134)	-	(33,551)	-	(1,043)	(46,728)
Net notes receivable	<u>\$ 44,747</u>	<u>\$ 1,083</u>	<u>\$ 95,700</u>	<u>\$ 85</u>	<u>\$ 2,208</u>	<u>\$ 143,823</u>

**(5) PROPERTY HELD FOR RESALE**

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

	<u>1-Jul-08</u>	<u>Increases</u>	<u>Decreases</u>	<u>30-Jun-09</u>
Property held for resale	<u>\$ 121,735</u>	<u>\$ 8,363</u>	<u>\$ 228</u>	<u>\$ 129,870</u>

The increases in Property Held for Resale represent the purchases of Telegraph Parking Garage from the City with a carrying value of \$0.78 million, \$1.42 million in the Coliseum project area for the development of Coliseum Transit Village and the purchase of \$6.16 million for development in the Central City East project area and a property sale of \$0.23 million in the Central City East project area.

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**(6) CAPITAL ASSETS**

Capital assets activity for the Agency for the year ended June 30, 2009, is as follows (in thousands):

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2008</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2009</b>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,360	\$ -	\$ -	\$ 3,360
<b>TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED</b>	<u>3,360</u>	<u>-</u>	<u>-</u>	<u>3,360</u>
Capital assets, being depreciated:				
Facilities and improvements	4,740	-	-	4,740
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED</b>	<u>4,740</u>	<u>-</u>	<u>-</u>	<u>4,740</u>
Less accumulated depreciation:				
Facilities and improvements	1,213	152	-	1,365
<b>TOTAL ACCUMULATED DEPRECIATED</b>	<u>1,213</u>	<u>152</u>	<u>-</u>	<u>1,365</u>
<b>TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET</b>	<u>3,527</u>	<u>152</u>	<u>-</u>	<u>3,375</u>
<b>GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET</b>	<u>\$ 6,887</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 6,735</u>

The Agency has \$6.7 million capital assets, net of depreciation, for the fiscal year ended June 30, 2009. The Agency has leased the Fox Theater property valued at \$3.0 million to Fox Oakland Theater, Inc. through a sixty-year lease agreement. The Henry J. Robinson Multi-Service Center facility that provides major transitional housing and emergency shelter for the homeless population in Oakland depreciated at a rate of \$152 thousand annually.

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**(7) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund Transfers (in thousands):**

	Transfers In				
	Central District	Low and Moderate Housing	Debt Service	Nonmajor Governmental Funds	Total Governmental Fund
	Transfers out:				
Central District	\$ -	\$ 12,944	\$ 56,556	\$ -	\$ 69,500
Coliseum	-	8,345	4,571	969	13,885
City Central East	-	5,798	3,045	-	8,843
Oakland Army Base	-	1,306	-	-	1,306
Low and Moderate Housing	350	-	7,493	-	7,843
Nonmajor Governmental Funds	507	4,491	1,509	-	6,507
TOTAL	\$ 857	\$ 32,884	\$ 73,174	\$ 969	\$ 107,884

The Central District, Coliseum, City Central East, Low & Moderate Housing, and Nonmajor Governmental Funds transferred funds to the Debt Service Fund for payment of City advances and principal and interest on the tax allocation debt. The transfers to the Low and Moderate Housing Fund, as reflected above, represent the 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer of \$1.0 million to Nonmajor Governmental Funds from the Coliseum Fund represents the 10% school set aside based on tax increment received in the Coliseum project area, net of the housing set aside, debt payment and the AB1290 mandatory pass through.

**(8) LONG-TERM DEBT**

**Current Year Long-Term Debt Financings**

On May 6, 2009, The Redevelopment Agency of the City of Oakland (the “Agency”) issued \$38,755,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the “Series 2009T Bonds”). The Series 2009T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency’s Central District Redevelopment Project Area. The Series 2009T Bonds are federally taxable with a final maturity of September 1, 2020; the interest rates of these bonds range from 5.30% to 8.50%

The Series 2009T 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 District Redevelopment Project Area.

