<u>NEW ISSUE, BOOK-ENTRY ONLY</u>

RATINGS: Moody's: Aaa
Standard & Poor's: AAA
Fitch: AAA
(FGIC Insured)
(See "RATINGS" herein.)

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

$38,000,000
City of Oakland
General Obligation Bonds
(Series 2002A, Measure G)

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

The $38,000,000 aggregate principal amount of City of Oakland General Obligation Bonds (Series 2002A Measure G) (the "Bonds"), are being issued under the Government Code of the State of California and the Charter of the City of Oakland (the "City"). The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the City Council of the City on May 28, 2002. See "THE BONDS--Authority for Issuance." The proceeds of the Bonds will be used for the construction and reconstruction of various improvements as described herein, and to pay for certain costs related to the issuance of the Bonds.

The Bonds will be issued only as fully registered bonds without coupons and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by BNY Western Trust Company, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Bonds. See "APPENDIX E--BOOK-ENTRY ONLY SYSTEM." The Bonds will be dated and bear interest from the date of original issuance. Interest on the Bonds will be payable semiannually on July 15 and January 15 of each year, commencing January 15, 2004. The Bonds will be subject to optional redemption prior to their respective stated maturities as described herein. See "THE BONDS--Redemption."

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

FGIC.

The payment of the principal of and interest on the Bonds when due will be insured by a municipal bond new issue insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Bonds.

MATURITY SCHEDULE

Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield*	CUSIP*	Maturity Date (January 15)	Principal Amount	Interest Rate	Price or Yield*	CUSIP*
2004	$ 25,000	3.750%	2.100%	672240 MX 3	2013	950,000	5.000%	4.300%	672240 MM 7
2005	660,000	3.750%	2.400%	672240 MD 7	2014	1,000,00	5.000%	4.400%	672240 MN 5
2006	680,000	3.750%	2.700%	672240 ME 5	2015	1,045,00	5.000%	4.530%	672240 MP 0
2007	705,000	3.750%	3.000%	672240 MF 2	2016	1,105,00	5.000%	4.640%	672240 MQ 8
2008	740,000	5.000%	3.300%	672240 MG 0	2017	1,160,00	5.000%	4.750%	672240 MR 6
2009	775,000	5.000%	3.600%	672240 MH 8	2018	1,220,00	5.000%	4.850%	672240 MS 4
2010	820,000	5.000%	3.900%	672240 MJ 4	2019	1,285,00	5.000%	4.950%	672240 MT 2
2011	860,000	5.000%	4.050%	672240 MK 1					
2012	905,000	5.000%	4.150%	672240 ML 9					

$ 4,260,000 5.0% Term Bonds Due January 15, 2022 to yield* 5.020% CUSIP* 672240 MU 9
$ 8,670,000 5.0% Term Bonds Due January 15, 2027 to yield* 5.070% CUSIP* 672240 MV 7
$11,135,000 5.0% Term Bonds Due January 15, 2032 to yield* 5.100% CUSIP* 672240 MW 5

The Bonds are offered when, as, and if issued by the City and accepted by the purchasers, subject to the legal opinion regarding the Bonds by Squire, Sanders & Dempsey L.L.P., San Francisco, Bond Counsel. Certain legal matters will be passed upon for the City by its City Attorney. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about November 6, 2002.

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

Dated: October 23, 2002

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

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

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. No representation is made that any past experience, as shown by any financial or other information herein, will necessarily continue or be repeated in the future. The information set forth in this Official Statement has been obtained from official sources and other sources which are believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, the City. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. This Official Statement is submitted in connection with the initial sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. All summaries of the documents and laws herein are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements in this Official Statement, which may generally be identified by the use of such terms as "plan," "expect," "estimate," "budget" or other similar words, constitute "forward-looking statements." The achievement of certain results or other expectations or performance contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

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

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

CITY OF OAKLAND
MAYOR AND CITY COUNCIL

Edmund G. Brown, Jr., *Mayor*
Ignacio De La Fuente, *President of the City Council*
Larry Reid, *Vice Mayor*
Jane Brunner
Henry Chang, Jr.
Moses Mayne, Jr.
Nancy Nadel
Richard Spees
Danny Wan

CITY OFFICIALS

ROBERT C. BOBB, *City Manager*
DR. GEORGE G. MUSGROVE, *Assistant City Manager*
ROLAND E. SMITH, *City Auditor*
JOHN RUSSO, *City Attorney*
CEDA FLOYD, *City Clerk*
DEBORAH A. EDGERLY, *Director, Financial Services Agency*
JOSEPH T. YEW, JR., *Treasury Manager*

SPECIAL SERVICES

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

Public Financial Management, Inc.
San Francisco, California
Financial Advisor

BNY Western Trust Company
Fiscal Agent

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$38,000,000
City of Oakland
General Obligation Bonds
(Series 2002A, Measure G)

INTRODUCTION

The purpose of this Official Statement (including the cover page and appendices attached hereto) is to provide certain information concerning the initial issuance, sale and delivery by the City of Oakland, California (the "City") of the City of Oakland General Obligation Bonds (Series 2002A, Measure G) (the "Bonds"). The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Resolution and Fiscal Agency Agreement (each defined below).

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

THE BONDS

Authority for Issuance

The Bonds are issued under provisions of the Government Code of the State of California and the Charter of the City. The specific terms and conditions for issuance of the Bonds are contained in a Resolution adopted by the Council on May 28, 2002 (the "Resolution"). Bonds are being issued by the City pursuant to a Fiscal Agent Agreement, dated as of November 1, 2002, between the City and BNY Western Trust Company, as fiscal agent (together with any successors, the "Fiscal Agent"). The Fiscal Agent will serve as the Paying Agent on the Bonds.

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

Purpose

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

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

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

Wild California Exhibit, which will feature five native ecological zones – riparian, grassland, chaparral, oak woodland and canyon. Shuttle stops will transport visitors between the ecological zones where they will able to disembark and walk among the native animal and plant life exhibits.

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

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

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

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

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

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

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

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

Description of the Bonds

The Bonds are being offered in the denominations of $5,000 or any integral multiples thereof (an "Authorized Denomination") at the purchase price or yields set forth on the cover page hereof. Interest on the Bonds will accrue from the date of initial issuance and will be payable on January 15, 2004 and on each July 15 and January 15 thereafter (each, an "Interest Payment Date"). The Bonds will mature as shown on the cover page hereof.

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

BOOK-ENTRY ONLY SYSTEM." The City and the Fiscal Agent shall treat the Registered Owner of the Bonds (which will be DTC so long as the Book-Entry Only System is in effect) as the absolute owner of the Bonds for the purpose of payment of debt service, giving all notices of redemption and all other matters with respect to the Bonds.

Debt Service

Debt service on the Bonds is as follows:

CITY OF OAKLAND
General Obligation Bonds
(Series 2002A, Measure G)
Debt Service

Maturity (January 15)	Principal	Interest	Aggregate Debt Service
2004	$ 25,000	$ 2,233,332	$ 2,258,332
2005	660,000	1,873,188	2,533,188
2006	680,000	1,848,438	2,528,438
2007	705,000	1,822,938	2,527,938
2008	740,000	1,796,500	2,536,500
2009	775,000	1,759,500	2,534,500
2010	820,000	1,720,750	2,540,750
2011	860,000	1,679,750	2,539,750
2012	905,000	1,636,750	2,541,750
2013	950,000	1,591,500	2,541,500
2014	1,000,000	1,544,000	2,544,000
2015	1,045,000	1,494,000	2,539,000
2016	1,105,000	1,441,750	2,546,750
2017	1,160,000	1,386,500	2,546,500
2018	1,220,000	1,328,500	2,548,500
2019	1,285,000	1,267,500	2,552,500
2020	1,345,000	1,203,250	2,548,250
2021	1,420,000	1,136,000	2,556,000
2022	1,495,000	1,065,000	2,560,000
2023	1,565,000	990,250	2,555,250
2024	1,645,000	912,000	2,557,000
2025	1,730,000	829,750	2,559,750
2026	1,820,000	743,250	2,563,250
2027	1,910,000	652,250	2,562,250
2028	2,015,000	556,750	2,571,750
2029	2,110,000	456,000	2,566,000
2030	2,220,000	350,500	2,570,500
2031	2,335,000	239,500	2,574,500
2032	$ 2,455,000	$ 122,750	$ 2,577,750
	$38,000,000	$35,682,145	$73,682,145

Bond Insurance

The timely payment of the regularly scheduled principal of and interest on the Bonds will be insured by the issuance, simultaneously with the delivery of the Bonds, of a municipal bond new issue insurance policy (the "Policy") by Financial Guaranty Insurance Company (the "Bond Insurer"). See "BOND INSURANCE" herein.

Redemption

Optional Redemption

The Bonds maturing on or before January 15, 2012 are not subject to redemption prior to maturity. Bonds maturing on or after January 15, 2013, are subject to optional redemption prior to their respective stated maturities, at the option of the City, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the City and by lot within a maturity), on or after January 15, 2012, at the redemption prices in the following table (expressed as percentages of the principal amount of Bonds called for redemption), together with accrued interest to the date fixed for redemption.

Redemption Dates (inclusive)	Price
January 15, 2012 and thereafter	100.00%

Right to Rescind Optional Redemption

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

Mandatory Sinking Account Redemption

The Bonds maturing on January 15, 2022, January 15, 2027 and January 15, 2032 (the "Term Bonds") are subject to mandatory sinking account redemption in part, by lot as may be designated by the Fiscal Agent, at a redemption price of 100% of the principal amount redeemed (without premium) plus accrued interest to the redemption date. Such redemption will be in the amounts and years for each Term Bond as follows:

Term Bonds Due January 15, 2022

Year	Amount
2020	$1,345,000
2021	1,420,000
2022	1,495,000*

Term Bonds Due January 15, 2027

Year	Amount
2023	$1,565,000
2024	1,645,000
2025	1,730,000
2026	1,820,000
2027	1,910,000*

Term Bonds Due January 15, 2032

Year	Amount
2028	$2,015,000
2029	2,110,000
2030	2,220,000
2031	2,335,000
2032	2,455,000*

The principal amount of the Term Bonds to be redeemed on any mandatory redemption date may be reduced by the amount of those Term Bonds subject to mandatory redemption on that date which have been purchased by City and delivered to the Fiscal Agent for cancellation or redeemed by optional redemption.

Notice of Redemption

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

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

Defeasance

The Bonds, or portions thereof, may be defeased and deemed paid prior to maturity by irrevocably depositing with the Fiscal Agent or other fiduciary (i) cash in an amount equal to the principal

*To be paid at maturity and not redeemed.

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

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

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

BOND INSURANCE

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Bonds (the "Issuer"). Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, accreted value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

This Official Statement may contain a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds. Reference should be made to the description of the Issuer for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of GFIC Corporation (the "Corporation)" a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of June 30, 2002, the total capital and surplus of Financial Guaranty was approximately $1.01 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187)

SOURCES AND USES OF FUNDS

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

Sources	
Principal Amount of Bonds	$38,000,000.00
Total Sources of Funds	$38,000,000.00
Uses	
Deposit to Project Fund	$37,726,450.42
Cost of Issuance[1]	$ 273,549.58
Total Uses of Funds	$38,000,000.00

[1] Includes fees for services of rating agencies, financial advisor, bond counsel and other costs.

SECURITY FOR THE BONDS

General

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

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

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

Outstanding Indebtedness

As of June 30, 2002, the City had outstanding $133,295,000 aggregate principal amount of general obligation bonds which equals 0.57% of the net assessed valuation projected by the Alameda

County Assessor for Fiscal Year 2001-02. "APPENDIX A – CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- Statement of Direct and Overlapping Debt."

The City has also incurred a number of bonded lease obligations secured by revenues of the City's General Fund and consisting of lease revenue bonds and certificates of participation. As of June 30, 2002, the total principal amount of outstanding lease obligations was $464,593,020. See "APPENDIX A -- CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND -- Financial Obligations."

CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS

Article XIII A of the California Constitution

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

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

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

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

Article XIII B of the California Constitution

In addition to the limits Article XIII A imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriations limit" imposed by Article XIII B of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIII B, approved by the voters in

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

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

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

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

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

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

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

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

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

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

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

Statutory Limitation (Proposition 62)

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

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

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

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

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

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

TAX MATTERS

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

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

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

Under Code provisions applicable only to certain corporations, a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt obligations, including the Bonds) over other alternative minimum taxable income may be subject to a corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

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

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

LEGAL MATTERS

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

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

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

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

FINANCIAL ADVISOR

Public Financial Management, Inc. is acting as Financial Advisor to the City with respect to the Bonds. The Financial Advisor has assisted the City in the preparation of this Official Statement and in other matters relating to the planning, structuring, execution and delivery of the Bonds. The Financial

Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation from the City contingent upon the sale and delivery of the Bonds.

ABSENCE OF LITIGATION

No material litigation is pending, with service of process having been accomplished or, to the knowledge of the City, threatened, concerning the validity of the Bonds, the corporate existence of the City, or the title of the officers of the City who will execute the Bonds as to their respective offices. The City will furnish to the initial purchaser or purchasers of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the City not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for Fiscal Year 2001-02 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository and State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in "APPENDIX D--FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchasers in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The City has never failed to comply in all material respects with any previous undertakings with regard to such Rule to provide annual reports or notices of material events.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P) and Fitch Ratings ("Fitch"), have given the Bonds ratings of "Aaa" "AAA" and "AAA", respectively, based upon the issuance of the Policy by the Bond Insurer. See "BOND INSURANCE" herein. Moody's, S&P and Fitch have also assigned an underlying rating on the Bonds of "A1", "A+" and "A+", respectively.

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

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

SALE OF THE BONDS

The Bonds were sold at competitive bid on October 23, 2002, and awarded to Stone & Youngberg, LLC, at a purchase price of $38,000,000, and an estimated true interest cost of 4.9745%, as defined in the Official Notice of Sale relating to the Bonds. The Official Notice of Sale provides that all Bonds will be purchased if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the legal opinion of Bond Counsel, and certain other conditions.

MISCELLANEOUS

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

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

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

CITY OF OAKLAND, CALIFORNIA

By: /s/ Robert C. Bobb
City Manager

By: /s/ Deborah A. Edgerly
Director, Financial Services Agency

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

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APPENDIX A

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

General Information

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

City Government. The City was incorporated as a town in 1852 and as a city in 1854, and became a charter city in 1889. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employee's pension funds; and the creation and organization of the Port of Oakland (the "Port"). An eight-member City Council, seven of whom are elected by district and one of which is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Attorney is nominated and elected in the same manner, and for the same term, as the Council member-at-Large. The Mayor, subject to confirmation by the City Council, appoints a City Manager who is responsible for daily administration of City affairs and preparation and submission of the annual budget under the direction of the Mayor and City Council for the Mayor's submission to the City Council.

Subject to civil service regulations, the City Manager appoints City employees except the City Attorney, City Clerk and City Auditor. The City Clerk is appointed by the City Manager, subject to City Council confirmation. The City Auditor is elected at the same time as the Mayor. The Director of the Financial Services Agency serves as the City's Treasurer and supervises the City's financial affairs.

On November 3, 1998, the voters amended the City's charter by approving ballot Measure X. Changes ratified at that time included the creation of the Mayor-Council form of government, the provision of a two-term limit for the Mayor, the institution of a requirement for voter approval for increases to City Council compensation, and a provision for the election of the City Attorney.

On November 5, 2002, Measure CC will ask voters to decide whether or not to permanently retain the provisions of Measure X. Measure CC would also amend the City Charter to: specify when a new Mayor's term commences following an election to fill a vacancy and would provide that a person may be elected Mayor three times if one of the elections fills a Mayoral vacancy of two years or less.

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.

Budget Process. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1. The City's budget cycle is a two-year process that promotes long-term decision making, increases funding stability and allows for greater performance evaluation. In advance of each two-year cycle, the City Manager and Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

As part of the two-year budget process, the City has designated specific criteria for mid-cycle (end of year one) review and/or revisions in Federal and State mandates, significant changes in mid-year revenue projections and any full cost-covered program changes. Additionally, one-third of any year-one surplus in the General Fund will roll forward to year two, one-third to programs, and one-third to the General Fund balance.

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds, and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for fiscal years 1999-2000 and 2000-2001 was KPMG LLP, who are also serving as auditors for fiscal year 2001-2002.

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

Investment Policy

The authority to invest the City's Operating Fund is derived from Council Resolution No. 56127 that delegates to the Director, Financial Services Agency/Treasurer the authority to invest this Operating Fund within the guidelines of Section 53600 et seq. of Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City Council adopted a policy for Fiscal Year 2002-2003 on July 23, 2002. The Investment Policy is subject to revision at any time.

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

Current Investment Portfolio

The City currently maintains approximately \$137.7 million in operating funds, excluding capital, debt service funds, special revenue funds and pension trust funds. The Operating Fund is broken out by different types of investment securities and is invested in accordance with the Investment Policy. The composition of these operating funds, including the average term and days to maturity, is provided below as of August 31, 2002. As of August 31, 2002, the City maintained approximately 41.15% of the Operating Fund in investments that mature in one year or less.

CITY OF OAKLAND
Operating Fund
Portfolio Master Summary
August 31, 2002

Investments	Book Value	Percent of Portfolio*	Average Term-Days	Days To Mat./Call	--- Yield To Maturity - 360 Equivalent	365 Equivalent
Federal Agency Issues-Coupon	74,949,008.10	54.41	1,535	437	4.883	4.951
LAIF-Bond Proceeds	30,205,000.00	21.93	1	1	2.663	2.700
Medium Term Notes	4,996,339.62	3.63	538	393	3.274	3.320
Money Market	9,310,000.00	6.76	1	1	1.657	1.680
Local Agency Investment Funds	13,000,000.00	9.44	1	1	2.535	2.570
Certificates of Deposit	350,000.00	0.25	207	110	1.980	2.008
Commercial Paper - Discount	4,945,916.67	3.59	177	26	2.224	2.255
Investments	$ 137,756,264.39	100.00%	862	253	3.796	3.848

* *rounded*

Source: City of Oakland, Financial Services Agency, Treasury Division

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

Financial Obligations

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

General Obligation Debt. As of June 30, 2002, the City had outstanding a total of $135,295,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City; the City is obligated to levy ad valorem taxes upon all property that is within the City and which is subject to taxation by the City, for the payment of principal and interest.

$12,000,000 City of Oakland General Obligation Bonds, Series 1991A (Measure K). On November 9, 1990, 66.8% of the voters passed a measure authorizing the City to issue $60 million in general obligation bonds for the purposes of acquisition of open space and the rehabilitation, development and expansion of park and recreational facilities within the City. The 1991A Measure K Bonds were the first series to be

issued under this authorization. On July 25, 2000, maturities from 2003 to 2015 were refunded via Series 2000E, leaving an outstanding balance of $1.16 million.

$50,000,000 City of Oakland General Obligation Bonds, Series 1992A (Measure I). By a measure passed on July 15, 1992 by 74.3% of the voters, the City received authorization to issue $50 million general obligation bonds to be used for enhancement of the City's emergency response capabilities, and for seismic reinforcement of infrastructure and essential public facilities.

$15,000,000 City of Oakland General Obligation Bonds, Series 1995B (Measure K). Issued on March 1, 1995, the 1995B Measure K Bonds represented the second series of bonds issued under the 1990 authorization of Measure K. Bond proceeds were used for the purchase of Vista Madera Stables, construction of the West Oakland Senior Center, Chinese Gardens, Tassaforanga Gym and Woodminster Cascades, maintenance and improvements at the Oakland Museum and Raimondi Field, and the Oakland Zoo.

$22,250,000 City of Oakland General Obligation Bonds, Series 1997C (Measure K). On April 1, 1997, the 1997C Measure K Bonds were the third series of bonds issued under the 1990 Measure K authorization. These bonds have been used for open space acquisition, Oakland Zoo development projects and other site development projects.

$45,420,000 City of Oakland General Obligation Bonds, Series 1997A (Measure I). On November 5, 1996, the electorate authorized this bond issue by a 77.6% vote, for the purpose of financing life enrichment improvements on various City-owned properties. These improvements include the repair, construction, acquisition and improvement of certain libraries, recreation centers and playing fields, the Oakland Zoo, the Oakland Museum and the Chabot Observatory and Science Center (now known as the "Chabot Space & Science Center").

$10,750,000 City of Oakland General Obligation Bonds, Series 2000D (Measure K). On July 20, 2000, the 2000D Measure K Bonds were the fourth series of bonds issued under the 1990 authorization of Measure K and utilized the remainder of such authorization. These bonds have been used to expand, develop, and rehabilitate park and recreation facilities.

$9,000,000 City of Oakland General Obligation Bonds, Series 2000E (Measure K). On July 11, 2000, the 2000E Measure K Bonds were issued to refund a portion of Series 1991A bonds issued under 1990 Measure K authorization.

On March 5, 2002, the City's General Municipal Election included an initiative measure to authorize the issuance of $59,000,000 in general obligation bonds to acquire, renovate, improve, construct and finance existing and additional facilities at the Oakland Museum of California, the Oakland Zoo, and the Chabot Space & Science Center, and to qualify for private matching funds ("Measure G"). The measure was approved by a 75% vote.

On November 5, 2002, the City's General Municipal Election will include an initiative measure to authorize the issuance of $198,250,000 in general obligation bonds to finance, acquire, rehabilitate and construct improvements to recreational facilities, Lake Merritt, the Oakland Estuary, creeks, Lake Merritt Channel. If approved by a two-thirds vote, the City anticipates issuing the bonds over a ten-year period.

Short-Term Obligations. The City implemented a short-term financing program in 1981 to finance general fund temporary cash flow deficits during the fiscal year (July 1 through June 30). The City has issued short-term notes for each of the last 12 Fiscal Years, including the issuance of $53,965,000 Tax and Revenue Anticipation Notes for the Fiscal Year ended June 30, 2003. The City has never defaulted on the payment of any of these notes.

Lease Obligations. *$52,300,000 Variable Rate Demand Certificates of Participation (Certain Capital Improvement Projects) 1985 Series.* On December 1, 1985, the City entered into various simultaneous agreements to finance the acquisition and construction of capital improvements on City property, such as traffic control devices, street resurfacing, parking lots, garages and the rehabilitation of various lease payments to the Civic Improvement Corporation. The leased assets are a portion of the City's sewer system.

$39,408,000 City of Oakland Additional Certificates for Refunding of Participation (Oakland Museum), 1992 Series A. On May 15, 1992, the proceeds of the certificates were used to defease the outstanding Certificates of Participation 1987 Series A, which were issued in the amount of $35,310,000, which in turn refunded and defeased the 1982 Municipal Improvement Revenue Bonds and provided new money for the Redevelopment Agency to acquire the Museum and its improvements from Oakart Associates Limited Partnership.

Under an amended and restated lease agreement, which provides for the sublease of the Museum by the City, the City has agreed to make lease payments to the Agency through maturity of the certificates in 2012. The Certificates are Aaa/AAA rated by Moody's and S&P, respectively, as a result of the bond insurance policy provided by AMBAC Indemnity Corporation.

On March 12, 2002, the City refunded all of the 1992 Series A Certificates maturing on April 1, 2012 with its $16,295,000 of Refunding Certificates of Participation (Oakland Museum) 2002 Series A.

$197,700,000 Oakland-Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Project) 1995 Series. The 1995 bonds were issued by the Authority to finance improvements to the Coliseum stadium, and to cover relocation costs for the National Football League team, the Oakland Raiders.

The Bonds comprise $9,200,000 Fixed Rate Refunding Lease Revenue Bonds (Series A) and $188,500,000 aggregate principal Variable Rate Lease Revenue Bonds (Series B). The Series A bonds are rated Aa3/AA- and the Series B bonds have long term ratings of Aa3/AA- and short-term ratings of A-l/P-1, by Moody's and S&P, respectively, based on a direct-pay letter of credit provided by Canadian Imperial Bank of Commerce.

These bonds are a joint and several obligations of both the City and the County of Alameda; each entity has covenanted to budget and appropriate one-half of the annual lease payments.

On May 20, 2000, the Authority refunded the 1995 Series B bonds with its Lease Revenue Bonds (Oakland Coliseum Project) 2000 Refunding Series C (Tax-Exempt) bonds in the amount of $150,800,000 and 2000 Refunding Series D (Taxable) bonds in the amount of $50,500,000 (of which $48,300,000 remains currently outstanding). The 1995 Series A bonds are still outstanding.

$140,000,000 Oakland-Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Arena Project), 1996 Series A. The 1996 bonds were issued by the Authority to finance the costs of constructing the arena located at the Coliseum complex as well as other payments and costs associated with the retention of the Golden State Warriors to play basketball at the arena.

The bonds are comprised of $70,000,000 Series A-1 Variable Rate Lease Revenue Bonds (Taxable) (Series A-1) and $70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Taxable) (Series A-2). On July 26, 2001, the Authority substituted an irrevocable direct pay letter of credit relating to the Series A-1 bonds issued severally and not jointly by The Bank of New York and California State Teachers' Retirement System and an irrevocable direct pay letter of credit relating to the Series A-2 bonds issued severally and not jointly by The Bank of New York and Allied Irish Banks, p.l.c., New York Branch.

The Series A-1 bonds have been assigned long-term ratings of "Aa2", "AA-" and "AA" and short-term ratings of "VMIG 1", "A-1+" and "F1+" by Moody's, S&P and Fitch, respectively. The Series A-2 bonds have been assigned long-term ratings of "Aa3", "A+" and "AA-" and short-term ratings of "VMIG 1", "A-1" and "F1+" by Moody's, S&P and Fitch, respectively.

These bonds are a joint and several obligation of both the City and the County; each entity has covenanted to budget and appropriate one-half of the annual lease payments.

$103,945,000 Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings), Series 1996. These bonds were issued to finance, design, construct, rehabilitate and equip two buildings and a civic plaza that are at the heart of the administrative complex of the City of Oakland for a total project cost of $102 million.

Under a lease agreement between the City and the Joint Powers Financing Authority, the City will make lease payments to use and occupy the property. In addition to a $13 million cash contribution made by the City, proceeds of the bonds have been used to fund the Construction Fund, Capitalized Interest Fund, Reserve Fund, and costs of issuance.

The bonds, insured by AMBAC Indemnity Corporation and rated Aaa/AAA, by Moody's and S&P, respectively, are limited obligations of the Authority payable solely from lease revenues from the City, as lessee, to the Authority, as lessor, pursuant to a Lease Agreement, dated as of March 1, 1996.

$187,500,00 Oakland Joint Powers Financing Authority, 1998 Series A-1/A-2. The 1998 bonds were issued by the Joint Powers Authority on August 3, 1998, to refund the City of Oakland's Special Refunding Revenue Bonds (Pension Financing), Series 1998 A. The bonds were sold in a variable-rate mode, in two series: $131,500,000 Series A-1 and $56,000,000 Series A-2, both with a final maturity of August 1, 2021. The bonds are limited obligations of the Authority, payable by base rental payments for the right to use and possession of a portion of the City's sewer system.

The City entered into a $170,000,000 forwarding-starting, floating-to-fixed "synthetic-fixed-rate" swap with Goldman Sachs, which commenced on July 31, 1998 and terminates on July 31, 2021. The swap entitles the City to receive variable rate payments equal to the Bond Market Association Municipal Swap Index in exchange for a fixed rate payment to Goldman Sachs. The notional value of the swap declines in accord with the outstanding principal on the bonds.

$134,890,000 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001. The Oakland Joint Powers Financing Authority issued $134,890,000 Lease Revenue Refunding Bonds (Oakland Convention Centers), Series 2001 on May 23, 2001. This issue was used to redeem and defease the $149,825,000 California Statewide Communities Development Authority, 1992 Lease Revenue Bonds (City of Oakland Convention Centers Project).

$16,295,000 City of Oakland Refunding Certificates of Participation (Oakland Museum) 2002 Series A. The 2002 Series A Certificates were issued on March 12, 2002. The proceeds of the 2002 Series A Certificates were applied to fund an escrow to refund and legally defease all $15,900,000 of the aggregate principal amount of the outstanding Refunding Certificates of Participation (Oakland Museum) 1992 Series A maturing April 1, 2012 and to pay costs of issuance. Since completion of this financing, $11,688,025 of the 1992 A Certificates remain outstanding and are payable from Lease Payments on a parity with the 2002 Series A Certificates.

Pension Obligation Bonds. *$436,289,659.15 City of Oakland, Taxable Pension Obligation Bonds, Series 1997.* On February 1, 1997, the City issued Taxable Pension Obligation Bonds Series 1997, Sub-Series A, comprised of $393,790,000 of current interest bonds and $26,705,000 of capital appreciation bonds and Sub-Series B in the amount of $15,795,000 current interest bonds. The proceeds of the bonds were used to fund (1) a portion of the current balance of the City's Unfunded Actuarial Accrued Liability (UAAL) for retirement benefits to members of the Oakland Police and Fire Retirement System (PFRS), (2) a portion of the City's current normal contribution to PFRS for the fiscal year ended June 30, 1997, and (3) costs of issuance of the bonds. A portion of these bonds were refunded by the City's Taxable Pension Obligation Bonds, Series 2001.

$195,636,449.10 City Of Oakland, Taxable Pension Obligation Bonds, Series 2001. On October 17, 2001, The City of Oakland issued $195,636,449.10 Taxable Pension Obligation Bonds, Series 2001. The Series 2001 Bonds were issued (1) to provide funds to purchase for cancellation and to legally defease a portion of the City's outstanding Taxable Pension Obligation Bonds, Series 1997 and (2) to pay costs of issuance. The issuance of the Series 2001 Bonds was part of a plan of finance undertaken by the City to extend the maturity of the Bonds to reduce annual debt service on the 1997 Bonds and to minimize the need for the City to use general fund revenues to pay such debt service on the 1997 and 2001 Bonds.

Other Long-Term Borrowings. *$2,020,000 City of Oakland 1994 Refunding Improvement Bonds Medical Hill Parking Assessment District, Series 3.* In April 1994, the City issued these ten-year bonds to defease the City of Oakland Medical Hill Parking Assessment District Refunding Bonds dated March 2, 1989. The bonds are rated Aaa/AAA by Moody's and Standard & Poor's and are insured by MBIA. The bonds are rated Aaa/AAA by Moody's and Standard & Poor's and are insured by MBIA. The original bonds were issued to finance the construction of a parking garage to serve facilities in the Medical Hill Area. The refunding bonds are payable from assessments levied against property owners in the Medical Hill District. In the event of continuing delinquencies in the payment of any property owner's installments, the City, in the absence of any other bidder, is obligated to purchase the delinquent property owner's property at a delinquent assessment sale and pay delinquent and future installments of assessments and interest thereon until the land is resold or redeemed.

Estimated Direct And Overlapping Debt

Contained within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of February 1, 2002, according to California Municipal Statistics, Inc., is shown below. The City makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

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CITY OF OAKLAND
Statement of Direct and Overlapping Debt, as of June 30, 2002

2001-02 Assessed Valuation:	$23,302,961,991
Redevelopment Incremental Valuation:	3,051,729,606
Adjusted Assessed Valuation:	$20,251,232,385

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 2/1/02
East Bay Municipal Utility District	20.715%	$ 1,155,897
East Bay Municipal Utility District, Special District No. 1	52.663	23,145,389
East Bay Regional Park District	10.935	18,310,111
Peralta Community College District	54.619	61,440,913
Berkeley and Castro Valley Unified School Districts	0.006 & 0.062	21,311
Oakland Unified School District	99.996	329,315,433
San Leandro Unified School District	19.011	4,170,063
City of Oakland	100.000	133,295,000
City of Oakland 1915 Act Bonds	100.000	8,875,000
City of Emeryville 1915 Act Bonds	4.183	526,640
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$580,255,757
Less: East Bay Municipal Utility District (100% self-supporting)		1,155,897
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$579,099,860

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:			
Alameda-Contra Costa Transit District Certificates of Participation	21.567%	$ 4,964,723	
Alameda County and Coliseum Authority General Fund Obligations	18.276	105,004,545	
Alameda County Pension Obligations	18.276	81,797,562	
Alameda County Board of Education Public Facilities Corporation	18.276	803,230	
Chabot-Las Positas Community College District Certificates of Participation	2.241	98,044	
Oakland Unified School District Certificates of Participation	99.996	48,688,052	
San Leandro Unified School District Certificates of Participation	19.011	3,087,386	
Castro Valley Unified School District Certificates of Participation	0.062	1,655	
City of Oakland and Coliseum Authority General Fund Obligations	100.000	629,385,525	1
City of Oakland Pension Obligations	100.000	419,464,842	
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$1,293,295,564	
GROSS COMBINED TOTAL DEBT		$1,873,551,321	2
NET COMBINED TOTAL DEBT		$1,872,395,424	

1. Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations

Ratios to 2001-02 Assessed Valuation:
DIRECT DEBT ($133,295,000).. 0.57%

Total Gross Direct and Overlapping Tax and Assessment Debt.............................. 2.49%
Total Net Direct and Overlapping Tax and Assessment Debt................................. 2.49%

Ratios to Adjusted Assessed Valuation:
COMBINED DIRECT DEBT ($1,182,145,367).......................................5.84%
Gross Combined Total Debt..9.25%
Net Combined Total Debt...9.25%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/02: $831.665

Source: California Municipal Statistics

Property Taxation

Ad Valorem Property Taxes. City property taxes are assessed and collected by the County of Alameda (the "County") at the same time and on the same rolls as are County, school and special district property taxes. The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 0.52% of taxes collected for tax collection services provided in Fiscal Year 2001-2002.

Assessed Valuations. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from ad valorem property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions.

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

The passage of Assembly Bill 454 in 1987 changed the manner in which unitary and operating nonunitary property is assessed by the State Board of Equalization. The legislation deleted the formula for the allocation of assessed value attributed to such property and imposed a State-mandated local program requiring the assignment of the assessment value of all unitary and operating non-unitary property in each county of each State assessee other than a regulated railway company. The legislation established formulas for the computation of applicable county-wide rates for such property and for the allocation of property tax revenues attributable to such property among taxing jurisdictions in the county beginning in fiscal year 1988-89. This legislation requires each County to issue each State assessee, other than a regulated railway company, a single tax bill for all unitary and operating nonunitary property.

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

CITY OF OAKLAND
ASSESSED VALUATIONS [1]
(in $000's)

Fiscal Year	Local Secured	Utility	Unsecured	Total
1997-98	$15,265,600	$80,139	$2,413,259	$17,758,998
1998-99	15,927,351	78,976	2,670,736	18,677,063
1999-00	16,993,037	64,608	2,518,336	19,575,981
2000-01	18,453,636	62,398	2,574,565	21,090,599
2001-02	20,529,197	53,823	2,719,940	23,302,960
2002-03	22,468,401	49,548	2,655,756	25,173,705

[1] *Net of exemptions other than homeowners' exemptions*

Source: Alameda County Auditor-Controller.

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

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

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

Each county levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property falling within that county's taxing boundaries.

The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City:

CITY OF OAKLAND
SECURED TAX LEVY
AND AMOUNTS UNCOLLECTED
(in $000's)

Year Uncollected	Secured Tax Levy	Amount Uncollected as of June 30	Percent as of June 30
1996	$94,756	$5,368	5.67%
1997	95,519	5,554	5.82
1998	106,732	5,696	5.34
1999	105,036	6,411	6.10
2000	117,765	6,757	5.74
2001	117,129	6,257	5.34

Source: Alameda County Auditor-Controller

Tax Rates. The City is divided into thirty-three Tax Rate Areas. The largest Tax Rate Area within the City is Tax Rate Area 17-001, which has a total assessed valuation of $12,748,989,870, or 60.45% of the City's total assessed valuation. A ten-year history of the property tax rates received by the City and the County of Alameda is shown below.

CITY OF OAKLAND
PROPERTY TAX RATES

Fiscal Year Ending June 30	City of Oakland	Alameda County	Others [1]	Total
1992	0.5198	0.3086	0.4092	1.2376
1993	0.5222	0.3086	0.4130	1.2438
1994 [2]	0.4690	0.1555	0.6224	1.2469
1995	0.4643	0.1597	0.6169	1.2409
1996	0.4627	0.1595	0.6412	1.2634
1997	0.4468	0.1575	0.6412	1.2455
1998	0.4932	0.1567	0.6434	1.2933
1999	0.4568	0.1570	0.6370	1.2508
2000	0.5059	0.1570	0.6151	1.2780
2001	0.4694	0.1570	0.6775	1.3039
2002	0.4856	0.1570	0.6817	1.3243

[1] *"Others" includes: County-wide Tax, Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo.*
[2] *Educational Revenue Augmentation Fund Shift began in 1994.*

Sources: Alameda County, Office of the Auditor-Controller and City of Oakland, Financial Services Agency

Principal Property Taxpayers

A summary of the City's fiscal year 2001–2002 largest secured taxpayers is presented below:

CITY OF OAKLAND
TOP TEN TAXPAYERS, 2001 – 2002[1]

	Property Owner	Type of Business	2001-02 Assessed Valuation	Percentage of Total Local Secured Valuation[2]
1.	Oakland City Center LLC	Property Management	$199,804,285	0.98%
2.	Prentiss Properties Acquisition Prtnr	Property Management	182,882,680	0.89
3.	Kaiser Foundation Health Plan, Inc.	Health Services	138,756,622	0.68
4.	Kaiser Center Inc.	Property Management	107,021,333	0.52
5.	1800 Harrison Foundation	Property Management	104,206,152	0.51
6.	Clorox Company	Household Products	100,415,242	0.49
7.	LMP / LLC	Property Management	95,900,011	0.47
8.	KSL Claremont Resort, Inc.	Hotel	76,212,147	0.37
9.	Owens Illinois Glass Container, Inc.	Industrial	71,710,775	0.35
10.	Webster Street Partners, Ltd.	Property Management	67,050,200	0.33
	Total - Top Ten		$1,143,959,447	5.59%

[1] *Net of Exemptions.*
[2] *2001-02 Local Secured Assessed Valuation: $20,456,915,132 (net of exemptions other than homeowners exemptions)*

Source: California Municipal Statistics

Financial and Accounting Information

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into eight generic fund types and three broad fund categories as follows:

Government Funds

General Fund. The General Fund is the general operating fund of the City. It accounts for normal recurring activities traditionally associated with governments which are not required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business and utility taxes, interest and rental income, charges for services and federal and State grants. Government Funds consist of the following:

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds. Debt service funds are used to account for the accumulation of resources to be used for, and the payment of the principal of and interest on general long-term debt and related costs.

Capital Projects Funds. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds, special assessment funds and trust funds).

Special Assessment Funds. Special assessment funds are used to account for the financing of public improvements or services deemed to benefit the properties against which special assessments are levied.

Proprietary Funds

Enterprise Funds. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing, body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds. Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds. Trust and agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. These include the pension trust, expendable trust and agency funds. Operation of the pension trust funds are accounted for and reported in the same manner as the proprietary fund types. Operations of expendable trust funds are accounted for in essentially the same manner as governmental fund types. Agency funds are custodial in nature and do not involve measurement of results of operations.

All government funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts and other taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are incurred.

General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. Fiscal Year 2001 revenues and expenditures are audited and include intra- and inter-departmental amounts and therefore are not comparable with previous fiscal years. The City's fiscal year ends on June 30.

The City anticipated an estimated shortfall of $15.4 million for the Fiscal Year 2001-02. To ensure a balance between spending and revenue collection by the end of the fiscal year, the City implemented several cost containment measures in March 2002, mainly related to freezes of vacant positions. In June 2002, the City implemented changes to its Fiscal Year 2002-03 budget to eliminate an estimated $28.4 million shortfall. Major balancing measures included elimination of vacant positions, mandatory furloughs, and revenue enhancements (land sales, fee increases, and reimbursements).

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CITY OF OAKLAND
REVENUES AND EXPENDITURES
GENERAL FUND GROUP
(in $000s)

Fiscal Year Ending June 30:	1997	1998	1999	2000	2001
Revenues					
Taxes[1]	$221,793	$237,658	$258,853	$282,322	$314,731
Licenses and Permits	7,097	7,690	8,043	9,088	11,418
Traffic Fines and Various Penalties	9,506	11,873	13,224	14,129	16,150
Interest Income	8,702	5,793	4,785	10,019	6,530
Revenue from Current Services	32,008	30,920	34,517	36,506	40,962
Grant Revenue	7,443	6,242	6,695	7,265	5,385
Other Revenue, incl. Transfers	8,955	14,730	27,732	8,813	11,056
Total Revenues	$295,504	$314,902	$353,849	368,142	$406,232
Expenditures					
General Government[2]	$33,078	$ 33,970	$ 38,685	$ 41,245	$44,110
Public Safety[3]	145,839	158,948	166,389	190,782	207,392
Public Works[4]	41,552	29,359	26,070	25,050	24,185
Life Enrichment[5]	25,038	26,565	28,874	31,749	37,149
Economic and Community Development[6]	1,629	14,775	18,403	18,954	20,288
Payment to Unfunded Pension	440,409				-
Other[7]	16,764	18,180	16,478	23,462	33,112
Transfers/other sources and uses	(410,044)	35,847	2,543	581	364
Total Expenditures	$294,265	$317,644	$297,442	$331,823	$366,600
Excess of Revenues and Other Sources over Expenditures and Other Uses	$ 1,239	$ 2,738	$ 156,407	$ 36,319	$ 39,362

Source: City of Oakland, Financial Services Agency

[1] *Includes property, state and local taxes.*

[2] *Includes elected and appointed officials, general governmental agencies and administrative services.*

[3] *Includes police and fire services.*

[4] *Previously classified in Public Works, the Office of Planning and Building amount was reclassified to Community and Economic Development in FY 1997-1998.*

[5] *Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.*

[6] *Includes Planning and Building (as of FY1997-98), Housing and Neighborhood Development, and Economic Development and Employment.*

[7] *Includes capital outlays and certain debt service charges; does not include rent payable on lease obligations. In addition, approximately $72.9 million in debt service charges were paid from sources outside the General Fund.*

Labor Relations

City employees are represented by seven labor unions and associations, identified in the table below, the largest one being the Service Employees International Union (Local 790), which represents approximately 47% of all City employees. Approximately 90% of all City employees are covered by negotiated agreements, as detailed below. Memoranda of Understanding effective July 1, 2000, were entered into with all non-sworn employee organizations. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milas-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

CITY OF OAKLAND
LABOR RELATIONS
(As of August 2002)

Employee Organization/Bargaining Unit	Number of Employees	Contract Termination
International Association of Firefighters (Local 557)	481	6/30/07
International Brotherhood of Electrical Workers (Local 1245)	28	6/30/02*
International Federation of Professional and Technical Engineers (Local 21)/Units A, W, and F	660	6/30/02*
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	375	6/30/02*
IFPTE, Local 21 (Deputy City Attorneys)	29	6/30/02*
Oakland Police Officers Association	779	6/30/06
Service Employees International Union (Local 790)/full-time	1,479	6/30/02*
Service Employees International Union (Local 790)/part-time	1,317	6/30/02*
Ranger Association	21	6/30/06

* *The City is in the process of negotiating new contracts with these Unions.*

Source: City of Oakland, Office of Personnel Resource Management

Retirement Programs

The Police and Fire Retirement System ("PFRS") is a defined benefit plan administered by a seven member Board of Trustees (the "Retirement Board"). The PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. The Retirement Board is composed of: the Mayor of the City; one active member of the Police Department, or a retired member elected by the active and retired members of the Police Department if no active member of the Police Department is elected to serve on the Retirement Board; one active member of the Fire Department, or a retired member of the Fire Department elected by the active and retired members of the Fire Department if no active member of the Fire Department is elected to serve on the Retirement Board; a life insurance executive of a local office; a senior officer of a local bank; a community representative; and a Police-Fire retired member who shall be elected from the retired members of the Fire Department for a first three year term commencing the first day of the month next following his or her election, and from the retired members of the Police department for the next successive three year term, and, thereafter, alternately from the retirement rolls of each of said departments for successive three year terms.