**Restructuring of Long-Term Debt**

On March 23, 2009, The Redevelopment Agency of the City of Oakland (the “Agency”) utilized unused proceeds of the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the “Series 2005 Bonds”) to purchase \$11,190,000 of the Series 2005 Bonds

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
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maturing on September 1, 2022 and \$1,200,000 of the Series 2005 Bonds maturing September 1, 2020 (the "Purchased Series 2005 Bonds"). The Agency tendered the Purchased Series 2005 Bonds for cancellation with trustee, and the Purchased Series 2005 Bonds have been cancelled and are no longer outstanding. Upon the cancellation of the Purchase Series 2005 Bonds, \$31,970,000 of the Series 2005 Bonds remains outstanding as of June 30, 2009.

**General Long-Term Obligations (in thousands)**

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>	<u>Due within One Year</u>
Tax Allocation Bonds	\$ 406,945	\$ 38,755	\$ (27,180)	\$ 418,520	\$ 14,245
Housing Set-Aside Revenue Bonds	89,465	-	(2,390)	87,075	2,565
General Obligation Bond	220	-	(50)	170	55
Total Bonds Payable	<u>\$ 496,630</u>	<u>\$ 38,755</u>	<u>\$ (29,620)</u>	<u>\$ 505,765</u>	<u>\$ 16,865</u>
Deferred amounts:					
Issuance premiums	11,032	-	(1,145)	9,887	1,113
Issuance discount	-	(779)	12	(767)	(69)
Refunding loss	<u>(4,329)</u>	<u>-</u>	<u>292</u>	<u>(4,037)</u>	<u>(285)</u>
Subtotal	<u>\$ 503,333</u>	<u>\$ 37,976</u>	<u>\$ (30,461)</u>	<u>\$ 510,848</u>	<u>\$ 17,624</u>
Army Base remediation costs	5,828	-	(328)	5,500	2,000
Uptown remediation costs	433	-	(426)	7	-
Fox Court remediation costs	379	-	(379)	-	-
Other remediation cost	-	620	-	620	320
Advances from City of Oakland	<u>30,632</u>	<u>816</u>	<u>(17,294)</u>	<u>14,154</u>	<u>474</u>
TOTAL	<u>\$ 540,605</u>	<u>\$ 39,412</u>	<u>\$ (48,888)</u>	<u>\$ 531,129</u>	<u>\$ 20,418</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
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The following is a summary of long-term obligations as of June 30, 2009 (in thousands):

Type of Obligation	Final Maturity Year	Interest Rates	Amount
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Series 1992	2010 - 2014	5.50%	\$ 29,720
Central District Subordinated Tax Allocation Refunding Series 2003	2010 - 2020	5.00 - 5.50%	100,835
Central District Subordinated Tax Allocation Refunding Series 2005	2020 - 2022	5.00%	31,970
Central District Subordinated Tax Allocation Refunding Series 2006T	2010 - 2021	5.252 - 5.411%	27,975
Central District Subordinated Tax Allocation Refunding Series 2009T	2011 - 2021	5.305 - 8.5%	38,755
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-TE	2032 - 2036	5.00%	4,945
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-T	2010 - 2032	5.283 - 5.587%	11,730
Central City East Tax Allocation Refunding Series 2006A-TE	2034 - 2036	5.00%	13,780
Central City East Tax Allocation Refunding Series 2006A-T	2010 - 2034	5.263 - 5.537%	59,885
Coliseum Area Tax Allocation Refunding Series 2006B-TE	2010 - 2036	4.00 - 5.00%	27,765
Coliseum Area Tax Allocation Refunding Series 2006B-T	2010 - 2035	5.263 - 5.537%	<u>71,160</u>
Total Tax Allocation Bonds			418,520
General Obligation Bond - Tribune Tower	2010 - 2012	5.643%	<u>170</u>
Subordinated Housing Set-Aside Bonds:			
Revenue Series 2000T	2010 - 2011	7.82%	4,290
Revenue Series 2006A	2018	5.00%	2,195
Revenue Series 2006A-T	2010 - 2037	5.219 - 5.927%	<u>80,590</u>
Total Subordinated Housing Set-Aside Bonds			<u>87,075</u>
TOTAL BOND PAYABLE			<u><u>\$ 505,765</u></u>