As of June 30, 2002, PFRS covered 26 current employees and 1,464 retired employees. In November, 2000, the voters of the City amended the City Charter to give active members of the Retirement System the option to terminate their membership and transfer to the California Public Employees' Retirement System ("PERS") upon certain conditions, including the Retirement Board authorizing a transfer to PERS of funds held by the Retirement System representing City and employee contributions to the Retirement System for each member who exercises such option to transfer. Active members of PFRS decided on October 13, 2001, whether to transfer. As a result, 104 members transferred to PERS.

Effective July 1, 1976, the City began providing for and funding an amount equal to the annual normal service cost of all PFRS participants and the amortization of unfunded actuarial accrued liability ("UAAL") as of that date over a forty-year period. On June 7, 1988, voters approved a City measure to extend the amortization period of the unfunded benefits to fifty years, ending in 2026. In accordance with these voter-approved measures, the City annually levies an ad valorem tax (the Tax Override) on all property within the City subject to taxation by the City to help fund the UAAL. For fiscal year 2002, the City has levied an ad valorem property tax at the rate of 0.1575% for this purpose.

The City's annual contribution to PFRS is determined by calculating the total pension liability for public safety employees under both PFRS and PERS. The amount to be contributed to both plans will be such that the unfunded liabilities for PFRS and PERS will be extinguished by 2026. Contributions to PERS are deducted and the difference is contributed to PFRS.

For the fiscal year ended June 30, 2002, contributions to PFRS totaling $297,645 (no employer contributions; all $297,645 contributed by employees) were made in accordance with actuarially determined contribution requirements. Through the Series 1997 Bond financing in fiscal year 1996-97, the City made a payment of $417,072,300 to PFRS to offset a portion of its then UAAL for the 14-year period ending June 30, 2011. The City's actuaries do not make an allocation of the contribution amount between normal cost and the UAAL because the PFRS plan is closed. An actuarial valuation on the PFRS benefit plan is conducted every two years with the most recent complete valuation conducted for the period ended June 30, 2000.

The Oakland Municipal Employees Retirement System ("OMERS") is administered by the City and covers two active nonuniformed employees hired prior to September 1, 1970 who have not elected to transfer to the PERS as well as 151 retired employees. For the fiscal year ended June 30, 2002, the City, in accordance with actuarially determined contribution requirements, did not make contributions to OMERS as the plan is fully funded.

PERS is a defined benefit plan administered by the State and covers all nonuniformed employees except those who have not elected to transfer from OMERS and all uniformed employees hired after June 30, 1976.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 7% and 9%, respectively, of their annual salary to PERS. The City's contribution rates for the fiscal year ending June 30, 2002 was 0.0% for miscellaneous employees. On October 13, 2001, the collective bargaining agreement for safety employees was amended to allow the transfer of 104 PFRS firefighters to PERS and to provide 3.0% at 55 retirement benefits fire department members. As a result of the amendments, the City's contribution for safety employees increased from 8.488% to 18.446%. The City pays the entire amount of its employees contribution rate for miscellaneous and safety employees, including the annual contribution of 7% and 9% to PERS. As of June 30, 2000, the pension benefit obligation for the City miscellaneous employees was overfunded by $178.3 million.

PERS uses an actuarial method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends June 30, 2026.

Economic Highlights

The City occupies approximately 53.8 square miles, with approximately 19 miles of coastline on the San Francisco Bay in Northern California. The City's convenient access to mass transit, freeways, rail lines and airports; its favorable climate and environmental quality and multiple cultures; its proximity to well regarded universities and research institutions; and its diverse employee base all contribute to the cosmopolitan character of the City and have made it a center of commerce in the Bay Area.

The City's economic base historically has been predominantly industrial. Over the past several years, there have been significant gains in diversifying the City's economic base. Commercial and service-oriented sectors have come to play a larger role in the economy. The City has embraced an aggressive economic development strategy surrounding five primary business clusters: (1) biotechnology/healthcare, (2) telecommunications, (3) software/multimedia, (4) food processing, and (5) transportation.

The City of Oakland continues to enjoy growth in commercial, residential and mixed-use development. In May 2002, the City of Oakland was ranked 8th place in Forbes Magazine's "Best Places for Business" nationwide survey of 200 large metropolitan areas. In April 2001, Newsweek Magazine ranked the City in its list of top 10 technology cities. Selected highlights of this development are summarized below.

Housing Development. The "10K initiative" is a multi-phase program to develop housing for 10,000 new residents or approximately 6,000 new units in downtown Oakland by 2004. This program includes offering City and Redevelopment Agency owned property to developers and aggressively marketing downtown sites. The City is also encouraging the development of 300 privately owned properties, which include vacant lots, parking lots and vacant or underutilized buildings. Private and Agency projects combined include: 721 units in 6 completed projects; 607 units in 5 projects under construction; 814 units in 5 projects with planning approvals (including 3 agency projects); 795 units in 5 projects submitted for planning approval; and 1,797 units in 8 projects in discussion with the City's Planning Department. This equals 4,734 units, or 79% of the goal of the 10k initiative.

Commercial Development. For the first time in more than 10 years, developers are building office towers in downtown Oakland: construction of over 1.5 million square feet of new office space and renovation of over 1.0 million square feet of existing office space is currently underway.

The downtown Oakland area added a new 162-room Marriott Courtyard hotel in Spring 2002.

To enhance the downtown for retail, the City is building $7.0 million worth of sidewalk improvements and pedestrian and transit amenities along Broadway between 9th and 17th Streets; another $12.2 million has been budgeted for public improvements, façade improvement programs, site development, and merchant assistance for neighborhood shopping areas.

Downtown technology improvements include a new $5 billion fiber optic network investment by Pacific Telesis.

Commerce/Transportation

Approximately $1.4 billion will be spent over the next five years on the expansion and renovation of the Oakland International Airport, including the renovation of all terminals, a new parking garage and new roadways. The Oakland International Airport (the "Airport") has shown steady growth in passenger traffic; the improvements will enable the Airport to handle approximately 13.8 million passengers per year.

In May 2002, the Port of Oakland completed construction of a Joint Intermodal Terminal, with four new marine terminals.

The City was awarded nearly $4.3 million in state and local transportation grants for the acquisition, engineering, design and construction of a passenger rail platform along the Union Pacific rail line between the Coliseum Complex and the Coliseum BART station. The projected completion is tentatively scheduled for the 3rd quarter of 2003.

Sources: City of Oakland, Community and Economic Development Agency, Port of Oakland, and City of Oakland, Treasury Division

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2002, at 408,800. This figure represents 27.5% of the corresponding County figure and 1.17% of the corresponding State figure. The City's population has grown over 20% in the twenty-two years since 1980. The following table illustrates the City's population relative to the population of Alameda County and the State of California.

POPULATION

Year	City of Oakland	County of Alameda	State of California
1960	367,548	908,209	15,717,204
1970	361,561	1,071,446	19,953,134
1980	339,337	1,105,379	23,667,902
1990	371,100	1,276,702	29,473,000
1991	378,200	1,294,700	30,321,000
1992	378,200	1,310,500	30,982,000
1993	379,700	1,326,300	31,552,000
1994	381,400	1,338,400	31,952,000
1995	381,400	1,344,200	31,910,000
1996	383,900	1,356,300	32,223,000
1997	389,700	1,375,900	32,609,000
1998	397,800	1,408,100	33,252,000
1999	399,900	1,433,800	33,773,000
2000	402,100	1,454,300	34,336,000
2001	403,500	1,462,900	34,385,000
2002	408,800	1,486,600	35,037,000

Sources: California State Department of Finance (estimates as of January 1)

Employment

Over the past several years, both the City's labor force and employment levels have gradually grown; the unemployment rate dropped through 2000, but has increased since then. The following table shows the labor patterns in the City, the State of California, and the United States as of June 1995 through June 2002.

CITY OF OAKLAND, STATE OF CALIFORNIA AND UNITED STATES
CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT
As of June 1995 through June 2002

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
1995				
City	180,540	164,250	16,290	9.0%
State	15,350,800	14,145,700	1,205,100	7.9
United States	131,949,000	124,522,000	7,427,000	5.6
1996				
City	179,350	165,310	14,040	7.8
State	15,475,500	14,355,400	1,120,100	7.2
United States	133,697,000	126,602,000	7,095,000	5.3
1997				
City	183,480	170,710	12,770	7.0
State	15,939,900	14,939,900	999,300	6.3
United States	136,215,000	129,416,000	6,799,000	5.0
1998				
City	185,530	173,410	12,120	6.5
State	16,321,600	15,360,000	965,500	5.9
United States	137,436,000	131,227,000	6,209,000	4.5
1999				
City	188,100	176,800	11,300	6.0
State	16,566,700	15,706,700	860,000	5.2
United States	139,314,000	133,388,000	5,926,000	4.3
2000				
City	194,000	183,700	10,300	5.3
State	17,139,300	16,262,800	876,500	5.1
United States	140,757,000	135,183,000	5,574,000	4.0
2001				
City	200,800	186,300	14,500	7.2
State	17,382,600	16,488,200	894,400	5.1
United States	141,354,000	134,932,000	6,422,000	4.5
2002				
City	206,100	184,700	21,400	10.4
State	17,571,300	16,426,700	1,145,300	6.5
United States	142,476,000	133,053,000	8,424,000	5.9

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics

Major Employers. As an integral part of the Bay Area, the City of Oakland benefits from the wide variety of job opportunities available throughout the area. Summarized below are the City's largest private and public employers as of June 30, 2002.

TOP TEN PUBLIC EMPLOYERS
(as of June 30, 2002)

Employer	Type of Organization	Number of Employees*
U.S. Federal Government (Civilian)	Government Operations	10,300
County of Alameda	Government Operations	9,738
Oakland Unified School District	Education	7,500
City of Oakland	Government Operations	4,288
State of California (not including University of California)	Government Operations	4,200
Bay Area Rapid Transit District	Public Transportation	2,800
Alameda Contra Costa Transit	Public Transportation	2,540
East Bay Municipal Utility District	Utility/Water/Wastewater	1,900
University of California (Office of the President)	Education	1,000
United States Post Office	Mail Services	950

* *Approximate figures*

Sources: Alameda County, Economic Development Alliance for Business; Dun & Bradstreet; State of California, Employment Development Department; City of Oakland, Financial Services Agency.

TOP TEN PRIVATE EMPLOYERS
(as of June 30, 2002)

Employer	Type of Organization	Number of Employees*
Kaiser Permanente	Health Services	6,254
Alta-Bates Summit Medical Center	Health Services	2,254
Southwest Airlines	Air Transportation	2,200
Federal Express Corporation	Air Courier Services	1,900
Children's Hospital Medical Center	General Medical Surgical Hospital	1,700
Clorox Company	Household Products	1,400
United Parcel Service	Courier Services	1,250
Pacific Gas and Electric	Utility	670
Alaska Airlines	Air Transportation	600
World Savings & Loan	Financial Institution	552

* *Approximate figures*

Sources: Alameda County, Economic Development Alliance for Business; Dun & Bradstreet; City of Oakland, Financial Services Agency

Commercial Activity

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

CITY OF OAKLAND
TAXABLE TRANSACTIONS 1996-2001

Year	Total Sales
1996	$2,596,521,000
1997	2,767,367,000
1998	2,817,183,000
1999	3,085,079,000
2000	3,453,695,000
2001[1]	2,459,752,000

[1] *Through third quarter of 2001; most current information available.*

Source: State Board of Equalization, Department of Research and Statistics

Construction Activity

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

CITY OF OAKLAND
BUILDING PERMITS AND VALUATIONS 1996-2001

Year	Number of Permits Issued	Authorized New Dwelling Units	Residential Valuation (In Thousands)	Nonresidential Valuation (In Thousands)
1996	$ 12,154	180	$ 79,278	$ 99,844
1997	12,459	176	39,425	202,995
1998	12,545	233	121,006	302,080
1999	14,860	181	175,115	117,140
2000	16,725	542	272,170	195,270
2001	16,879	954	138,570	481,635

Source: Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2001

Median Household Income

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

CITY OF OAKLAND AND ALAMEDA COUNTY
MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME
1996-2001[1] Median EBI

Year	City of Oakland	Alameda County	California	United States
1996	$28,788	$39,658	$35,216	$33,482
1997	29,784	41,127	36,483	34,618
1998	30,388	41,715	37,091	35,377
1999	32,751	44,730	39,492	37,233
2000	38,602	50,631	44,464	39,129
2001	39,567	54,076	43,532	38,365

[1] *Most recent data available.*
Source: "Survey of Buying Power," Sales and Marketing Management Magazine

Litigation

The City is involved in certain litigation and disputes relating to its operations. Upon the basis of information presently available, the City Attorney believes that there are substantial defenses to such litigation.

Oakland Raider Litigation. On September 29, 1997, the City, The County of Alameda and the Oakland Alameda County Coliseum Authority (the "Authority"), 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 asked for compensatory and punitive damages with regard to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under a Master Agreement concerning the naming rights for the Oakland 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) 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 cannot rescind or terminate the Master Agreement; (2) the East Bay Entities do not have claims for damages, and (3) the Raiders do not have claims for tort damages against the City, the County or the Authority. Raider Management continues to have a claim for damages of $1.1 billion related to claims of fraudulent inducement against the Oakland Alameda County Coliseum, Inc. and one of its former directors. The Authority, the City, and the County have agreed to indemnify this former director against the Raider Management claims. Raider Management also has several breach of contract claims against the City, County, the Authority and Oakland Alameda County Coliseum, Inc. These claims as currently pleaded are worth less than $5 million. The City is optimistic that all of the Raider Management claims will fail. However, the City cannot predict whether the Raider Management will be awarded damages at trial. The July 2002 trial date has been vacated and a new trial date has not been ordered.

Golden State Warriors Arbitration. In November 1998, the Authority brought an arbitration proceeding against the Golden State Warriors (the "Warriors") to collect: (1) past due rents for use of the Oakland arena; (2) past due amounts of revenue sharing required by the License Agreement; and (3) facility use fees collected by the Warriors for the Authority. The arbitration demand also seeks damages for the Warriors' breach of the License Agreement for failure to sell seat rights in the new Arena, a major source of revenue to the Authority. The arbitrator found on October 6, 1999, that the Warriors owed more than $17 million to the Authority, net of some $720,000 in offsets granted to the Warriors. A second phase of the arbitration was decided in July 2000, when the arbitrator decided that the Warriors breached the License Agreement by failing to sell seat rights in the new Arena. However, the arbitrator awarded no damages to the Authority because he determined the damages could not be proven. The San Francisco Superior Court confirmed the arbitrator's award. The Warriors appealed the confirmation and in August 2002, that appeal was decided in favor of the Authority. In January 2002, an arbitrator ruled that the Warriors are required by the License Agreement to pay a 5% facility fee on ticket revenue. In doing so, he rejected the Warriors' claim that the facility fee is an illegal tax. The arbitrator awarded the Authority $1.5 million that has yet to be paid. It is expected that this award will also require Superior Court confirmation and could be appealed. The Authority and the Warriors have expressed interests in informally resolving this matter and initial settlement discussions have begun.

"Riders" Litigation. The City is involved in federal civil rights litigation, in which allegations have been made that individual Oakland Police Officers and the Oakland Police Department violated plaintiffs' civil rights. The litigation is colloquially known as the "Riders" litigation. Currently 15 individual cases have been filed in U.S. District Court, on behalf of 121 plaintiffs. Allegations include charges of false arrest, false imprisonment and/or use of excessive force. Over 40 defendants have been named, including four officers who have since been terminated from the Police Department because of inappropriate conduct towards plaintiffs.

The individual cases have been consolidated. Plaintiffs seek $11 million in damages. The City is defending the allegations and is working to resolve the matters through negotiated settlement. Due to the unspecified nature of the costs of implementing sweeping reforms in the Police Department, and the City's ongoing defense and settlement efforts, the City's potential total liability in these matters is difficult to estimate. No trial date has been set.

Business Tax Litigation. In <u>Kaiser Aluminum & Chemical Corporation v. City of Oakland</u>, Alameda County Superior Court Case No. 822752-0, Kaiser seeks a refund of business taxes based upon gross rental receipts that it paid on its own behalf and on behalf of its lessor for the 1994 through 2001 tax years, in the amount of $2,963,875. It alleges that the City's Business Tax Ordinance violates the commerce clause in that it is internally inconsistent, and does not fairly apportion the business activity of out-of-City landlords. Cross-motions for summary judgment and summary adjudication were denied.

A group of Pacific Bell entities and other businesses have also challenged the City's Business Tax Ordinance in <u>Pacific Bell, et. al. v. City of Oakland</u>, Alameda County Superior Court Case No. 823263-0. The Plaintiffs allege that the Business Tax Ordinance is unconstitutional due to internal inconsistency and discriminatory provisions. Plaintiffs in this action are engaged in a variety of business activities. They seek refunds of all business taxes paid between 1996 and 2001 totaling about $3.1 million. The City settled this matter for $2.2 million. The City paid $1.5 million during the fiscal year 2001/2002. The remaining $700,000 was paid on July 1, 2002.

The Kaiser case is being vigorously contested. Trial is scheduled for September 27, 2002 and may begin as late as October 3, 2002. If plaintiffs prevail, the City could be obligated to refund all or a portion of the Business Tax collected in the challenged categories. The City collected $15.2 million in the challenged categories in fiscal years 1998-2001. Under a worse case scenario, the City might also be prohibited from future collections unless and until any constitutional deficiencies are resolved. The City <u>is</u> acting affirmatively to minimize its exposure in this litigation.

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APPENDIX B

ANNUAL FINANCIAL REPORT OF THE CITY OF OAKLAND FOR THE YEAR ENDED JUNE 30, 2001

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY OF OAKLAND, JUNE 30, 2001

Attached are the audited General Purpose Financial Statements of the City for its Fiscal Year ended June 30, 2001, which includes all Notes to the Financial Statements, but excludes the information entitled "Combining an Individual Fund and Account Group Financial Statements and Schedules." A complete copy of the City's General Purpose Financial Statements may be obtained upon request to the City Treasurer Manager at (510) 238-3201.

COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP
FINANCIAL STATEMENTS AND SCHEDULES

[NOT INCLUDED IN APPENDIX B]

Three Embarcadero Center
San Francisco, CA 94111

Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Oakland:

We have audited the accompanying general purpose financial statements of the City of Oakland, California (the City) as of and for the year ended June 30, 2001, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees' Retirement System, the Police and Fire Retirement System or the Oakland Redevelopment Agency, whose statements reflect total assets and total revenues which represent 2% and 1%, respectively, of the combined totals of the Special Revenue Funds; 31% and 14% of the combined totals of the Debt Service Funds; 65% and 82% of the combined totals of the Capital Projects Funds; 85% and 13% of the combined totals of the Fiduciary Fund Types and 17% of the combined total liabilities of the General Long-Term Obligations Account Group. We also did not audit the financial statements of the Port of Oakland, a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and in our opinion, insofar as it relates to the amounts included for such entities in the Special Revenue, Debt Service, Capital Projects, Fiduciary Fund Types, the General Long-Term Obligations Account Group, and the discretely presented component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Oakland, California, as of June 30, 2001, and the results of its operations and the changes in plan assets of the pension trust funds and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 2 to the general purpose financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The schedules of funding progress on pages 91 and 92 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied to the schedules of funding progress certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the management of the City, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such additional information has been subjected to the auditing procedures applied in our audit and the other auditors' audits of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

KPMG LLP

December 28, 2001

CITY OF OAKLAND

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT

COMBINED BALANCE SHEET

June 30, 2001

(In Thousands)

	Governmental Fund Types				Proprietary Fund Types	
ASSETS AND OTHER DEBITS	**General**	**Special Revenue**	**Debt Service**	**Capital Projects**	**Enterprise**	**Internal Service**
Assets						
Cash and investments	$ 8,073	$ 34,700	$ 16,073	$ 83,066	$ 258	$ 10,173
Receivables (net of allowance for uncollectibles):						
Accrued interest and dividends	108	342	108	1,838	—	—
Property taxes	17,411	4,353	3,907	1,689	—	—
Accounts receivable	58,739	2,287	—	283	1,849	353
Grants receivable	—	35,575	—	—	—	—
Receivable from Port of Oakland	12,172	837	—	—	—	—
Due from other funds	83,758	5,561	94	3,435	—	—
Due from other governments	—	—	—	6	—	—
Notes and loans receivable	28,295	81,927	—	33,570	—	—
Restricted cash and investments	9	—	78,590	150,071	—	16,811
Inventories	—	—	—	—	—	787
Fixed assets (net, where applicable, of accumulated depreciation)	—	—	—	—	86,019	24,603
Property held for resale	—	—	21,447	53,506	—	—
Other	1,498	25	460	2,410	—	—
Other Debits						
Amount available in debt service funds	—	—	—	—	—	—
Amount to be provided for long-term obligations	—	—	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	$ 210,063	$ 165,607	$ 120,679	$ 329,874	$ 88,126	$ 52,727

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Reporting Entity
$1,051,949	$ —	$ —	$1,204,292	$ 52,185	$1,256,477
5,309	—	—	7,705	4,235	11,940
—	—	—	27,360	—	27,360
30,556	—	—	94,067	48,193	142,260
—	—	—	35,575	—	35,575
—	—	—	13,009	—	13,009
5,427	—	—	98,275	—	98,275
—	—	—	6	—	6
—	—	—	143,792	—	143,792
229,544	—	—	475,025	318,136	793,161
—	—	—	787	—	787
—	756,444	—	867,066	1,330,101	2,197,167
—	—	—	74,953	—	74,953
—	—	—	4,393	38,161	42,554
—	—	94,063	94,063	—	94,063
—	—	1,396,198	1,396,198	—	1,396,198
$1,322,785	$ 756,444	$1,490,261	$4,536,566	$1,791,011	$6,327,577

(continued)

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNIT

COMBINED BALANCE SHEET, continued

June 30, 2001

(In Thousands)

	Governmental Fund Types				Proprietary Fund Types	
LIABILITIES, EQUITY AND OTHER CREDITS	**General**	**Special Revenue**	**Debt Service**	**Capital Projects**	**Enterprise**	**Internal Service**
Liabilities						
Accounts payable and accrued liabilities	$ 101,479	$ 10,529	$ 732	$ 8,486	$ 1,728	$ 2,564
Due to other funds	1,474	28,111	20,515	24,396	1,779	6,320
Payable to primary government	—	—	—	—	—	—
Deferred revenue	83,971	90,208	1,952	59,200	—	—
Interest payable	—	—	—	—	—	—
Long-term obligations	—	—	—	269	8,303	24,374
Due to bond holders	—	—	3,417	—	—	—
Securities lending liability	—	—	—	—	—	—
Other	343	6	—	1,282	—	—
Total liabilities	187,267	128,854	26,616	93,633	11,810	33,258
Equity and Other Credits						
Investment in general fixed assets	—	—	—	—	—	—
Contributed capital	—	—	—	—	—	17,382
Retained earnings	—	—	—	—	76,316	2,087
Fund balances:						
Reserved	1,664	36,753	94,063	236,241	—	—
Unreserved:						
Designated	7,808	—	—	—	—	—
Undesignated	13,324	—	—	—	—	—
Total equity and other credits	22,796	36,753	94,063	236,241	76,316	19,469
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	$ 210,063	$ 165,607	$ 120,679	$ 329,874	$ 88,126	$ 52,727

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Reporting Entity
$ 49,363	$ —	$ —	$ 174,881	$ 71,241	$ 246,122
15,680	—	—	98,275	—	98,275
—	—	—	—	13,009	13,009
—	—	—	235,331	4,635	239,966
—	—	—	—	27,033	27,033
505	—	1,490,261	1,523,712	1,018,819	2,542,531
8,622	—	—	12,039	—	12,039
236,405	—	—	236,405	—	236,405
8	—	—	1,639	46,838	48,477
310,583	—	1,490,261	2,282,282	1,181,575	3,463,857
—	756,444	—	756,444	—	756,444
—	—	—	17,382	191,056	208,438
—	—	—	78,403	418,380	496,783
1,012,202	—	—	1,380,923	—	1,380,923
—	—	—	7,808	—	7,808
—	—	—	13,324	—	13,324
1,012,202	756,444	—	2,254,284	609,436	2,863,720
$1,322,785	$ 756,444	$1,490,261	$4,536,566	$1,791,011	$6,327,577

(concluded)

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year ended June 30, 2001

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes:				
Property	$ 95,440	$ 24,984	$ 9,831	$ 32,640
State:				
Sales and Use	42,256	10,621	—	—
Motor Vehicle In-lieu	21,361	—	—	—
Gas	—	10,419	—	—
Local:				
Business License	38,738	—	—	—
Utility Consumption	48,703	—	—	—
Real Estate Transfer	38,309	—	—	—
Transient Occupancy	12,766	—	—	—
Parking	6,762	—	—	—
Franchise	10,396	—	—	—
Licenses and permits	11,418	24	—	—
Fines and penalties	16,150	938	23	—
Interest and investment income	6,530	2,164	10,808	17,614
Charges for services	40,962	3,036	—	6,312
Federal and state grants and subventions	5,385	70,316	—	—
Pension annuity distribution	—	—	—	—
Other	11,056	9,030	1,040	875
TOTAL REVENUES	$406,232	$131,532	$21,702	$ 57,441

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
$ —	$162,895
—	52,877
—	21,361
—	10,419
—	38,738
—	48,703
—	38,309
—	12,766
—	6,762
—	10,396
—	11,442
—	17,111
4,624	41,740
2	50,312
365	76,066
17,125	17,125
1,475	23,476
$23,591	$640,498

(continued)

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, continued

Year ended June 30, 2001

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	$ 970	$ —	$ —	$ 16
Council	2,060	116	—	963
City Manager	5,259	1,772	—	1,873
City Attorney	6,321	481	—	18
City Auditor	1,025	—	—	—
City Clerk	2,089	2	—	17
Agencies/Departments:				
Personnel Resource Management	4,396	3	—	8
Retirement and Risk Administration	1,131	—	—	—
Information Technology	6,488	42	—	288
Financial Services	14,371	444	407	105
Police Services	133,729	11,687	—	105
Fire Services	73,663	3,342	—	124
Life Enrichment				
Administration	1,653	40	—	—
Parks and Recreation	15,247	14,869	—	8,064
Library	9,576	5,404	—	198
Museum	5,460	20	—	227
Aging	2,869	4,267	—	—
Health and Human Services	433	13,778	—	—
Cultural Arts	1,911	31	—	30
Community and Economic Development	20,288	24,637	—	28,820
Public Works	24,185	28,343	—	8,307
Other	32,038	14,100	493	142
Capital outlay	1,074	9,223	—	4,100
Debt service:				
Principal repayment	—	—	50,351	—
Interest charges	364	—	75,285	—
TOTAL EXPENDITURES	366,600	132,601	126,536	53,405
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 39,632	$ (1,069)	$ (104,834)	$ 4,036

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
$ 88	$ 1,074
395	3,534
200	9,104
1,039	7,859
—	1,025
45	2,153
—	4,407
5	1,136
—	6,818
171	15,498
—	145,521
1,281	78,410
—	1,693
24	38,204
81	15,259
83	5,790
—	7,136
—	14,211
—	1,972
7,487	81,232
92	60,927
1,144	47,917
—	14,397
—	50,351
—	75,649
12,135	691,277
$ 11,456	$ (50,779)

(continued)

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, continued

Year Ended June 30, 2001

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, BROUGHT FORWARD	$39,632	$ (1,069)	$(104,834)	$ 4,036
OTHER FINANCING SOURCES (USES)				
Bond proceeds	1,573	158	151,644	10,537
Payment to refunded bond escrow agent	—	—	(149,310)	—
Property sale proceeds	104	6	—	—
Operating transfers in	8,514	6,998	109,476	525
Operating transfers out	(59,261)	—	(4,741)	(46,613)
TOTAL OTHER FINANCING SOURCES (USES)	(49,070)	7,162	107,069	(35,551)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(9,438)	6,093	2,235	(31,515)
Fund balances at beginning of year	32,234	30,660	91,828	267,756
FUND BALANCES AT END OF YEAR	$22,796	$36,753	$ 94,063	$236,241

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

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
$ 11,456	$ 50,779
—	163,912
—	(149,310)
—	110
9,439	134,952
(23,678)	(134,293)
(14,239)	15,371
(2,783)	(35,408)
177,517	599,995
$174,734	$ 564,587

(concluded)

GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE AND DEBT SERVICE FUNDS

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL ON A BUDGETARY BASIS

Year ended June 30, 2001

(In Thousands)

	General Fund		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES			
Taxes:			
Property	$ 86,261	$ 95,440	$ 9,179
State:			
Sales and Use	39,600	42,256	2,656
Motor Vehicle In-lieu	19,647	21,361	1,714
Gas	8	—	(8)
Local:			
Business License	38,845	38,738	(107)
Utility Consumption	41,882	48,703	6,821
Real Estate Transfer	21,929	38,309	16,380
Transient Occupancy	11,799	12,766	967
Parking	5,766	6,762	996
Franchise	10,071	10,396	325
Licenses and permits	9,258	11,418	2,160
Fines and penalties	17,996	16,150	(1,846)
Interest and investment income	3,992	5,890	1,898
Charges for services	43,751	40,962	(2,789)
Federal and state grants and subventions	2,336	5,385	3,049
Other	12,329	11,056	(1,273)
TOTAL REVENUES	$365,470	$405,592	$40,122

	Annually Budgeted Special Revenue Funds			Annually Budgeted Debt Service Funds		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
	$ 16,413	$19,292	$ 2,879	$10,996	$ 9,124	$ (1,872)
	5,663	10,621	4,958	—	—	—
	—	—	—	—	—	—
	9,926	10,419	493	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	—	—	—	—	—	—
	8	24	16	—	—	—
	270	439	169	—	—	—
	388	1,441	1,053	—	23	23
	688	219	(469)	—	1,726	1,726
	4,504	5,224	720	—	—	—
	55	25	(30)	3,414	1,040	(2,374)
	$ 37,915	$47,704	$ 9,789	$14,410	$11,913	$ (2,497)

(continued)

GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE AND DEBT SERVICE FUNDS

COMBINED STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL ON A BUDGETARY BASIS, continued

Year ended June 30, 2001

(In Thousands)

	General Fund		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
EXPENDITURES			
Current:			
Elected and Appointed Officials:			
Mayor	$ 973	$ 970	$ 3
Council	2,296	2,060	236
City Manager	6,471	5,259	1,212
City Attorney	5,043	6,321	(1,278)
City Auditor	1,039	1,025	14
City Clerk	1,900	2,089	(189)
Agencies/Departments:			
Personnel Resource Management	3,824	4,396	(572)
Retirement and Risk Administration	1,229	1,131	98
Information Technology	7,400	6,488	912
Financial Services	16,228	14,371	1,857
Police Services	119,896	133,729	(13,833)
Fire Services	77,375	73,663	3,712
Life Enrichment			
Administration	1,800	1,653	147
Parks and Recreation	15,102	15,247	(145)
Library	9,599	9,576	23
Museum	4,987	5,460	(473)
Aging	4,241	2,869	1,372
Health and Human Services	484	433	51
Cultural Arts	1,911	1,911	0
Community and Economic Development	23,914	20,288	3,626
Public Works	29,192	24,185	5,007
Other	31,815	32,038	(223)
Capital outlay	4,804	1,074	3,730
Debt service:			
Principal repayment	—	—	—
Interest charges	318	364	(46)
TOTAL EXPENDITURES	371,841	366,600	5,241
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (6,371)	$ 38,992	$ 45,363

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

Annually Budgeted Special Revenue Funds			Annually Budgeted Debt Service Funds		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—
128	98	30	—	—	—
92	91	1	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
25	25	—	—	—	—
94	93	1	—	—	—
—	1	(1)	438	405	33
—	—	—	—	—	—
—	—	—	—	—	—
2	2	—	—	—	—
14,540	14,348	192	—	—	—
—	—	—	—	—	—
—	19	(19)	—	—	—
786	864	(78)	—	—	—
—	2	(2)	—	—	—
—	—	—	—	—	—
66	28	38	—	—	—
27,508	20,231	7,277	—	—	—
—	3	(3)	32	4	28
8,499	3,538	4,961	—	—	—
—	—	—	28,334	27,507	827
—	—	—	42,471	42,252	219
51,740	39,343	12,397	71,275	70,168	1,107
$ (13,825)	$ 8,361	$ 22,186	$ (56,865)	$ (58,255)	$ (1,390)

(concluded)

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS

Year Ended June 30, 2001

(In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING REVENUES		
Rental	$ 103	$ —
Charges for services	18,759	33,285
Interest	—	—
Other	4	480
TOTAL OPERATING REVENUES	18,866	33,765
OPERATING EXPENSES		
Personnel	5,605	12,308
Supplies	244	5,760
Depreciation and amortization	2,981	4,126
Contractual services and supplies	1,543	447
Repairs and maintenance	—	1,825
General and administrative	1,895	3,827
Rental	746	1,315
Other	—	5,185
TOTAL OPERATING EXPENSES	13,014	34,793
OPERATING INCOME (LOSS)	5,852	(1,028)
NON-OPERATING REVENUES (EXPENSES)		
Federal and state grants	36	—
Interest	(293)	—
Other, net	—	542
TOTAL NON-OPERATING REVENUES (EXPENSES)	(257)	542
INCOME BEFORE OPERATING TRANSFERS	5,595	(486)
Operating transfers out	(659)	—
NET INCOME (LOSS)	4,936	(486)
Depreciation of fixed assets acquired with contributed capital	—	—
Retained earnings at beginning of year	71,380	2,573
RETAINED EARNINGS AT END OF YEAR	$ 76,316	$ 2,087

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

Total (Memorandum Only) Primary Government	Component Unit Port of Oakland	Total (Memorandum Only) Reporting Entity
$ 103	$ 197,170	$ 197,273
52,044	—	52,044
—	—	—
484	—	484
52,631	197,170	249,801
17,913	47,951	65,864
6,004	—	6,004
7,107	36,835	43,942
1,990	—	1,990
1,825	22,933	24,758
5,722	33,358	39,080
2,061	—	2,061
5,185	—	5,185
47,807	141,077	188,884
4,824	56,093	60,917
36	32,082	32,118
(293)	(26,323)	(26,616)
542	22,799	23,341
285	28,558	28,843
5,109	84,651	89,760
(659)	—	(659)
4,450	84,651	89,101
—	7,296	7,296
73,953	326,433	400,386
$ 78,403	$ 418,380	$ 496,783

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS
Year ended June 30, 2001
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	$ 5,852	$(1,028)	$ 4,824
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,981	4,126	7,107
Changes in assets and liabilities:			
Receivables	(276)	(159)	(435)
Inventories	—	98	98
Other assets	—	—	—
Accounts payable and accrued liabilities	—	(1,040)	(1,040)
Deferred revenue	—	—	—
Other liabilities	—	—	—
Other	—	—	—
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	8,557	1,997	10,554
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Inter-fund (repayments) borrowings	1,779	558	2,337
Operating transfers to other funds	(659)	—	(659)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES	$ 1,120	$ 558	$ 1,678

Component Unit: Port of Oakland	Total (Memorandum Only): Reporting Entity
$ 56,093	$ 60,917
36,835	43,942
(15,951)	(16,386)
—	98
(13,912)	(13,912)
5,674	4,634
1,789	1,789
554	554
7,698	7,698
78,780	89,334
—	2,337
—	(659)
$ —	$ 1,678

(continued)

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS, continued
Year ended June 30, 2001
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Long-term debt:			
New borrowings	$ —	$ —	$ —
Repayment of principal	(620)	(4,386)	(5,006)
Payment of interest	(314)	(1,495)	(1,809)
Proceeds from sale of fixed assets	—	—	—
Acquisition and construction of capital assets	(9,002)	(12,451)	(21,453)
Grants from governmental agencies	36	—	36
Passenger facility charges	—	—	—
Other	21	2,266	2,287
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	(9,879)	(16,066)	(25,945)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	—	—	—
Proceeds from sales of investments	—	—	—
Interest on investments	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	—	—	—
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(202)	(13,511)	(13,713)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	460	40,495	40,955
CASH AND EQUIVALENTS AT END OF YEAR	$ 258	$ 26,984	$ 27,242

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

Component Unit Port of Oakland	Total (Memorandum Only) Reporting Entity
$ 477,890	$ 477,890
(473,592)	(478,598)
(30,784)	(32,593)
7,485	7,485
(275,851)	(297,304)
32,082	32,118
18,840	18,840
—	2,287
(243,930)	(269,875)
(51,430)	(51,430)
187,366	187,366
10,555	10,555
146,491	146,491
(18,659)	(32,372)
70,844	111,799
$ 52,185	$ 79,427

(concluded)

PENSION TRUST FUNDS
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended June 30, 2001
(In Thousands)

ADDITIONS:	
Members contributions	$ 662
Investment income:	
Net depreciation in fair value of investments	(34,600)
Interest	30,009
Dividends	7,307
Total	2,716
Less investment expense	(2,924)
Net investment income	(208)
TOTAL ADDITIONS	454
DEDUCTIONS:	
Disbursements to members and beneficiaries:	
Retirement	$ 40,187
Disability	22,401
Death	1,896
Total	64,484
Administrative expenses	937
Interest expense - bonds	40
Changes in payable to City	1,998
Termination refunds of employees' contributions	103
TOTAL DEDUCTIONS	67,562
EXCESS OF ADDITIONS OVER DEDUCTIONS	(67,108)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year, restated (Note 16)	904,576
End of year	$837,468

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2001

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The City of Oakland, California, (the City) 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 Manager.

The City has defined its reporting entity in accordance with generally accepted accounting principles (GAAP) which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. The general purpose financial statements present information on the activities of the reporting entity, including all of the fund types and account groups of the City (the primary government) and its component units.

GAAP require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the City.

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 special revenue, capital projects and expendable trust funds.

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

Financial Services Agency, Accounting Division
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612-2093

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. It is reported as a debt service fund.

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 recorded in the capital projects and debt service funds, and the general long-term obligations account group.

Discretely Presented Component Units

The Port of Oakland (Port) is a public entity established in 1927 by the City. Operations include the Oakland International Airport; the Port of Oakland Marine Terminal Facilities; and commercial real estate which includes Oakland Portside Associates (OPA), a California limited partnership, and the Port of Oakland Public Benefit Corporation (Port-PBC), a nonprofit benefit corporation. The Port is governed by a seven-member Board of Port Commissioners (the Board) which 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.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. The various funds and account groups are summarized by type in the general purpose financial statements. Fund types and account groups used by the City are described below.

Governmental Fund Types

Governmental Fund Types are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Fund Types) are accounted for through Governmental Fund Types. The measurement focus is based upon determination of financial position and changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund Types:

The **General Fund** is the primary operating fund of the City. It accounts for normal recurring activities traditionally associated with governments which are not required to be accounted for in another fund. These activities are funded principally by property taxes, sales and use taxes, business and utility taxes, interest and rental income, charges for services, and federal and state grants.

Special Revenue Funds account for certain revenue sources that are legally restricted to be spent for specified purposes. Other restricted resources are accounted for in trust, debt service, and capital projects funds.

Debt Service Funds account for the accumulation of resources to be used for the payment of general long-term debt principal and interest as well as related costs.

Capital Projects Funds account for financial resources to be used for the acquisition, construction or improvement of major capital facilities (other than those financed through the proprietary fund types).

Proprietary Fund Types

Proprietary Fund Types are used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector and are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City adopts all applicable FASB Statements and Interpretations issued on or before November 30, 1989, in accounting and reporting for its proprietary operations unless those pronouncements conflict with or contradict Government Accounting Standards Board pronouncements. The measurement focus is based upon determination of net income, financial position and changes in cash flows. The following are the City's Proprietary Fund Types:

Enterprise Funds account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Funds account for operations that provide goods and services to other City departments and agencies, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types

Trust and Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include the pension trust, expendable trust, and agency funds. Operations of the pension trust funds are accounted for in the same manner as the proprietary fund types. Operations of expendable trust funds are accounted for in essentially the same manner as governmental fund types. Agency funds are custodial in nature and do not involve measurement of results of operations.

Account Groups

The **General Fixed Assets Account Group** accounts for recorded fixed assets of the City, other than those accounted for in the proprietary fund types.

The **General Long-Term Obligations Account Group** accounts for all long-term obligations, including claim liabilities and vested compensation and sick leave of the City, except for those obligations accounted for in the proprietary fund types.

Basis of Accounting

Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Operating statements for these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary fund types and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Modified Accrual Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, when both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on general long-term obligations, are recorded when the fund liability is incurred and is expected to be liquidated with expendable available resources. The exception to the general modified accrual expenditure recognition criteria is that principal and interest on general long-term obligations are recorded when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

Intergovernmental revenues, which are primarily grants and subventions received as reimbursement for specific purposes or projects, are recognized when all applicable eligibility requirements are met. Intergovernmental revenues which are virtually unrestricted as to purpose of expenditure and revocable only for failure to meet prescribed compliance requirements are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

Property taxes receivable within the governmental fund types which have been collected within sixty days following fiscal year-end are considered measurable and available and are recognized as revenues in the funds.

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 March 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 March 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year 1978-79, 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 fiscal year ended June 30, 2001.

Special assessments are recorded as revenues and receivables to the extent installments are considered current. The estimated installments receivable not considered current are recorded as receivables and offset by deferred revenue.