## Revenues Pledged for the Repayment of Debt Service

### Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which is comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, and Series 2006C TE/T, are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately \$3,456,252,933. These revenues have been pledged until the year 2036, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is \$693,869,724 which is 20.1 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$131,536,000, of which \$48,647,152 was used to pay debt service.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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**Housing Bonds**

The Housing Set-Aside TAB, which comprised of Series 2000T, Series 2006A, and Series 2006A-T are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5% for the low and moderate income housing fund. The total projected 20% set-aside and 5% voluntary revenue through the period of the bonds is approximately \$932,571,602 and \$233,142,901, respectively. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is \$155,472,013, which is 13.3 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20% set-aside and 5% voluntary tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$32,884,000, of which \$7,512,084 was used to pay debt service.

**Advances from City to the Redevelopment Agency**

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2009 the total outstanding balance was \$14.2 million, comprised of the following (in thousands):

	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>	<u>Due within One Year</u>
Central District	\$ 16,533	\$ -	\$ (16,533)	\$ -	\$ -
Oak Center	13,737	816	(700)	13,853	400
Stanford/Adeline	188	-	(53)	135	66
West Oakland	174	-	(8)	166	8
<b>TOTAL</b>	<u>\$ 30,632</u>	<u>\$ 816</u>	<u>\$ (17,294)</u>	<u>\$ 14,154</u>	<u>\$ 474</u>

Payments to the City are contingent upon the availability of funds from the Projects.

**Outstanding Defeased Bonds**

For financial reporting purposes, the Agency's advanced-refunded debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of \$46.1 million at June 30, 2009.

**Bond Indentures**

There are a number of limitations and restrictions contained in the various bond indentures. The Agency believes it is in compliance with all significant limitations and restrictions.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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**Annual Future Payments**

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2009 (in thousands).

<b>Year ending June 30:</b>	<b>Governmental Activities</b>	
	<b>Principal</b>	<b>Interest</b>
2010	\$ 16,865	\$ 27,422
2011	19,365	27,099
2012	20,365	26,039
2013	21,645	24,929
2014	23,580	23,712
2015 - 2019	130,810	97,243
2020 - 2024	118,055	56,052
2025 - 2029	47,240	36,313
2030 - 2034	61,880	21,231
2035 - 2037	45,960	3,726
<b>TOTAL</b>	<b>\$ 505,765</b>	<b>\$ 343,766</b>

**Conduit Debt**

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2009, there was one series of certificates outstanding with an aggregate principal amount payable of \$10.4 million. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

**(9) TRANSACTIONS WITH THE CITY OF OAKLAND**

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represent reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2009, the Agency reimbursed the City \$35.5 million for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$17.8 million for the fiscal year ended June 30, 2009; \$17.2 million in loan principal and \$0.6 million in interest expense.

**(10) TRANSACTIONS WITH THE FOX OAKLAND THEATER, INC. (“FOT”) DEVELOPMENT**

FOT is a 501(C)(3) organization set up by and for the benefit of the Agency and the City set up to renovate the Fox Theater. The Agency transferred the Fox Theater property to FOT in August 2006 through a long-term lease and a Disposition and Development Agreement (“DDA”) which included a \$25,500,000 loan. The Fox Theater property was held by the Agency as property held for resale. During 2008, the property was transferred to a capital asset due to the long-term lease which was valued at \$6,500,000 in the lease and DDA. All FOT board members are City employees and FOT has no staff. FOT set up a for profit entity, Fox Theater Manager, Inc (“FT Manager”), and then two LLCs managed by FT Manager, Fox Theater Landlord LLC and Fox Theater Master Tenant LLC. These new entities were used to syndicate Historic and New Markets Tax Credits. The Fox Theater property was transferred to the LLCs in December 2006, but the loan remains with FOT and is secured by a pledge and assignment of borrowers ninety nine and nine-tenths percent (99.9%) interests in the Community Development Entities (CDEs) loans entered into between FOT and Fox Oakland Investment Fund (FOIF).

The outstanding principal balance of the FOT loan shall accrue interest at the rate of 2.5 percent, commencing on the date of disbursement and compounded annually, which will only be payable to the extent of borrower’s net cash flow from operations.

Loan terminates at the end of ten years unless the borrower defaults on the agreement in which case the lender declares an acceleration of the maturity.

In FY 2008-09 the Agency loaned an additional \$7.45 million to FOT and approved an additional loan of \$1.4 million to Fox Theater Master Tenant LLC to complete the project. The \$7.45 million FOT loan has a 30 year term and is non-interest bearing. The \$1.45 million loan will be executed and funded in the FY 2009-10. The Agency also funded a \$1.2 million loan to Friends of the Oakland Fox and a \$2.3 million loan to Oakland School for the Arts, both of which are unrelated 501(c)(3) organizations that participated in the development and/or are tenants in the facility. The Agency also gave a \$2.0 million grant to GASS Entertainment LLC for tenant improvements for the Theater.



## **(11) COMMITMENTS AND CONTINGENCIES**

### **Oakland Redevelopment Agency**

As of June 30, 2009, the Agency entered into contractual commitments of approximately \$57.2 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2009, the Agency committed to funding \$53.0 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

The Agency is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. Liabilities of the Agency are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

### **Uptown Project Environmental Remediation**

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2009, environmental remediation clean up activities are nearly completed except for ground water monitoring that is estimated at \$7 thousand.

### **Fox Court Environmental Remediation**

The Fox Court area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. During fiscal year 2009, the cleanup of the property was completed, and the property was sold to an independent developer.

### **Oakland Army Base Environmental Remediation**

Land originally conveyed to OBRA from the Army, portions of which were subsequently conveyed to the Agency and the Port of Oakland, may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA then, and subsequently the Agency and the Port, are responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs including the \$3.5 million insurance

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND  
Notes to Basic Financial Statements  
June 30, 2009

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premium. Of the \$13.0 million grant, \$12.4 million has been spent which has been reimbursed or invoiced to the grantor as of June 30, 2009. The remaining \$0.6 million of grant expenditures will be shared between the Agency and the Port.

The next \$11.0 million of environmental remediation costs are to be shared equally by the Agency and the Port. As a result, the Agency reports its share of \$5.5 million remediation obligation on Oakland Army Base project. The next \$9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to \$30 million in environmental remediation-related costs. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above \$21.0 million that are not covered by insurance. The Agency believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

## **(12) SUBSEQUENT EVENTS**

### **Supplemental Education Revenue Augmentation Fund**

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency issued a resolution no. 2009-0090 amending the fiscal year 2010-11 biennial budget to revise FY 2009-10 revenue projections and to provide payments to the SERAF and amending resolution no. 01-85 to provide for a portion of the payments to the SERAF to come from the Agency's voluntary five percent contribution to the low and moderate income housing fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA files lawsuit on October 20, 2009. The lawsuit will assert that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

**COMBINING FINANCIAL  
STATEMENTS and  
SUPPLEMENTAL  
INFORMATION**

**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

June 30, 2009

(In Thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 2,558	\$ 9,177	\$ 12,726	\$ 9,784	\$ 1,907	\$ 36,152
Tax increment receivable	22	100	145	39	-	306
Accrued interest receivable	8	29	40	37	5	119
Advances to the City	17	5	-	19	441	482
Notes receivable, net	509	-	-	1,699	-	2,208
Property held for resale	-	-	-	4,411	-	4,411
Restricted cash and investments	-	14,557	-	-	-	14,557
<b>TOTAL ASSETS</b>	<b>\$ 3,114</b>	<b>\$ 23,868</b>	<b>\$ 12,911</b>	<b>\$ 15,989</b>	<b>\$ 2,353</b>	<b>\$ 58,235</b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts Payable	\$ 24	\$ 149	\$ 161	\$ 18	\$ 166	\$ 518
Due to the City	-	610	764	310	1	1,685
Due to other governments	-	702	1,150	266	-	2,118
Deposits and other liabilities	12	25	-	1	6	44
Deferred revenue	531	100	145	1,738	441	2,955
<b>TOTAL LIABILITIES</b>	<b>567</b>	<b>1,586</b>	<b>2,220</b>	<b>2,333</b>	<b>614</b>	<b>7,320</b>