Other major revenues are susceptible to accrual and are also recognized as revenue when they are collected within 60 days of fiscal year-end. These include interest, utility consumption taxes, franchise fees, transient occupancy taxes, and certain rentals. Real estate transfer taxes on assessed properties transferred prior to the fiscal year-end and held by Alameda County, and sales and use taxes and motor vehicle in-lieu taxes held by the State at year-end on behalf of the City are also recognized as revenue.

Major revenues that are determined not to be susceptible to accrual because either they are not available soon enough to pay liabilities of the current period or are not objectively measurable include delinquent property taxes, licenses (other than business licenses), permits, fines and forfeitures.

Accrual Basis of Accounting

The accrual basis of accounting is utilized in all proprietary fund types and pension trust funds. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Deferred Revenue

Deferred revenue is that for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. The City typically records deferred revenue related to: uncollected property taxes; estimated special assessments not yet payable; intergovernmental revenues (primarily grants and subventions) received but not earned (qualifying expenditures not yet incurred); long-term contracts; and notes or loans receivable arising from loan subsidy programs which are charged to operations upon funding and recognized as revenue upon receipt.

Governmental Accounting Standards Board statement No. 33

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* This statement establishes accounting and financial reporting standards for nonexchange transactions involving financial and capital resources such as taxes and grants. In a nonexchange transaction, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. This statement affects the timing of recognition of nonexchange transactions—that is, when governments recognize them in the financial statements. Adoption of Statement No. 33 did not impact reported fund balances.

Governmental Accounting Standards Board statement No. 36

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues.* This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 33 as previously described.

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.

On June 29, 1999, the City Council voted unanimously to adopt the City's second two-year budget for fiscal years July 1, 1999 through June 30, 2001. 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 revised budgetary data presented in the accompanying "General Fund and Annually Budgeted Special Revenue and Debt Service Funds—Combined Schedule of Revenues and Expenditures—Budget and Actual on a Budgetary Basis," reflect approved changes to the original 1999-00 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 Manager.

Transfers of appropriations between funds and departments 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 Manager. Revised budget amounts reported in the accompanying general purpose financial statements reflect both the appropriation changes approved by the City Council and the transfers approved by the City Manager.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental fund types. 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.

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP. The area of difference is discussed in Note 17.

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:

Special Revenue Funds

Federal and State Grants
Other Assessment Districts
Other Special Revenues
Oakland Redevelopment Agency

Debt Service Funds

Tax Allocation Bonds

Lease Financings

Civic Improvement

JPFA Fund

Capital Projects Funds

Parks and Recreation Fund
Municipal Improvement
Emergency Services Fund
Oakland Redevelopment Agency

In addition, the Lease Financings Debt Service Fund is not budgeted by the City because the fund is reported for financial statement purposes only, and includes the results of certain lease financings between the City and the Agency and between the City and the California Statewide Communities Development Authority. Any financial activity related to these financings is budgeted on a basis consistent with the form of the transactions, whereas for reporting purposes the financial activity is recorded in a manner consistent with the substance of the transaction.

While the City adopts budgets for all funds, the budget to actual comparisons for the following funds have not been shown due to some projects and programs being adopted on a multi-year basis and the complexity of the presentation.

Enterprise Funds

Park and Recreation Fund
Sewer Service Fund

Internal Service

Equipment Fund
Radio Fund
Facilities Fund
Reproduction Fund
Central Stores Fund

Pension Trust Funds

OMERS
PFRS

Expendable Trust Funds

Oakland Redevelopment Agency Project Fund
Parks, Recreation and Cultural Trust Fund
Pension Annuity Fund
Other Expendable Trust Funds

Agency Fund

Housing Finance Revenue Bond Fund

Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Agency funds, agency fund types, 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 income.

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

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds."

Restricted Cash and Investments

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

Other Assets

Other assets primarily include prepaid expenses for governmental funds and bond discounts and issuance costs for proprietary fund type debt which are deferred and amortized over the term of the bonds under the interest method. Bond discounts and issuance costs for governmental fund type debt are recognized as expenditures when incurred.

Inventories

Inventories, consisting of materials and supplies held for consumption, are stated at cost. Cost is generally calculated using the first-in, first-out method. Inventory items are considered expensed when used.

General Fixed Assets

General fixed assets are those acquired for general governmental purposes. Such assets currently purchased or constructed are recorded as expenditures in the governmental fund types and are capitalized at cost in the General Fixed Assets Account Group, with the exception of certain assets acquired prior to July 1, 1984, which have been recorded at estimated historical cost. Donated fixed assets are recorded at estimated fair market value at the time of receipt.

Public domain infrastructure (general fixed assets consisting of certain improvements other than buildings) is not capitalized and is not included in the General Fixed Assets Account Group. These assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets. Such assets normally are immovable and of value only to the City; therefore, stewardship for capital expenditures is satisfied without recording such assets.

No depreciation is provided on general fixed assets.

Fixed Assets - Proprietary Fund Types and Discretely Presented Component Unit

Fixed assets in the proprietary fund types and the Port are generally stated at cost, with the exception of certain assets acquired prior to July 1, 1984, which have been recorded at estimated historical cost. Depreciation is provided using the straight-line method based on the estimated useful life of the asset as follows:

Facilities, sewers and improvements	5-50 years
Container cranes	25 years
Furniture, machinery and other equipment	3-10 years

Land Held for Resale

The Agency charges capital outlay expenditures for the full cost of developing and administering its projects. Land held for resale is recorded as an asset at the lower of cost or estimated net realizable value, with an equal amount recorded as a reservation of fund balance.

Vacation and Sick Leave Pay

Vacation pay may be accumulated and is payable upon retirement or termination of an employee. Sick leave vests to an employee upon being employed for at least ten years with the City. Upon termination, a vested employee is entitled to one-third of the sick leave accumulated to the date of termination.

Vested vacation, sick leave and compensatory time are accrued, as appropriate, for all funds. With respect to obligations of the governmental fund types, amounts expected to be paid monetarily or by way of compensatory time off are accrued in the appropriate fund if current resources are expected to be used. The remainder is recorded in the General Long-Term Obligations Account Group.

Retirement Plans

The City has 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). 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 forms of the Plans. Refer to Note 16 for additional information.

Claims and Judgments

The costs of claims and judgments estimated to be paid with current expendable resources are accrued as current liabilities of the General Fund when the liability is incurred and the amount can be reasonably estimated. The remaining estimated costs are recorded in the General Long-Term Obligations Account Group (Note 12).

Contributed Capital

Primary Government

Contributed capital in the proprietary fund types represents the accumulation of contributions in the form of cash or other assets which generally do not have to be returned to the contributor. Such contributions through June 30, 2000, were recorded directly to contributed capital and, accordingly, are not recognized as revenue. The following transactions are recorded to contributed capital in the proprietary fund types:

Cash and other asset transfers of equity from the primary government or other funds.

Fixed assets contributed from the primary government or other funds.

Discretely Presented Component Unit

As required by GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, effective July 1, 2000, the Port changed its method of accounting for Grants from Government Agencies (Grants) and Passenger Facility Charges (PFCs) from capital contributions to restricted non-operating revenues. In accordance with GASB No. 33, Grants and PFCs are required to be included in the determination of net income resulting in an increase in net revenue of $32,082,000 and $18,840,000, respectively, for the year ended June 30, 2001. For the year ended June 30, 2000, the change in accounting principle would have resulted in net revenue from Grants and PFCs of $3,896,000 and $14,180,000, respectively.

and an equity reclassification from Grants and PFCs to reserved retained earnings of the same amounts.

Fund Equity

Reservations of fund balances indicate those portions of fund equity which are not available for appropriation or expenditure or which have been legally restricted to a specific use (Note 13).

Portions of unreserved fund balances have been designated to indicate those portions of fund balances which the City has tentative plans to utilize in a future period. These amounts may or may not result in actual expenditures.

Total Columns on Combined Financial Statements

Total columns on the accompanying general purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not purport to present financial position, results of operations, or cash flows of the City in conformity with GAAP. Such data is not comparable to a consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

Primary Government

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

- 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;
- Local Agency Investment Fund;
- money market mutual funds;
- local city/agency bonds;
- State of California bonds;
- secured obligations and agreements;
- repurchase agreements; and
- reverse repurchase agreements.

The City's investment policy stipulates that the collateral to back up repurchase agreements be priced at market value and be held in safekeeping by the City's primary custodian. Additionally, the City Council has adopted certain requirements prohibiting investments in nuclear weapons makers, and restricting investments in U.S. Treasury bills and notes due to their use in funding nuclear weapons research and production. As of June 30, 2001, the City was in compliance with the above stated investment requirements.

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 allow the following:

> Obligations of the United States Government, any agency of the United States Government, common stocks, mutual funds, preferred stocks and securities convertible into common stocks, Federal Housing Administration mortgages, certificates and shares of state or federal chartered savings and loan associations, equity or mortgage debt investments in existing real property or in property to be constructed, except that no mortgage investments may be funded until the improvements on the property are substantially complete.

Total deposits and investments (in thousands):

	City	Port	Total
Deposits	$ 262,827	$ 16,520	$ 279,347
Investments	1,416,490	353,801	1,770,291
TOTAL	$1,679,317	$370,321	$2,049,638

These are classified on the Combined Balance Sheet as (in thousands):

	City	Port	Total
Cash and investments	$1,204,163	$ 52,185	$1,256,348
Restricted cash and investments	475,154	318,136	793,290
TOTAL	$1,679,317	$370,321	$2,049,638

Deposits

At June 30, 2001, the carrying amount of the City's deposits was $262,827,000 and the bank balance was $259,389,000. The difference between the carrying amount and the bank balance was primarily due to deposits in transit and outstanding checks. Deposits include checking accounts, interest earning savings accounts, money market funds, and nonnegotiable certificates of deposit. Of the bank balance, $1,500,000 was FDIC insured and $257,889,000 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.

Investments

The City's investments are categorized to give an indication of the level of custodial risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty or by its trust department or agent but not in the City's name.

At June 30, 2001, investments included the following (in thousands):

	Category 1	Carrying Value
Subject to Custodial Risk Categorization		
U.S. Treasury securities	$ 296,907	$ 296,907
Federal agency issues	282,768	282,768
Municipal bonds	5,000	5,000
Commercial paper	17,583	17,583
Corporate stocks and bonds	404,652	404,652
Medium term corporate notes	246,868	246,868
Long-term repurchase and investment agreements	232,684	232,684
Total	$1,486,462	1,486,462
Investments Not Subject to Custodial Risk Categorization		
Real estate deeds		8,211
Real estate mortgage loans/investments		124
Local Agency Investment Fund		39,089
Investments held by broker-dealers under securities loans		236,405
Total		283,829
TOTAL INVESTMENTS		1,770,291
Less Port of Oakland Investments		(353,801)
TOTAL CITY INVESTMENTS		$1,416,490

Securities Lending Transactions

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

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

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

As of June 30, 2001, PFRS had securities on loan with a market value of approximately $228,749,000 for cash collateral of $236,405,000.

PFRS' securities lending income for the year ending June 30, 2001, is as follows:

Gross Income	$ 16,484,475
Expenses:	
Borrower rebates	15,451,959
Administration fees	413,007
Total Expenses	15,864,966
NET INCOME FROM SECURITIES LENDING	$ 619,509

Derivatives

The City's investment policy permits investments in certain derivatives. There were no derivatives included in the investment pool during the year ended June 30, 2001.

Discretely Presented Component Unit

The Port's cash and investments are reported as follows at June 30, 2001 (in thousands):

Cash and investments:	
Cash and investments with the City	$ 49,896
Cash on hand	3
Cash in bank accounts	2,286
TOTAL CASH AND INVESTMENTS	52,185
Restricted cash and investments:	
Sinking fund and reserve deposits with fiscal agents	77,813
Unexpended bond proceeds restricted for construction	172,070
Deposits in escrow	12,052
Cash and investments with City:	
Passenger facility charges	54,093
Other	1,826
Restricted deposits with fiscal agents for current debt service	282
TOTAL RESTRICTED CASH AND INVESTMENTS	318,136
TOTAL	$370,321

The carrying amount of Port cash and investments is as follows at June 30, 2001 (in thousands):

Cash on hand and at bank	$ 14,342
Government securities money market mutual funds	2,179
U.S. Treasury obligations	29,113
Guaranteed investment contracts	218,872
Cash and investments with the City of Oakland	105,815
TOTAL	$370,321

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 cash and 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. All investments deposited in the City treasury are insured or registered, or held by the City or its agent in the City's name.

Restricted Cash and Investments

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

Deposits and Investments

The carrying amount of Port deposits with banks and fiscal agents was $2,289,000 at June 30, 2001. Bank balances of $601,000 at June 30, 2001, is 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 City's name.

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

(4) DUE FROM/DUE TO OTHER FUNDS

The following were the current interfund balances at June 30, 2001 (in thousands):

	Due from	Due to
General Fund	$ 83,758	$ 1,474
Special Revenue Funds		
Federal and State Grants	3,260	26,866
Other Special Revenue	1,926	1,105
Oakland Redevelopment Agency	375	140
	5,561	28,111
Debt Service Funds		
Tax Allocation Bonds	—	20,381
Lease Financings	—	106
Civic Improvement	94	5
JPFA Fund	—	19
Special Revenue Bonds	—	4
	94	20,515
Capital Projects Funds		
Municipal Improvement Capital	1,474	99
Emergency Services	—	114
Oakland Redevelopment Agency	1,961	24,183
	3,435	24,396
Enterprise Funds		
Sewer Service	—	1,779
	—	1,779
Internal Service Funds		
Facilities	—	2,912
Central Stores	—	3,408
	—	6,320
Trust and Agency Funds		
Pension Trust Funds - OMERS	—	5,782
Expendable Trust Funds		
Oakland Redevelopment Agency Projects	5,427	9,898
	5,427	15,680
TOTAL	$ 98,275	$ 98,275

(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, 2001, $8,920,000 in Special Services expenditures have 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, 2001, $589,000 and $1,000,000, have been accrued by the Port as a current liability and by Oakland 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 of Oakland is $2,500,000 for fiscal year 1997, which the Port has also recorded as an obligation due to the City. Any additional amount due to the City will be recorded when an MOU has been executed.

(6) NOTES AND LOANS RECEIVABLE

Notes and loans receivable at June 30, 2001, consisted of the following (in thousands):

Grant-in-aid loans at various interest rates and due dates (0% to 10% at June 30, 2001)	$ 41,715
Oakland Hotel Associates, Ltd., bearing interest at 7.67%, principal and interest due July 1, 2013, or earlier under certain provisions of the note	7,986
Mar Associates, bearing interest at 8%, principal and interest due March 9, 2002	3,473
Oakland Hotel Associates, Ltd., bearing interest at Bank of America reference rate (0% at June 30, 2001), no principal and interest payable until December 30, 2026	3,379
Foothill Plaza Partnership, bearing interest at 3%, principal and interest payable in equal monthly installments through July 20, 2017	1,117
Oakland Renaissance Ltd., bearing interest at 7.72%, principal and interest due August 12, 2031	1,770
Oakland Business Development Corporation Neighborhood Economic Development Fund revolving loan program, non-interest bearing, various borrowers	1,235
Harrison Hotel Associates, bearing interest at 6%, principal and interest due December 15, 2048	2,387
Woodrow Hotel, bearing interest at 6.50%, principal and interest due December 3, 2023	1,698
Other pass-thru loans at various interest rates and maturities (0% to 10% at June 30, 2001)	7,836
Other notes and loans receivable at various interest rates and maturities	36,098
E.M. Health Service, bearing interest at 8.75%, principal and interest payable in equal monthly installments through April 1, 2004	1,100
Cahon, Inc., bearing interest at 6%, through June 30, 1993, and zero interest thereafter, principal and interest due December 31, 2000, or earlier under certain provisions of the note. Note is currently under process of being extended.	1,100
Women's Economic Agenda, bearing interest at 6%, principal and interest due August 14, 2025	2,395
Eastmont Town Center, bearing interest at 9.51%, principal and interest payable in equal monthly installments through April 1, 2008	3,700
Alvingroom Court, bearing interest at 3.0%, principal and interest due December 24, 2026	2,560
Fruitvale Development Corporation bearing interest at 6.0%, interest only payments until June 1, 2002, principal and interest payable in equal monthly installments through June 1, 2016	1,160
Allen Temple Housing Corporation IV bearing interest at 6.0%, principal and interest due November 7, 2035	1,219
Negherbon Lincoln-Mercury, Inc., bearing interest at 7.50%, principal and interest due May 1, 2011	1,049
McArthur Park Development Association, bearing zero interest, principal and interest due November 8, 2003	2,957
Subordinated Housing Set Aside N/R	6,241
Just Real Estate, LLC, $800,000 bearing interest at 8% and $650,000 bearing interest at 3%, both principal and interest due August 1, 2012	1,450
Oakland Renaissance Associates, bearing interest at 10%, due and payable December 30, 2026	7,820
Cahon Associates, bearing interest at 3%, due and payable April 20, 2019	2,347
TOTAL	$ 143,792

(7) FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 2001, follows (in thousands):

	Balance July 1, 2000	Transfers/ Additions	Deletions	Balance June 30, 2001
Land	$ 71,148	$ 3,270	$ —	$ 74,418
Facilities and improvements	604,611	13,960	—	618,571
Furniture, machinery and equipment	37,746	15,017	—	52,763
Investments in joint venture (Note 15)	31,183	—	(31,183)	—
Construction in progress	14,892	6,618	(10,818)	10,692
TOTAL	$759,580	$38,865	$(42,001)	$756,444

A summary of property and equipment at June 30, 2001, for proprietary fund types and discretely presented component units follows (in thousands):

	Enterprise Funds	Internal Service Funds	Component Unit Port of Oakland
Land	$ 220	$ 310	$ 206,718
Facilities and improvements	—	210	1,050,911
Container cranes	—	—	112,331
Furniture, machinery and equipment	109,157	72,531	32,729
Construction in progress	—	—	329,373
	109,377	73,051	1,732,062
Less accumulated depreciation and amortization	(23,358)	(48,448)	(401,961)
TOTAL	$ 86,019	$24,603	$1,330,101

(8) PROPERTY HELD FOR RESALE

Property held for resale at June 30, 2001, consisted of the following (in thousands):

Chinatown	$ 840
City Center	2,543
Coliseum Shoreline	2,749
Housewives Market	1,611
Multi-Service Center	5,100
Swans Market	4,425
Taldan Site	1,302
City Hall Annex	2,875
Preservation Park	6,448
City Center Garage West	21,447
Fox Theater	3,000
11th-12th Broadway & Franklin	2,694
U.S. Ice Skating Rink	10,588
819 Clay Street	141
Acorn Shopping Center	2,970
529—20th Street, 1901 Telegraph Avenue, 538-544 & 562-570 William Street	1,791
550 William Street	192
562-570 William Street	196
574 William Street	121
584 William Street	36
811 Clay Street	312
Evelyn Rose Family Housing (Conveyance)	1,049
1608-1616 San Pablo Avenue	256
1818-1824 San Pablo Avenue	301
1826-1840 San Pablo Avenue (Res. 99-49)	607
728—73rd Avenue	365
1975 Telegraph Avenue	21
1975 Teletraph Avenue	891
602, 604 & 608 William Street	82
Total	$74,953

The Agency acquired the Preservation Park project, which was developed by a joint venture between the Agency and Bramalea Pacific, Inc., by credit bid at a foreclosure sale. On January 5, 1996, under an Assumption Agreement between the City and the Agency, the Agency assumed the $6,448,000 obligation of the Preservation Park project.

On May 8, 1991, the Agency entered into a joint venture agreement with Bramalea Pacific, Inc. under the name of City Center Garage West Associates (Associates). The purpose of the joint venture was to construct and operate a multi-level parking structure and other related stores and offices. Associates entered into a loan agreement with the City for $22,000,000 to construct the garage. On May 23, 1995, due to the Canadian bankruptcy of Bramalea's parent company, the City took title to the garage in settlement of the loan obligation of Associates. On October 12, 1995, the City transferred the title of the garage to the Agency to hold as property held for resale and will operate for the purpose of facilitating the future development of the City Center Project. In acceptance of the title to the garage, the Agency acquired the City's loan to Associates. The Agency agreed to repay the City's loan balance of $21,447,000.

(9) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

During the fiscal year ended June 30, 2001, the City issued tax and revenue anticipation notes payable of $65,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 4.00%. Principal and interest were due and repaid on June 30, 2001.