**FUND BALANCES**

Reserved for advances	17	5	-	19	268	309
Reserved for property held for resale	-	-	-	4,411	-	4,411
Reserved for approved capital projects/activities	2,530	22,277	10,691	9,226	-	44,724
Unreserved	-	-	-	-	1,471	1,471
<b>TOTAL FUND BALANCES</b>	<b>2,547</b>	<b>22,282</b>	<b>10,691</b>	<b>13,656</b>	<b>1,739</b>	<b>50,915</b>

<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,114</b>	<b>\$ 23,868</b>	<b>\$ 12,911</b>	<b>\$ 15,989</b>	<b>\$ 2,353</b>	<b>\$ 58,235</b>
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**REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
Year ended June 30, 2009  
(In Thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	TOTAL
<b>REVENUES</b>						
Tax increment	\$ 1,286	\$ 5,913	\$ 8,588	\$ 2,173	\$ -	\$ 17,960
Interest on restricted cash and investments	-	88	-	-	-	88
Interest on pooled cash and investments	42	145	203	241	39	670
Rents and reimbursements	36	-	-	480	-	516
Other	59	54	40	262	6	421
<b>TOTAL REVENUES</b>	<b>1,423</b>	<b>6,200</b>	<b>8,831</b>	<b>3,156</b>	<b>45</b>	<b>19,655</b>
<b>EXPENDITURES</b>						
Current:						
Urban redevelopment and housing	389	4,104	3,933	3,329	50	11,805
<b>TOTAL EXPENDITURES</b>	<b>389</b>	<b>4,104</b>	<b>3,933</b>	<b>3,329</b>	<b>50</b>	<b>11,805</b>
Excess (deficiency) of revenues over expenditures	1,034	2,096	4,898	(173)	(5)	7,850
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	-	-	-	969	-	969
Transfers out	(322)	(2,200)	(2,161)	(1,824)	-	(6,507)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(322)</b>	<b>(2,200)</b>	<b>(2,161)</b>	<b>(855)</b>	<b>-</b>	<b>(5,538)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND</b>						
Change in fund balances	712	(104)	2,737	(1,028)	(5)	2,312
Fund balances at beginning of year	1,835	22,386	7,954	14,684	1,744	48,603
<b>FUND BALANCES AT END OF YEAR</b>	<b>\$ 2,547</b>	<b>\$ 22,282</b>	<b>\$ 10,691</b>	<b>\$ 13,656</b>	<b>\$ 1,739</b>	<b>\$ 50,915</b>



**WILLIAMS, ADLEY & COMPANY, LLP**  
Certified Public Accountants / Management Consultants

**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based  
on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Members of the Council  
of the Redevelopment Agency of the  
City of Oakland

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 19, 2009. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Finding 2009-01).



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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Agency Council members, the finance and management committee, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

*Williams, Adley & Company, LLP*

Oakland, California  
November 19, 2009

Redevelopment Agency of the City of Oakland  
Schedule of Findings and Responses  
June 30, 2009

Significant Deficiency

Finding 2009-01 – Period End Reporting Process

Condition: There were ineffective controls over the period-end financial reporting process.

Criteria: Although there are written policies and procedures for the recording of transactions into the general ledger and closing the books at the end of the year, we observed a property purchase transaction recorded in the incorrect period. The \$695,000 purchase of 5847 & 5841 Foothill Blvd. was actually completed July 15, 2009, but it was recorded in the June 30, 2009 financial statements.

Cause: A lack of review caused the improper recording of the transaction.

Effect: Transactions recorded in the incorrect period if undetected can cause material misstatement to the financial statements.

Recommendation: We recommend that the Agency provide additional training to accounting personnel.

Management response: Even though there is no material impact on the Agency's financial statements, management agrees with the finding and will provide additional training and guidance for staff responsible for report preparation.