(10) LONG-TERM OBLIGATIONS

General Long-Term Obligations

The following is a summary of changes in general long-term obligations for the year ended June 30, 2001 (in thousands):

	Balance at July 1, 2000	Additional Obligations and Net Increases	Maturities and Retirements	Balance at June 30, 2001
General obligation bonds	$ 129,665	$ 19,750	$ 12,335	$ 137,080
Tax allocation bonds	216,279	10,729	8,360	218,648
Lease financings	502,613	136,168	151,055	487,726
Special assessment debt with governmental commitment	9,725	—	440	9,285
Special revenue bonds	407,280	—	16,745	390,535
Notes payable	25,940	672	4,262	22,350
Accrued vacation and sick leave	29,314	—	271	29,043
Self-insurance liability for workers' compensation	44,380	—	—	44,380
Estimated claims payable	22,506	27,333	—	49,839
Contingent liability for Authority debt (Note 15)	103,023	—	1,648	101,375
TOTAL	$1,490,725	$194,652	$195,116	$1,490,261

General long-term obligations at June 30, 2001, consisted of the following (in thousands):

	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 2001
General Obligation Bonds			
General Obligation Bonds Series 1991A (a)	2002-2015	5.50%-8.50%	$ 800
General Obligation Bonds Series 1995B (a)			
Serial bonds	2002-2013	5.30%-8.25%	7,285
Term bonds	2015	5.875%	1,760
Term bonds	2019	5.875%	4,190
General Obligation Bonds Series 1997C (a)			
Serial bonds	2002-2019	5.50%-6.00%	16,215
Term bonds	2022	5.90%	4,660
General Obligation Bonds Series 2000D (a)	2002-2025	4.75%-5.50%	10,750
General Obligation Bonds Series 2000E (a)	2002-2015	4.75%-5.20%	9,000
General Obligation Bonds Series 1992 (b)			
Serial bonds	2002-2012	4.25%-6.00%	15,065
Term bonds	2017	6.00%	10,435
Term bonds	2022	6.00%	14,460
General Obligation Bonds Series 1997 (c)			
Serial bonds	2002-2016	5.25%-5.75%	25,300
Term bonds	2019	5.75%	5,075
Term bonds	2022	5.85%	12,085
			137,080
Tax Allocation Bonds			
Acorn Refunding Series 1988 (d)			
Term bonds	2007	7.40%	1,845
Central District Tax Allocation Refunding Series 1989A (e)			
Capital appreciation bonds	2002-2009	6.60%-6.65%	22,658
Central District Senior Tax Allocation Refunding Series 1992 (f)			
Serial bonds	2002-2008	5.10%-6.00%	34,305
Term bonds	2009-2014	5.50%-6.15%	35,910
Central District Subordinated Tax Allocation Refunding Series 1992A (g)	2002-2019	5.95%	52,600
Central District Subordinated Tax Allocation Series 1993A (h)			
Serial bonds	2002-2004	4.00%-4.90%	2,620
Term bonds	2005-2009	5.30%	4,075
Term bonds	2010-2013	5.00%	4,080
Term bonds	2014-2021	5.00%	11,025
Central District Subordinated Tax Allocation Bonds. Series 1995A (i)			
Serial bonds	2001	5.50%	225
Term bonds	2008	7.20%	1,010
Term bonds	2015	7.50%	1,340
Term bonds	2021	7.60%	7,060
General Obligations - Tribune Tower	2011	5.643%	500
Subordinated Housing Set Aside Revenue (j) Bond Series 2000T			
Serial bonds	2003	7.39%	1,325
Serial bonds	2004	7.39%	1,425
Serial bonds	2010	7.82%	11,160
Serial Bonds	2015	7.93%	14,065
Serial Bonds	2018	8.03%	11,420
			218,648

	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 2001
Lease Financings			
Oakland JPFA Lease Revenue Bonds, Series 1996 (k)			
Serial bonds	2002-2011	4.60%-5.50%	$ 26,370
Term bonds	2016	5.90%	18,395
Term bonds	2021	5.75%	24,610
Term bonds	2026	5.75%	32,815
Oakland JPFA - Oakland Convention Center (l)			
Serial bonds	2002-2015	4.50%-5050%	114,615
Bifurcated serial bonds	2002-2014	3.00%-4.50%	20,275
Oakland Museum 1992 Series A (m)			
Serial bonds	2002-2003	5.60%-6.00%	4,465
Term bonds	2005	6.25%	5,020
Term bonds	2012	6.00%	15,900
Capital appreciation bonds	2006-2007	6.45%-6.55%	3,461
Civic Improvement Corporation (n)	2000-2015	Variable	41,100
Oakland JPFA Lease Revenue Bonds, Series 1998 (o)			
Swapped	2002-2021	5.6775%	163,200
Variable Rate	2002-2021	Variable	17,500
			487,726
Special Assessment Debt with Governmental Commitment			
Medical Hill Parking District Refunding Improvement Bonds 1994 (p)			
Term bonds	2004	6.00%	940
Oakland JPFA Reassessment Revenue Bonds (q)			
Serial bonds	2002-2010	3.70-5.15%	1,880
Term bonds	2018	5.40%	2,465
Term bonds	2024	5.50%	2,620
Oakland JPFA Special Assessment Pooled Revenue Bonds 1996 Series A (r)	2002-2020	4.20-6.70%	355
Oakland Special Assessment Pooled Revenue Bonds 1997 (s)			
Serial Bonds	2002-2007	4.20-5.20%	515
Term bonds	2012	5.65%	510
			9,285
Special Revenue Bonds			
Taxable Pension Obligation Bonds Series 1997 (t)	2002-2010	5.63%-7.31%	390,535
Notes Payable			
Koch Financial Corporation (u)	2002-2003	4.11%	5,973
Department of Housing Urban Development (v)	N/A	N/A	15,095
Light-Emitting Diode Traffic Signal Conversion Project (x)			714
Bank One Lease	2002-2004	N/A	568
			22,350
Other Long-Term Liabilities			
Accrued vacation and sick leave			29,043
Self-insurance liability for workers' compensation (Note 12)			44,380
Estimated claims payable (Note 12)			49,839
Contingent liability for Authority debt (Note 15)			101,375
			224,637
TOTAL GENERAL LONG-TERM OBLIGATIONS			$1,490,261

General Obligation Bonds

(a) General Obligation Bonds Series 1991A, Series 1995B and Series 1997C, 2000D and 2000E

The City received authorization to issue $60 million of General Obligation Bonds by a two-thirds vote of the electorate at the November 6, 1990, general election. The bonds were authorized for the purpose of financing the acquisition of land and to expand and develop park and recreation facilities. On February 19, 1991, the City issued $12,000,000 of General Obligation Bonds Series 1991A. On March 1, 1995, the City issued a second series, $15,000,000 General Obligation Bonds Series 1995B. On April 1, 1997, the City issued a third series, $22,250,000 General Obligation Bonds Series 1997C, leaving the authorized but unissued amount of $10,750,000.

On July 11, 2000, the final $10,750,000 was issued by General Obligation Bonds Series 2000D. In conjunction with Series 2000D, General Obligation Bonds Series 2000E was issued to refund a portion of the Series 1991A Bonds in an amount of $9,000,000. The City is obligated to levy ad valorem taxes upon all property subject to taxation within the City, without limitation of rate or amount, for the payment of the principal and interest of the bonds.

(b) General Obligation Bonds Series 1992

On July 15, 1992, the City issued $50 million of General Obligation Bonds Series 1992. The City received authorization to issue these bonds by two-thirds vote of the electorate at the June 2, 1992, primary election. Bond proceeds were used for enhancement of the City's emergency response capabilities and for seismic reinforcement of essential public facilities and infrastructure.

(c) General Obligation Bonds Series 1997

On March 15, 1997, the City issued $45,420,000 of General Obligation Bonds Series 1997 to repair, construct, acquire and improve libraries, museums and other cultural and recreational facilities throughout the City. The bonds represent the first and only series of bonds within the authorization approved by the voters of the City on November 5, 1996. The City is obligated to levy ad valorem taxes upon all property subject to taxation within the City, without limitation of rate or amount, for the payment of the principal and interest on the bonds.

Tax Allocation Bonds

(d) Acorn Tax Allocation Refunding Bonds Series 1988

On November 1, 1988, the Agency issued the $3,375,000 of Acorn Tax Allocation Refunding Bonds Series 1988 to advance refund $2,895,000 of Acorn Tax Allocation Refunding Bonds. The bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area allocable to the Agency pursuant to Redevelopment Law. Bonds maturing in 2007 are subject to mandatory sinking fund requirements commencing May 1, 2001, and are subject to prior redemption.

(e) Central District Tax Allocation Refunding Bonds Series 1989A

On August 1, 1989, the Agency issued $92,399,000 of Central District Tax Allocation Refunding Bonds Series 1989A were issued by the Agency. Proceeds of the bonds are being used by the Agency to finance projects and improvements in the Central District Redevelopment Project Area. The bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

As discussed under Central District Subordinated Tax Allocation Refunding Series 1992A, the Agency refunded all of the $51,600,000 term portion and $2,000,000 of the serial portion of the Series 1989A bonds. The increase of $10,729,000 represents the annual interest on the series 1989A capital appreciation bonds.

(f) Central District Senior Tax Allocation Refunding Bonds Series 1992

On November 15, 1992, the Agency issued $97,655,000 of Central District Senior Tax Allocation Refunding Bonds Series 1992 at an effective interest cost of 6.25%. The bonds were issued to defease in substance all of the Agency's Central District Tax Allocation Refunding Bonds Series 1986 in the amount of $84,325,000. The bonds are secured on a senior basis by tax increment revenue of the Agency. The Series 1992 Senior Tax Allocation Refunding Bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area, allocable to the Agency pursuant to Redevelopment Law.

(g) Central District Subordinated Tax Allocation Refunding Bonds Series 1992A

On July 9, 1992, the Agency issued $53,600,000 of Central District Subordinated Tax Allocation Refunding Bonds Series 1992A, at an interest rate of 5.95% to provide a bond equivalent yield of 6.02%. These bonds were used to refund the $51,600,000 term bond portion and $2,000,000 of the serial bond portion of the Agency's Central District Tax

Allocation Refunding Bonds Series 1989A. These bonds are on parity with the Central District Subordinated Tax Allocation Bonds Series 1993A and Central District Tax Allocation Refunding Bonds Series 1989A. These bonds are a limited obligation of the Agency and are payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area allocable to the Agency pursuant to Redevelopment Law.

(h) Central District Subordinated Tax Allocation Bonds Series 1993A

On March 1, 1993, the Agency issued $25,000,000 of Central District Subordinated Tax Allocation Bonds Series 1993A. A portion of the proceeds of the bonds is intended to be used to finance the renovation and reconstruction of the Oakland City Hall and other redevelopment projects in the Central District Redevelopment Project Area. The remaining proceeds were used to establish a capitalized interest account to pay interest charges through March 1, 1995, and to establish a reserve account. The bonds are on parity with the Central District Tax Allocation Refunding Bonds Series 1989A and Central District Subordinated Tax Allocation Refunding Series 1992A bonds, and are a limited obligation of the Agency payable from and secured by a pledge of a portion of tax revenues assessed on property within the Central District Redevelopment Project Area allocable to the Agency pursuant to Redevelopment Law.

(i) Central District Subordinated Tax Allocation Series 1995A

On August 1, 1995, the Agency issued $10,000,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds Series 1995A, at an interest cost of 7.80%. The bonds mature on September 1, 2021. Proceeds of the bonds provide the Agency's portion of the construction costs of the City Administration facilities. Remaining proceeds may be used for other capital expenditures within the Central District Project. These bonds are issued on parity with the Redevelopment Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds Series 1993A, the Agency's Subordinated Tax Allocation Refunding Bonds, Series 1992A and the Agency's Central District Subordinated Tax Allocation Refunding Bonds Series 1989A.

(j) Subordinated Housing Set-Aside Revenue Bonds Series 2000T

On May 1, 2000, the Agency issued Subordinated Housing Set Aside Revenue Bonds, Series 2000T in aggregate principal amount of $39,395,000 at interest rates ranging from 7.39% to 8.03%, which will mature on September 1, 2018. Proceeds of the bonds will be used by the Agency 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 or very low income. The bonds are secured by portion of the 20% housing set-aside tax increment revenues from the City's six redevelopment project areas. These bonds were issued on a federally taxable basis to provide the greatest flexibility on the use of proceeds. A portion of the proceeds ($1,028,641) was used to pay for closing costs such as: cost of issuance, underwriter's discount, insurance premium, and surety bond.

Lease Financings

(k) Oakland JPFA Lease Revenue Bonds Series 1996

On March 15, 1996, the Oakland Joint Power Financing Authority (JPFA) issued Lease Revenue Bonds Series 1996 in the amount of $103,947,000. Bond proceeds were used for the design, construction, rehabilitation and equipping of two buildings which will be part of the administrative center of the City of Oakland. The bonds are payable from revenue consisting primarily of lease payments to be made by the City to the JPFA for certain real property and improvements thereon under a lease agreement.

(l) Oakland Joint Powers Financing Authority Bonds (Convention Centers) Series 2001

On May 23, 2001, the Oakland Joint Powers Financing Authority issued $134,890,000 of 2001 Lease Revenue Bonds to refund the 1992 Lease Revenue Bonds (City of Oakland Convention Centers Project) issued by the California Statewide Communities Development Authority.

The City is making lease payments to the Authority pursuant to the Second Amended and Restated Lease and Sublease Agreement Relating to the Convention Centers dated as of May 1, 2001, between the City and Authority for the use and possession of the Henry J. Kaiser Convention Center and the George P. Scotlan Memorial Convention Center.

(m) Oakland Museum 1992 Series A

On May 15, 1992, the Agency issued $39,408,000 of Refunding Certificates of Participation (Certificates) with an effective interest cost of 6.442% to legally defease the Oakland Museum Certificates of Participation 1987 Series A.

The Agency has leased the Museum's facilities and site to the City under a lease agreement. The Agency is not obligated to make any payments in respect to the Certificates except from the payments by or on behalf of the City pursuant to the lease agreement.

Due to the substance of the financing transaction, the effect of the issuance of the Certificates was recorded directly as an issuance of debt by the City to finance the reacquisition of the Museum. Accordingly, the Certificates are recorded by the City in the General Long-Term Obligations Account Group. The Agency's direct financing lease receivable and City's capital lease obligation are not reflected in the City's general purpose financial statements.

(n) Civic Improvement Corporation

On December 1, 1985, the City entered into various simultaneous agreements to finance the acquisition and construction of capital improvements on City property, such as traffic control devices, street resurfacing, parking lots, garages and the rehabilitation of various City buildings. The following is a summary of the agreements that have been entered into.

Certificates of Participation—The Civic Improvement Corporation (Corporation), a not-for-profit corporation, issued $52,300,000 variable rate demand certificates of participation evidencing the proportionate interests of the owners thereof in lease payments to be made by the City for certain property pursuant to a master lease agreement with the Corporation.

Master Lease Agreement—The City entered into a lease agreement with the Corporation whereby the Corporation agreed to provide financing for certain proposed capital improvements. Under the terms of the agreement, the City agreed to supervise and provide for the construction and improvement of certain City properties. The improvements were paid by the Corporation from the proceeds of the certificates that were held by the Trustee. Once the improvements are completed, the Corporation has agreed to lease the projects to the City. The lease payments to be received by the Corporation are equal to the related principal and interest payments on the certificates.

Letter of Credit—The Letter of Credit (LC) is an irrevocable direct-pay obligation of Landesbank Hessen-Thueringen Gironzentrale. The LC expires August 2, 2002. In aggregate, the City has available under the LC $41,964,876 as of June 30, 2001, of which $41,100,000 may be drawn for the payment of the unpaid principal amount of the certificates and $864,876 may be drawn for payment of interest accrued on the certificates. In order to obtain the LC, the City became obligated to pay commission fees of one-quarter of one percent per annum on the available amount outstanding on the LC. For the year ended June 30, 2001, the City paid a total letter of credit fee of approximately $117,000.

(o) Oakland Joint Powers Financing Authority, Series 1998

The 1998 bonds were issued by the Joint Powers Authority on August 3, 1998, to refund the City of Oakland's Special Refunding Revenue Bonds (Pension Financing), Series 1988A. The bonds were sold in a variable-rate mode, in two series: $131,500,000 Series A-1 and $56,000,000 Series A-2, with a final maturity of August 1, 2021. The bonds are limited obligations of the Authority, payable by base rental payments from the City's General Fund, in exchange for the right to use and possession of a portion of the City's sewer system. The City entered into a $170,000,000 forwarding-starting, floating-to-fixed "synthetic-fixed-rate" swap, at a 5.6775% interest rate, with Goldman Sachs, which commenced on July 31, 1998, and terminates on July 31, 2021. The swap entitles the City to receive variable rate payments equal to the Bond Market Association Municipal Swap Index in exchange for a fixed rate payment to Goldman Sachs. The notional value of the swap declines in accord with the outstanding principal on the bonds.

Special Assessment Debt with Governmental Commitment

(p) Medical Hill Parking District Refunding Improvement Bonds 1994

In April 1994, the City issued $2,020,000 of 1994 Refunding Improvement Bonds Medical Hill Parking Assessment District, Series 3 (Refunding Bonds) at an interest rate of 6.237%. The Refunding Bonds are payable from assessments levied against property owners in the Medical Hill District. In the event of continuing delinquencies in the payment of the property owners' installments, the City, in the absence of any other bidder, is obligated to purchase the delinquent property owner's property at a delinquent assessment sale and pay delinquent and future installments of assessments and interest thereon until the land is resold or bonds are redeemed.

(q) Oakland JPFA Reassessment Revenue Bonds

On July 5, 1999, the Oakland Joint Powers Financing Authority issued bonds in order to refinance the local obligation bonds for two special assessment districts: (1) for a portion of the costs of construction of new underground support services and for repaving the street surfaces in conjunction with the undergrounding of utility lines in the area affected by the October 1991 firestorm (Fire Area Utility Underground Assessment District No. 1994-1), and (2) for a portion of the costs of providing new, enlarged water delivery lines and higher-flow fire hydrants in the upper Rockridge area (Rockridge Water Area Improvements District No. 1994-2). The bonds are rated A- by Standards & Poors Corporation. The bonds are payable from revenues derived from the reassessments levied on the properties in the original two assessment districts.

(r) Oakland JPFA Special Assessment Pooled Revenue Bonds 1996 Series A

In August 1996, the Oakland Joint Powers Financing Authority ("JPFA") issued $465,000 of Special Assessment Pooled Revenue Bonds 1996 Series A. The Bonds were issued pursuant to Resolution No. 96-02 of the JPFA to provide funds for a loan to the City (pursuant to City Resolution No. 72830) for the purpose of funding (1) the installation of certain underground utilities and street light fixtures within four districts in the City of Oakland, and (2) the construction of a sewer line in the Skyline Sewer District. Loan repayment will be secured exclusively by the unpaid portion of special assessments levied upon the properties benefited by the improvements acquired and constructed with the loan proceeds.

(s) Oakland Special Assessment Pooled Revenue Bonds 1997

In December 1997, the Oakland Joint Powers Authority ("JPFA") issued $1,250,000 of Special Assessment Pooled Revenue Bonds, Series 1997. The bonds were issued pursuant to Resolution No. 97-01 of the JPFA to finance the purchase by the JPFA from the City of Oakland Assessment Bonds issued by the City of Oakland. Each issue of Assessment Bonds were issued for the purpose of funding the installation of undergrounding certain utilities and the construction of street lighting within five districts of the City of Oakland. The Assessment Bonds are payable from the unpaid assessments levied upon real property within the five districts.

Special Revenue Bonds

(t) Taxable Pension Obligation Bonds Series 1997

On February 1, 1997, the City issued Taxable Pension Obligation Bonds Series 1997, Sub-series A, comprised of $393,790,000 of Current Interest Bonds and $26,705,000 of Capital Appreciation Bonds and Sub-series B in the amount of $15,795,000 Current Interest Bonds. The proceeds of the bonds were used to fund (1) a portion of the current balance of the City's unfunded actuarial accrued liability (UAAL) for retirement benefits to members of the Oakland Police and Fire Retirement System (PFRS), (2) a portion of the City's current normal contribution to PFRS for the fiscal year ended June 30, 1997, and (3) pay costs of issuance of the Bonds. The payment to PFRS in the amount of $417,173,000 equals the present value of the payments the City would otherwise be required to make to amortize the current balance of the City's UAAL through June 30, 2011, and a portion of the City's normal contribution as stated in (2) above.

In March 1997, the City entered into a debt service deposit agreement with a third party whereby the City received $8,147,000 in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the Pension Obligation Bonds debt service payment is due to the bondholders. The compensation the City received has been recorded in the General Fund as deferred revenue and is being amortized over the 14 year life of the agreement using the effective interest method.

Notes Payable

(u) Koch Financial Corporation

The City entered into a financing agreement with Oracle Credit Corporation in March 1998 for financing costs associated with implementing a new financial and human resources/payroll system. That agreement was subsequently assigned to Koch Financial Corporation. This project will be financed over a five-year period with quarterly payments of $894,950 beginning August 1, 1998, at an interest rate of 4.11%. The total amount to be financed is $15.8 million. The City made an initial down payment of $2.0 million in March 1998. As of June 30, 2001, $15.7 million in costs had been incurred related to implementing these new systems. The balance of the loan as of June 30, 2001, was $5,973,000.

(v) Department of Housing and Urban Development

On July 14, 1995, the City of Oakland and IDG/Banner Urban Ventures, a California Corporation, entered into a Disposition and Development Agreement pursuant to which the City agreed to sell City-owned real property located on Martin Luther King, Jr. Way. The agreement provided that the developer would acquire and renovate the core and shell of buildings on the property. The City borrowed Housing and Urban Development (HUD), Section 108 loan funds in its own name to finance the project. On February 9, 1996, the City terminated the Disposition and Development Agreement with IDG/Banner Urban Ventures and assumed full responsibility in the development of the property to commercial and high technology oriented companies. The total amount of the note was $10,945,000. On July 28, 1998, the City Council passed Resolution No. 12074 C.M.S. authorizing the sale of the property to Children's Hospital Oakland. The balance of the note as of June 30, 2001 was $5,620,000.

In addition to the above note to the City, an additional $9,475,000 remain outstanding in Section 108 loans provided to private sector recipients for housing, business enterprises, and other eligible purposes. These loans are secured by Community Development Block Grant (CDBG) funds with the City.

As of June 30, 2001, the total balance outstanding under the HUD Section loan program was $15,095,000.

(w) Light-Emitting Diode Traffic Signal Conversion Project

The City entered into a financing agreement with Banc One Leasing Corporation in November 1998 for financing costs associated with replacement of incandescent traffic light bulbs. The notes carry an interest rate of 4.3% and a final maturity of July 15, 2003. The total balance outstanding as of June 30, 2001, is $714,000.

(x) Banc One Master Lease

On October 4, 2000, the City of Oakland entered into a Master Lease with Banc One Leasing for $673,000 for fire breathing apparatus. A total of six semiannual lease payments with a stated interest rate of 5.651% of $123,000 which started on April 30, 2001, and will end on October 30, 2003, with final payment of $123,000 and a termination payment of $1.00. As of June 30, 2001, $568,000 remains outstanding.

Current Year Defeasance

In July 2000, the City of Oakland issued $9,000,000 of General Obligation Refunding Bonds, Series 2000E that was used to refund a portion of the General Obligation Bonds Series 1991A, specifically, the maturities from 2003 to 2015. The refunding produced an economic gain (net present value of savings) of $452,000.

In May 2001, the Oakland Joint Powers Financing Authority sold $134,890,000 of lease revenue bonds to refund the outstanding California Statewide Communities Development Authority's Lease Revenue Bonds issued on November 1, 1992. The refunding produced an economic gain (net present value of savings) of $6,906,000.

Prior Year Defeasance

In prior years, the City defeased the Fire Area Utility Underground 1994-1 Series B. The amount outstanding as of June 30, 2001, was $2,490,000.

In prior years, the City defeased its 1976 Pension Revenue Bonds. A portion of the proceeds of the refunding issue was placed in an irrevocable trust to provide for debt service on the defeased bonds. At June 30, 2001, $500,000 of the 1976 Pension Revenue Bonds remained outstanding.

Proprietary and Fiduciary Fund Long-Term Debt

Proprietary and fiduciary fund long-term debt at June 30, 2001, was as follows (in thousands):

	Maturity	Interest Rates	Balance at June 30, 2001
Sewer Service Enterprise Fund			
Construction Loans	1992-2011	3.50%	$ 4,471
	1992-2011	3.50%	646
	1993-2015	3.00%	3,186
			$ 8,303
Internal Service Fund - Master Equipment Lease			
Schedule No. 1	2001-2003	5.46%	$ 3,490
Schedule No. 2	2001-2005	5.40%	3,605
Schedule No. 3	2001-2007	5.39%	9,950
Schedule No. 4	2001-2010	5.43%	7,329
			$24,374
Pension Trust Fund			
Oakland Municipal Employees' Retirement System Revenue Bonds 1976	2002	6.50%	$ 505

In March 1990, the City and East Bay Municipal Utility District (EBMUD) entered into an agreement to secure financing for the rehabilitation of the City's sewer system through the California State Revolving Fund Loan Program.

During the fiscal year ended June 30, 1992, construction was completed on the sewer projects. Upon completion of these projects, the City became liable for its share of the completed project costs. The liability will be repaid, together with interest thereon, to EBMUD in equal annual installments through 2015. The main source of repayment comes from monthly sewer service charges collected from property owners within the EBMUD service area.

In April 2000, the City entered into a Master Lease Purchase Agreement for $28,760,000 in equipment leases. The lease provide funding for the replacement of City vehicles and equipment. The four lease schedules bear interest rates of 5.39% to 5.46% and a final maturity of April 26, 2010.

Discretely Presented Component Unit - Port of Oakland

The Port of Oakland debt at June 30, 2001, was as follows (in thousands):

	Maturity	Interest Rates	Balance at June 30, 2001
Parity Bonds (a)			
1990 Revenue Bonds Series D	2003	6.125-8.00%	$ 19,575
1992 Revenue Bonds Series E	2022	5.00-6.50%	138,315
1993 Revenue Bonds Series F	2009	2.75-5.75%	31,472
1997 Revenue Bonds Series G	2025	3.60-6.00%	82,760
1997 Revenue Bonds Series H	2015	3.60-5.50%	75,595
1997 Revenue Bonds Series I	2019	5.40-5.60%	84,820
1997 Revenue Bonds Series J	2026	5.50%	14,845
2000 Revenue Bonds Series K	2030	5.00-5.88%	400,000
Total Parity Bonds			847,382
Department of Boating and Waterways (DBW) Loans (b)			
Small Craft Harbor Revenue Bonds Series A-D	2009	4.50%	1,492
Small Craft Harbor Revenue Bonds Series 1981	2010	4.50%	1,052
Small Craft Harbor Revenue Bonds Series 1982	2019	4.50%	903
Small Craft Harbor Revenue Bonds Series 1983	2020	4.50%	362
Small Craft Harbor Revenue Bond Series 1993	2029	4.50%	7,378
1991 Marina Planning Loan	2002	4.70%	23
Total DBW Loans			11,210
GE Capital Tax Exempt Loan (c)	2005	4.89%	3,350
Taxable Commercial Paper 1998 Series A (d)	2003	2.40%-4.10%	85,340
Taxable Commercial Paper 1998 Series B (d)	2003	2.355-5.15%	33,780
Special Facilities Revenue Bonds 1992 Series A (e)	2019	5.00%-6.80%	47,500
Unamortized Bond Discount/Premium			(9,743)
TOTAL PORT OF OAKLAND LONG-TERM DEBT			$1,018,819

(a) Parity Bonds

The 1990 Series D Bonds, the 1992 Series E Bonds, the 1993 Series F Bonds, and the 1997 Series G, Series H, Series I, Series J and 2000 Series K Bonds (collectively the Parity Bonds) are payable solely from and secured by a pledge of "Pledged Revenues." The 1989 Indenture and the Supplemental Trust Ninth Indenture, dated February 1, 1997 (the Ninth Supplemental Trust Indenture) define Pledged Revenues as substantially all revenues and other cash receipts of the Port, including amounts held in the Port Revenue Fund and the lesser of Oakland Portside Associate's (OPA) net revenues or $3,300,000, but excluding amounts received from certain taxes, certain insurance proceeds and special facilities revenues. Pledged revenues do not include cash received from Passenger Facility Charges (PFC) unless projects included in a financing are determined to be PFC eligible, in which case PFCs can be pledged for debt service on the bonds. Currently the Port has not included any of these type of projects in a bond issuance. In addition, payment of bond principal and interest on the Parity Bonds when due is guaranteed by municipal bond insurance policies.

The Port has covenanted to achieve Pledged Revenues sufficient to pay: the sum of principal and interest on the outstanding Parity Bonds as they become due and payable in each year; all payments for compliance with terms of the Indenture and Supplemental Indentures, including but not limited to required deposits to any Reserve Fund; all other payments necessary to meet ongoing legal obligations of the Port payable from Pledged Revenues; and all current Operation and Maintenance Expenses (as defined).

The Port has covenanted in the 1989 Indenture to achieve in each fiscal year Net Revenues (as defined) of at least 125% of the actual debt service (as defined) becoming due on the outstanding Parity Bonds less debt service paid in such year from the proceeds of other borrowings. For the year ended June 30, 2001, Net Revenues exceeded this requirement.

The Port has also covenanted in the 1989 Indenture not to issue any additional obligations payable from or secured by Pledged Revenues, which would rank superior to the 1989 Bonds and any outstanding bonds (as defined) under the Ninth Supplemental Trust Indenture. The 1990 Bonds, 1992 Bonds, 1993 Bonds, 1997 Bonds, and 2000 Bonds have been issued at parity. Additional bonds may be issued on a parity or subordinate basis with the outstanding bonds subject to certain debt service coverage ratios and other requirements.

(b) Department of Boating and Waterways Loans

The California Department of Boating and Waterways (DBW) and the Port entered into a loan and operation contract on February 21, 1994, amended on February 20, 1995, September 11, 1995, and September 16, 1996, whereby DBW agreed to make a construction loan to the Port in the amount of $7,176,000. The purpose of the loan is to develop the boating facilities of the Jack London Square marinas. The loan will bear compound interest at the rate of 4.5% per annum and will be paid over twenty-eight years. As of June 30, 2001, $192,000 of accrued interest has been added to the loan due to construction period drawdowns. The current balance of the loan is $7,378,000. Repayment of the loan will begin on August 1, 2001.

Department of Boating and Waterway Loans were issued pursuant to various resolutions of the Board of Port Commissioners and are subordinate to the Parity Bonds.

(c) GE Capital Loan

The Port of Oakland entered into a tax-exempt financing agreement with GE Capital for the purchase of five 40-foot Gillig AirBART shuttle buses and fifteen 35-foot Gillig parking lot shuttle buses. The loan is for $5,000,000 effective November 9, 1998, at the rate of 4.89% for a seven-year term. GE Capital is the lien holder on the buses' title. BART has agreed to share the costs and revenues of the AirBART shuttle service, including the debt service payments.

(d) Commercial Paper

The Port Board authorized a $300,000,000 Commercial Paper program in September 1998. The maximum maturity of the notes is 270 days and the maximum interest rate is 12%. The notes will be issued in three series: tax exempt AMT, tax exempt non-AMT and taxable. $150,000,000 of the notes is backed as to credit and liquidity by an irrevocable letter of credit issued jointly by Commerzbank AG and The Bank of Nova Scotia for a five-year period beginning October 14, 1998. This will allow the Port to refinance the borrowings on a long-term basis. The Port also signed a second letter of credit for an additional $150,000,000 with Bank of America on September 1, 1999, for a three-year period ending September 16, 2002. As of June 30, 2001, the Port had $119,120,000 outstanding under the commercial paper program.

(e) Special Facilities Revenue Bonds 1992 Series A

The Port issued the Special Facilities Bonds 1992 Series A pursuant to a trust indenture dated June 1, 1992. The Special Facilities Bonds were issued to finance the design and construction of certain facilities and improvements on premises situated in the Seventh Street Marine Terminal area.

The Special Facilities Bonds are limited obligations of the Port payable from and secured by the Bond Payment Obligation (as defined) derived by the Port under the Non-exclusive Preferential Assignment Agreement (the Agreement) between the Port and Mitsui O.S.K. Lines, Ltd. (MOL). MOL's rights and obligations under the Agreement have been assigned to and assumed by Trans Pacific Container Service Corp. (TraPac), an affiliate of MOL. TraPac's obligations under the Agreement, including its obligation to make payments sufficient to pay the principal and interest on the Special Facilities Bonds, have also been guaranteed by MOL.

Principal and interest on the bonds when due is also collateralized by an irrevocable direct-pay letter of credit expiring July 1, 2002, issued by The Industrial Bank of Japan, Ltd., Los Angeles Agency. If the letter of credit expires or terminates without being replaced or renewed, the bonds will be subject to mandatory redemption.

CITY OF OAKLAND

Repayment Schedule

The annual requirements to amortize all long-term debt as of June 30, 2001, are as follows (in thousands):

	General Long-Term Debt			
Years Ending June 30,	General Obligation Bonds	Tax Allocation Bonds	Lease Financings	Special Assessment Debt with Governmental Commitment
2002	$ 11,536	$ 22,628	$ 46,151	$ 971
2003	11,416	22,498	45,033	952
2004	11,398	23,709	44,605	951
2005	11,350	23,691	45,921	944
2006	11,281	23,540	45,219	678
Thereafter	180,532	262,048	556,090	11,105
	237,513	378,114	783,019	15,601
Less amounts representing interest and discounts	(100,433)	(159,466)	(295,293)	(6,316)
Principal due at June 30, 2001	$ 137,080	$ 218,648	$ 487,726	$ 9,285

Interest rates related to the Civic Improvement Corporation Certificates of Participation included in the Lease Financings are adjustable. Estimates of future debt service payments included in the schedule above were determined by utilizing the maximum rate allowed under the terms of the Certificates of twelve percent.

Special Revenue Bonds	Notes Payable	Enterprise Fund Debt	Internal Service Fund Debt	Pension Trust Fund Debt	Total Primary Government	Component Unit Port of Oakland
$ 44,437	$ 6,050	$ 915	$ 5,881	$ 230	$ 138,799	$ 185,644
46,884	4,274	915	5,881	318	138,171	67,008
49,461	2,275	915	4,016	—	137,330	66,990
52,181	2,627	915	4,016	—	141,645	66,995
55,051	1,470	915	3,001	—	141,155	73,301
324,159	13,125	5,473	6,126	—	1,358,658	1,458,572
572,173	29,821	10,048	28,921	548	2,055,758	1,918,510
(181,638)	(7,471)	(1,745)	(4,547)	(43)	(756,957)	(899,691)
$ 390,535	$ 22,350	$ 8,303	$ 24,374	$ 505	$1,298,801	$1,018,819

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 in the General Long-Term Obligations Account Group. The debt issued and outstanding at June 30, 2001, follows (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2001
Housing Mortgage Programs			
Housing Revenue Bonds Series D, 1991	$ 112,890	2010-2024	$ 7,425
City of Oakland Insured Refunding Revenue Bonds (Children's Hospital Medical Center of Northern California), 1994 Series A	19,490	05/01/09	13,345
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	64,425	01/01/39	63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/39	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,705
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1988	23,000	07/01/08	14,275
City of Oakland Insured Health Facility Revenue Bonds (East Oakland Health Center Project), Series 1990	2,500	10/01/20	2,225
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	6,685
City of Oakland Variable Economic Development Revenue Bond 1997 Series A (Allen Temple Family Life Center Project)	5,000	08/01/04	4,700
TOTAL			$ 129,505

(11) CONTRIBUTED CAPITAL

A summary of changes in contributed capital for the year ended June 30, 2001, follows (in thousands):

	Primary Government	Component Unit
	Internal Service Funds	Port of Oakland
BALANCE AT JUNE 30, 2000	$ 17,382	$202,903
Depreciation of property and equipment acquired with contributed capital	—	(11,847)
BALANCE AT JUNE 30, 2001	$ 17,382	$191,056

(12) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2001 and 2000, are as follows (in thousands):

	2001	2000
Unpaid claims, beginning of fiscal year	$ 86,550	$79,854
Current year claims and changes in estimates	44,674	20,799
Claim payments	(13,583)	(14,103)
Unpaid claims, end of fiscal year (see Note 10)	$117,641	$86,550

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; injuries to employees; 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.

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 10 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, 2001, the amount of liability determined to be probable of occurrence is approximately $62,144,000. Of this amount, claims and litigation approximating $12,305,000 are estimated to be payable with current expendable resources and are included as accrued liabilities of the General Fund ($11,530,000), the Capital Fund ($200,000), and the Sewer Fund ($575,000). The remainder of $49,839,000 is included in the General Long-Term Obligations Account Group. 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 Agency is 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 of Oakland, none of these claims are expected to have a significant impact on the financial condition of the Agency or its operations.

The City is self-insured for general liability. 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. The City had an actuarial review of its self-insured workers' compensation program in the Fall of 1999. The following information is from the resulting report by the independent actuaries, dated October 5, 1999, and reflects the program as of June 30, 2001. The amount of workers' compensation liability determined to be probable is approximately $55,497,000. Of this amount, approximately $11,117,000 workers' compensation is estimated to be payable with expendable resources and is included as accrued liabilities of the General Fund. The remaining amount of $44,380,000 is included in the General Long-Term Obligations Account Group.

Discretely Presented Component Unit

Workers' Compensation

The Port is exposed to risk of loss related to injuries to employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of $350,000 per accident. Effective February 7, 1997, the Port carries commercial insurance for claims in excess of $350,000.

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 actuarial estimates and include an estimate of claims that have been incurred but not reported. Changes in the reported liability resulted from the following (in thousands):

	2001	2000
Workers' compensation liability at beginning of fiscal year	$ 3,000	$3,000
Current year claims and changes in estimates	854	830
Claim payments	(854)	(830)
Workers' compensation liability at end of fiscal year	$ 3,000	$3,000

General Liability

The Port maintains general liability insurance in excess of specified deductibles. For the airport, coverage is provided in excess of $100,000 in the aggregate up to a maximum of $200,000,000. For the harbor area, coverage is provided in excess of $100,000 per occurrence up to $150,000,000. Liabilities are recorded as accrued expense when it is determined that a loss to the Port is probable and the amount is estimable.

(13) RESERVATIONS AND DESIGNATIONS OF FUND BALANCES

The components of the City's reserved and unreserved-designated fund balances at June 30, 2001, follow (in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds
RESERVED			
Trust obligations	$ —	$ —	$ —
Capital projects	—	26,040	—
Property held for resale	—	—	21,447
Employees' retirement systems	—	—	—
Debt service	—	—	72,616
Encumbrances	1,664	10,713	—
TOTAL RESERVED FUND BALANCES	$ 1,664	$ 36,753	$ 94,063
UNRESERVED-DESIGNATED			
Capital improvement projects	$ 7,808	$ —	$ —

Capital Projects Funds	Pension Trust Funds	Total
$ —	$ 174,734	$ 174,734
182,735	—	208,775
53,506	—	74,953
—	837,468	837,468
—	—	72,616
—	—	12,377
$236,241	$1,012,202	$1,380,923
$ —	$ —	$ 7,808

(14) SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City accounts for operations which provide parks and recreation programs and sewage treatment as enterprise funds. These operations are financed by user charges or interest income. Segment information as of and for the year ended June 30, 2001, follows (in thousands):

	Parks and Recreation	Sewer Service	Total Enterprise Funds
For Year Ended June 30, 2001			
Operating revenues	$ 128	$ 18,738	$ 18,866
Operating income (loss)	(189)	6,041	5,852
Depreciation and amortization	—	2,981	2,981
Operating transfers out	—	(659)	(659)
Interest and other non-operating revenues (expenses), net	21	(278)	(257)
Net income (loss)	(168)	5,104	4,936
Property and equipment - additions (deletions)	(3)	(8,999)	9,002
As of June 30, 2001			
Net working capital	$ 240	$ (1,640)	$ (1,400)
Total assets	491	87,635	88,126
Total equity	469	75,847	76,316
Long-term obligations and advances - Payable from operating revenues	—	8,303	8,303

Parks and Recreation

The City owns and operates two golf courses. The City's policy is to fund these operations through golf course fees and other golf revenues without reliance on the General Fund.

Sewer Service

The City maintains sewer service facilities between the private property hookups and the main collection system operated by the East Bay Municipal Utility District. The City's policy is to fund operations through user charges and/or operating transfers from the General Fund.

(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 Board of Directors of the Authority and the Corporation consists of two council members from the City and two members of the Board of Supervisors from the County. The Board of Directors of the Corporation consists of the City Manager 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 to the City.

The Stadium Bonds are limited obligations of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. Certain revenues collected from Raiders football operations consisting of revenues from the sale of seat rights, as well as annual seat maintenance fees, a portion of net parking and concession revenues and concessionaires' initial fees may be used toward meeting this liability. In the event that such football revenues are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate $11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to $22 million annually in the event of default by the County.

On May 25, 2000, the Authority issued $201,300,000 in series 2000 C and D Refunding Bonds to retire $181,900,000 of the 1995 Variable Rate Lease Revenue Stadium Bonds ($188,500,000 less $6,600,000 principal payment).

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 Agreement) among the Warriors, the City, the County, Coliseum Inc. and the Authority.

Under the original Warriors Agreements, the Arena Bonds are 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 payments from the Warriors of up to $7,428,000 annually from premium seating revenues, the sale of personal seat licenses by the Authority, concessionaire payments and the Arena naming rights. If necessary to prevent a default, additional premium seating revenues up to $10,000,000 may be pledged to service Arena debt. If the above revenues are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to $9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City would have to pay up to $19,000,000 annually in the event of default by the County.

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to Oakland Coliseum Joint Venture.

On September 27, 1997, the City of Oakland, the County of Alameda, and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage. The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium, (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement, and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs. Raider management has filed a cross-complaint seeking the right to resind 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. Raider Management increased their claim against the East Bay Entities for damages to $1.1 billion related to claims of fraudulent inducement. The City is optimistic that it will prevail against Raider Management claims.

In November 1998, the Authority brought an arbitration proceeding against the Golden State Warriors to collect: (1) past due rents for use of the arena; (2) past due amounts of revenue sharing required by the License Agreement; and (3) facility use fees collected by the Warriors for the Authority. The arbitration demand also seeks damages for the Warriors breach of the License Agreement for failure to sell seat rights in the new Arena, a major source of revenue to the Authority. The arbitration was divided into two phases. In the first phase on the collection issues, on October 6, 1999, the arbitrator found that the Golden State Warriors owed in excess of $17 million to the Authority, net of some $720,000 in offsets granted to the Warriors. The second phase of the arbitration was decided in July 2000, when the arbitrator decided that the Warriors breached the License Agreement by failing to sell seat rights in the new Arena. However, the arbitrator awarded no damages to the Authority because he determined the damages could not be quantified. On March 22, 2001, the Superior Court confirmed the arbitrator's awards and entered a judgment against the Warriors for the full amount of the award. The Warriors are currently appealing the judgment.

In fiscal year 1997, the Authority entered an interest rate swap agreement for portions of the bonds issued to finance the Arena improvements. The interest rate swap is for $84,000,000 of the variable rate Arena bonds at a fixed rate of 6.85%. The agreement expires on September 1, 2001, and will not be renewed. The market value loss of the swap at June 30, 2001, is $638,734.

Based on the swap agreements, the Authority owes interest calculated at the fixed rates stated above to the counterparty of the swap. In return, the counterparties owe the Authority interest based on a variable rate that matches the rate required by the variable rate bonds. Only the net difference in interest payments is actually exchanged with the counterparties. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated. The Authority continues to pay interest to the bond holders at the variable rate provided by the bonds. However, during the term of the swap agreement, the Authority effectively pays a fixed rate on the debt. The Authority will be exposed to variable rates if the counterparties to the swaps default or if the swaps are terminated. A termination of any swap agreement may also result in the Authority's making or receiving a termination payment. The Authority is exposed to credit losses in the event of non-performance by any counterparty to these interest rate swaps, but has no off-balance sheet credit risk of accounting loss. The Authority anticipates, however, that each counterparty will be able to fully satisfy its obligations under the respective agreement.

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

Years Ending June 30,	Stadium Debt	Arena Debt
2002	$ 12,816	$ 10,517
2003	12,810	10,589
2004	12,903	10,649
2005	12,876	10,597
2006-2010	61,631	53,522
2011-2015	62,838	54,237
2016-2020	65,274	54,862
2021-2025	68,931	56,258
2026 on	—	11,497
Less interest	(107,329)	(140,028)
Total	$202,750	$132,700

Complete financial statements for the Authority can be obtained from the County Auditor-Controller's office at 1221 Oak Street, Oakland, CA 94612.

The City has a 50% equity interest in the Joint Venture, which has been written off during the current year. 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, to the extent such funding is necessary. During the year ended June 30, 2001, the City made contributions of approximately $13,000,000 to fund its share of operating deficits, as well as its share of the final construction costs of the Arena.

The Authority has anticipated a deficit for 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 $11,500,000 for the 2001-02 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future, therefore the City has established a contingent liability to fund the Authority deficit in the General Long-Term Obligations Account Group at an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $101,375,000. The City has not established a contingent liability for the Arena debt because management is of the opinion that revenues from the Arena, including payments from the Warriors, 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 which 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 General Purpose 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, and benefits and refunds are recognized when payable.

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.

Investments representing 5% or more of the fair value of the OMERS net assets for pension benefits as of June 30, 2001, are as follows:

Stocks	Shares	Market Value
J B Morgan Chase & Company	12,750	$ 568,650
Phillips Petroleum Company	10,000	570,000
SBC Communications	13,000	520,780
Varian Medical Systems	8,000	572,000
		$2,231,430

No investments in any one non-federal organization represented 5% or more of PFRS net assets for pension benefits as of June 30, 2001.

Complete financial statements of the Plans can be obtained from:

William E. Noland, Controller
City of Oakland
150 Frank H. Ogawa Plaza, Suite 6353
Oakland, CA 94612

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 1, 2000	June 30, 2000	June 30, 2000

Significant actuarial assumptions

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the City's actuarial accrued liability.

	PFRS	OMERS	PERS
General wage increase:			
Inflation	4.0%	3.0%	3.5%
Post-retirement benefit increase	4.0%	4.5%	3.8%
Investment return	8.0%	8.0%	8.3%

Employees covered as of June 30, 2001	PFRS	OMERS	PERS	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not currently receiving them	1,486	134	1,962	3,582
Current employees—vested	143	2	2,598	2,743

Police and Fire Retirement System

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).

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. 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 the 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 benefit obligation. The City contributed $22,868,000 to the PFRS during the fiscal year ended June 30, 1997, at an actuarially determined contribution rate of 60.49%. The City issued pension obligation bonds in February 1997 to fund the PFRS through 2011. Bond proceeds in the amount of $417,173,300 were contributed in fiscal 1997 and, as a result, no employer contributions are required through fiscal year 2011.

For the year ended June 30, 2001, employee contributions to PFRS totaling $655,561 were made in accordance with actuarially determined contribution requirements.

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

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions ($ in millions)	Percentage (%) Contributed
1999	—*	—
2000	—*	—
2001	—*	—

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

Oakland Municipal Employees Retirement System

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.

Employee contributions to OMERS totaling $6,258,000 were made during 2001 in accordance with actuarially determined contribution requirements. Employee contributions are refundable with interest at 4.5% per annum if an employee elects to withdraw from the plan upon termination of employment with the City. For the years ended June 30, 2001, 2000 and 1999, the City, in accordance with actuarially determined contribution requirements, was not required to make contributions to OMERS. The actuarial calculations are computed using the projected unit credit cost method and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter. The most recent actuarial valuation determined the funding status to be 190%.

Prior Period Adjustment

The net assets held in trust for pension benefits as of July 1, 2000, have been restated to correct an error that occurred in prior years. The correction of this error eliminated the previously-recorded payable to PERS and recorded a liability to the City for its payments to PERS on behalf of former Retirement System participants that transferred to PERS.

Retirement System participants had the option of transferring to PERS at various times prior to 1971. When these participants elected to transfer to PERS, the Retirement System elected not to liquidate assets to transfer to PERS, but instead established a liability to PERS in lieu of an immediate transfer of assets. This liability to PERS was paid by the City in the form of increased pension contribution rates since 1971.

Accordingly, the payable to PERS as of July 1, 2000, has been eliminated, and a payable to the City has been recorded as of this date. This payable is equal to the net assets held in trust for pension benefits in excess of 125% of the sum of: 1) actuarially-determined benefits payable as of July 1, 1999, and 2) all other liabilities as of June 30, 2000.

Had the error not been made, deductions during the year ended June 30, 2000, would have been reduced by $1,786,895, and the excess of additions over deductions would have been $426,193.

California Public Employees Retirement System

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.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 3.57% for non-safety employees and 6.2564% 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 2000-01, the City's annual pension cost of $24,024,670 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends June 30, 2011.

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

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1999	$19.4	100%	$ 0
2000	23.6	100	0
2001	24.0	100	0

(17) RECONCILIATION OF OPERATIONS ON MODIFIED ACCRUAL BASIS TO BUDGETARY BASIS

The "All Governmental Fund Types and Expendable Trust Funds Combined Statement of Revenues, Expenditures and Changes in Fund Balances" has been prepared on the modified accrual basis of accounting in accordance with GAAP. The General Fund Combined Schedule of Revenues and Expenditures - Budget and Actual on a Budgetary Basis" has been prepared on the budgetary basis, which is different from GAAP.

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget to actual comparison statement 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 March 1997, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $8.1 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 1997 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 14-year life of the agreement. Amortization for the year ended June 30, 2001, was $640,000.

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

	General Fund
Excess of revenues over expenditures - GAAP basis	$ 39,632
Amortization of debt service deposit agreement	(640)
Excess of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	$ 38,992

The General Fund Balance on a Budgetary Basis reconciled to that on a GAAP basis as of June 30, 2001, is as follows (in thousands):

	General Fund
Fund Balance, June 30, 2001 - GAAP Basis	$ 22,796
Prior year debt service deposit agreement recorded on Budgetary Basis in the year of receipt	5,602
Fund Balance, June 30, 2001 - Budgetary Basis	$ 28,398

General Fund Budgetary Basis Fund Balance at June 30, 2001, is composed of the following (in thousands):

	General Fund
Reserved	$ 1,664
Unreserved, designated	7,808
Unreserved, undesignated	18,926
Fund Balance, June 30, 2001 - Budgetary Basis	$ 28,398

(18) 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. Approximately $1,030,749 was paid on behalf of 488 retirees under this program for the year ended June 30, 2001.

(19) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 2001, no funds reported excess expenditures over appropriations.

(20) COMMITMENTS AND CONTINGENT LIABILITIES

Grants and Subventions

Receipts from federal and state financial assistance programs are subject to review and audit by representatives of the federal and state governments to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result from such review and audits.

Due to the nature of the various grant agreements and of the City's grants billing process, certain amounts included in grants receivables have not yet been billed to the granting agencies. Management believes that any amounts ultimately uncollectible on such unbilled grants receivable will not be material to the financial statements.

Construction Commitments

Primary Government

The City has committed funding in the amount of $115,317,930 to a number of capital improvement projects for fiscal years 2001-02 to 2002-03.

Discretely Presented Component Unit

The Port anticipates spending a $1.6 billion (in actual dollars) over the next five years in its capital improvement program. The most significant projects include the development and construction of new container terminals, 50-foot deepening of the channel, roadway improvements, a new airport terminal, and a new airport parking garage and surface parking lots.

As of June 30, 2001, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	$178,702
Aviation	165,094
Commercial real estate	3,653
	$347,449

Other Contingencies

Primary Government

As of June 30, 2001, the Agency has entered into contractual commitments of approximately $6,117,510 for materials and services relating to various projects. These commitments and future costs will be funded by currently available funds, tax increment revenue and other sources.

At June 30, 2001, the Agency was committed to fund $4,964,630 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.

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.

The Port's management believes the total environmental accrual provides for all significant sites containing hazardous substances and petroleum products that are currently considered probable to require investigation and remediation and for which the potential liability can be estimated.

A summary of the environmental liability accounts, included within the Combined Balance Sheet at June 30, is as follows:

	2001
Environmental remediation	$10,162
Miscellaneous compliance	1,606
Total environmental liabilities	$11,768

The Port is presently responsible for remediation and clean-up of three major sites; namely, Keep On Trucking, Seabreeze and Ringsby. The accrued liability associated with these three sites at June 30, 2001, amount to $4,580,000, $1,148,000, and $1,456,000 respectively. These amounts are included in the environmental remediation liability amount of $10,162,000 above. The three sites were all the subject of litigation with parties responsible for the contamination, which resulted in the establishment of a fund from which the Port could meet its regulatory obligations. The remediation of all three sites is currently in the planning phase.

(21) INDIVIDUAL FUND DEFICITS

As of June 30, 2001, the following funds reported deficits in fund balances and/or retained earnings (in thousands):

Internal Service	
Facilities	$ 4,910
Central Stores	3,282

The City's Facilities and Central Stores deficit are expected to be funded through increased user charges for the costs incurred in each fund.

Expendable Trust	
Oakland Redevelopment Agency Projects	$ 4,798

The City's Expendable Trust Oakland Redevelopment Agency deficit is expected to be funded by reimbursements from the Agency.

(22) SUBSEQUENT EVENT

Tax and Revenue Anticipation Notes

On July 26, 2001, the City issued tax and revenue anticipation notes payable of $65,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 2.6%. Principal and interest are due and payable on July 25, 2002.

CITY OF OAKLAND

OAKLAND MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(unaudited)
(In Millions)

Actuarial Valuation Date July 1,	Actuarial Value ($) of Plan Assets[1] (a)	Accrued Actuarial Liability ($) (AAL) (b)	Funded Ratio (%) (a/b)	Actuarial Surplus (AS) ($) (b-a)	Covered Payroll ($) (c)	AS as a Percentage (%) of Covered Payroll [(b-a)/c]
1994	16.2	12.0	135	(4.2)	.119	(3529)
1995[2]	N/A	N/A	N/A	N/A	N/A	N/A
1996	16.9	11.8	143	(5.1)	.124	(4113)
1997[2]	N/A	N/A	N/A	N/A	N/A	N/A
1998	18.8	10.8	174	(8.0)	.137	(5839)
1999	18.2	9.6	190	(8.6)	.150	(5734)
2000[a]	N/A	N/A	N/A	N/A	N/A	N/A

Note: (a) Based on GASB 25, paragraph 35, footnote 17.

(1) At market.

(2) Actuarial valuation conducted biennially.

POLICE AND FIRE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(unaudited)
(In Millions)

Actuarial Valuation Date July 1,	Actuarial Value ($) of Plan Assets[1] (a)	Accrued Actuarial Liability ($) (AAL) (b)	Funded Ratio (%) (a/b)	Unfunded/ (Overfunded) AAL ($) (UAAL) (b-a)	Covered Payroll ($) (c)	UAAL as a Percentage (%) of Covered [(b-a)/c]
1994	304.3	947.4	32.1	643.1	20.1	3200
1995[2]	N/A	N/A	N/A	N/A	N/A	N/A
1996	359.2	983.2	36.5	624.0	19.6	3184
1997[2]	N/A	N/A	N/A	N/A	N/A	N/A
1998	861.4	805.5	106.9	(55.9)	19.0	(294.2)
1999[2]	N/A	N/A	N/A	N/A	N/A	N/A
2000[a]	N/A	N/A	N/A	N/A	N/A	N/A
2001[a]	N/A	N/A	N/A	N/A	N/A	N/A

Note: (a) Based on GASB 25, paragraph 35, footnote 17.

[1] At market.

[2] Actuarial valuation conducted biennially.

APPENDIX C

FORM OF CITY INVESTMENT POLICY

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City of Oakland
And Oakland Redevelopment Agency
Investment Policy
For
Fiscal Year 2002-2003

Prepared by
Treasury Division, Financial Services Agency
Adopted by the City Council and Oakland Redevelopment Agency
On July 23, 2002

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I. General

Authority

Pursuant to Council Resolution Nos. 75855 C.M.S. and 00-38 C.M.S. and in accordance with Government Codes Section 53607, the City Council delegates to the Director of Financial Services/Treasurer the authority to invest the City's and the Agency's operating fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. This Investment Policy is now amended and adopted as of July 2002 and will serve as the City of Oakland's Investment Policy for fiscal year 2002-03 and until further revised. By approval of this Investment Policy the City Council extends the authority and responsibility of the Director of Financial Services Agency/Treasurer to invest or to reinvest the City's and the Agency's funds, or to sell or exchange securities so purchased, all as provided by Government Code Section 53607.

Scope

The Investment Policy applies to the operating funds of the City of Oakland and the Port of Oakland (the "City Operating Portfolio") and the Oakland Redevelopment Agency (the "Agency Operating Portfolio"). As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not governed by this Investment Policy, but rather shall be invested pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds also are not governed by this Investment Policy, but rather by the policies and federal or State statutes explicitly applicable to such funds.

Delegation

Management responsibility for the investment program is specifically delegated to the Treasury Manager who shall establish procedures for the investment program, which are consistent with this Investment Policy. Authorization for investment decisions is limited to the Treasurer, Treasury Manager, and Investment Supervisor. The Treasury Analyst may make decisions only with respect to overnight investments. The Treasury Analyst also may implement investment decisions of the Treasurer, Treasury Manager or Investment Supervisor, with implementation of such approved transactions to be reviewed daily by the Treasurer, Treasury Manager or Investment Supervisor.

Standard of Care

All investments and evaluation of such investments shall be made with regard to the "prudent person" standard of care, that is, with the care, skill, prudence and diligence under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the professional management of their business affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

Ethics and Avoidance of Conflicts of Interest

All officers and employees involved in the investment process shall not engage in any personal business activity, which could conflict with proper execution of the investment program or impair their ability to make impartial investment decisions. Any material financial interests in financial institutions, which do business with the City, should be disclosed to the City Manager. Personal investment transactions are to be subordinate to those of the City, particularly with respect to the timing of purchases and sales. All individuals involved in the investment process are required to report all gifts and income in accordance with California State law.

Internal Control

The Director of Financial Services Agency/Treasurer, Treasury Manager, and Investment Supervisor shall maintain a system of internal controls designed to ensure compliance with the Investment Policy and to prevent losses due to fraud, employee error, misrepresentations by third parties or unanticipated changes in financial markets.

The independent/external auditors shall perform an annual appraisal audit of the investment portfolio to evaluate the effectiveness of the City's investment program as well as its compliance with the Investment Policy. Additionally, the City Auditor's Office is directed to conduct periodic audits of Treasury operations to review its procedures and policies and to make recommendations for changes and improvements, if warranted.

2. *Applicable Ordinances*

Nuclear Free Zone Ordinance

Under the guidelines of a voter-approved Measure, the Oakland City Council approved Ordinance No. 11062 C.M.S., which restricts the City's investment in U.S. Government Treasuries. The Treasurer will make every attempt to invest in any available short-term option that provides approximately the same level of security and return as Treasuries issued by the Government. In the event that no reasonable alternatives exist, or to the extent that the City may experience financial hardship as a result of investment in these alternatives, the City Council may adopt a waiver for a period not to exceed 60 days, as authorized by the Ordinance, allowing the City to invest in U.S. Treasury securities.

Linked Banking Ordinance

Pursuant to Ordinance No. 11067 C.M.S. the City has established a Linked Banking Service Program. This reference applies to depositories for both the City of Oakland and the Port of Oakland banking needs. Depositories are defined within the Ordinance as "all banking services utilized by the City including the Port of Oakland operating fund, with the exception of investments made through investment banks and broker/dealers." Depositories providing services to the City and the Port of Oakland must provide to the City, annually, the information enumerated under Section 3 of the Ordinance.

Tobacco Divestiture Resolution

On February 17, 1998 Council adopted Resolution No. 74074 C.M.S., which prohibits investment in businesses deriving greater than fifteen percent of their revenues from tobacco products. Treasury Division maintains a list of firms excluded from permitted investments due to the tobacco divestiture requirements.

3. The Portfolio

Definition of the Portfolio

For purposes of this Investment Policy, the "Portfolio" or "Fund" consists of the unexpended fund balances of the City of Oakland (including certain operating funds held from time to time for the City's Retirement systems) and the Port of Oakland, and the "Agency Portfolio" or "Agency Fund" consists of the unexpended fund balances of the Oakland Redevelopment Agency. This Investment Policy applies equally to both the City and the Agency, and all references to "Portfolio" or "Fund" are deemed to include that of each respective entity.

As specified in the Government Code, the proceeds of notes, bond issues or similar financings including, but not limited to reserve funds, project funds, debt service funds and capital trust funds derived from such financings, are not included in the Portfolio, but rather shall be invested separately pursuant to their respective bond or trust indentures or the State of California Government Code 53600, as applicable. Similarly, retirement/pension funds and deferred compensation funds are not included in the Portfolio, but rather shall be invested separately pursuant to the respective policies and federal or State statutes explicitly applicable to such funds.

Objectives

Preservation of capital (Safety)

The first and primary goal of the Fund is preservation of capital. Investments shall be made with the aim of avoiding losses due to market value risk, issuer default and broker default. Diversification of the Fund further ensures that potential losses on individual securities do not exceed the income generated on the remainder of the Fund.

Liquidity

Adequate cash on hand to meet cash disbursements and payroll are to be covered through maturing investments. Cash flow modeling is an integral part of the overall cash management responsibilities of the Treasury Division.

Diversity

To reduce the overall portfolio risks while still maintaining market average rates of return is essential. The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 10% of the Fund (excluding proceeds of or pledged revenues for any tax and revenue anticipation notes) is to be invested in any one issue (except the Local Agency Investment Fund).

Yield

While not the primary consideration of the Fund, it is important to recognize that the objectives of the City go beyond the preservation of capital. The Fund is managed to maximize its overall return with consideration of the safety, liquidity, and diversity parameters discussed above.

Custody

All investments of the City/Agency are to be secured through third-party custody and safekeeping procedures. All securities purchased from dealers and brokers shall be held in safekeeping by the City's custodial bank, which establishes ownership, by the City of Oakland or the Agency, as applicable.

All collateralized securities, such as repurchase agreements, are to be purchased using delivery versus payment procedures.

Reporting Requirements

Interim Requirements

The Director of Financial Services Agency/Treasurer will submit a quarterly investment report for each of the City and the Agency within 30 days following the period being reported to the City Council. Such quarterly report will be deemed timely pursuant to this Investment Policy and Government Code Section 53646 so long as it has been placed in the published Council agenda materials within 30 days following the period being reported. The report will include the information required under Government Code Section 53646, including: the type of investment, issuer, date of maturity, par and dollar amount invested (which data may be in the form of a subsidiary ledger of investments); a description any investments under management of contracted parties, if any; current market values and source of valuation; statement of compliance or manner of non-compliance with the Investment Policy; and a statement denoting the ability to meet the Fund's expenditure requirements for the next six months. In addition, the report shall summarize economic conditions, liquidity, diversity, risk characteristics and other features of the portfolio. The report also will disclose the total investment return for the 3-month period. In meeting these requirements, the report shall include an appendix that discloses all transactions during each month and the holdings at the end of each month during the period being reported.

Annual Requirements

The annual report should provide an overall performance appraisal of various investment securities classes, overall economic and interest rate trends, and the overall outlook for the portfolio. As a part of the annual audit, the portfolio will be marked to market as of each June 30 in accordance with requirements of generally accepted accounting principals and the Government Accounting Standards Board. However, unrealized gains or losses will not be distributed.

Derivatives

Callable step-up securities and floaters (which are tied to a short-term index such as 3- or 6-month LIBOR, 3-month Treasury Bills or Fed Funds rate) are considered suitable investments.

Structured notes, capped and range floaters, floating rate notes tied to a long-term index such as Cost of Funds Index, inverse floaters and leveraged floaters are not permitted investments of the Fund at this time.

Collateralized Mortgage Obligations or their derivatives such as interest only strips are not permitted investments at this time.

General Credit Quality

The minimum credit requirement for each security is further defined within the Permitted Investments section of the policy. If securities, which are purchased for the Fund, are downgraded below the credit quality required by the Fund, the Treasurer, in consultation with the Treasury Manager, will determine whether to retain or to sell the security. Evaluation of divestiture of securities will be determined on a case-by-case basis.

Maturity

The average maturity of the investment portfolio shall not exceed 540 days. The maximum maturity for any one investment shall not exceed 5 years unless authority for such investment is expressly granted in advance by the City Council in accordance with Government Code Section 53601.

Trading Policies

Sales Prior to Maturity

"Buy and hold" is not necessarily the strategy in managing the Fund. It is expected that gains will be realized when prudent. Losses are acceptable if the proposed swap/trade clearly enhances the portfolio yield over the life of the new security on a total return basis.

Sufficient written documentation will be maintained to facilitate audit of the transaction. Losses, if any, will be recognized and recorded based on the transaction date.

Purchasing Entities, Broker/Dealers and Financial Institutions

The purchase of any authorized investment shall be made either directly from the issuer or from any of the following:

- Institutions licensed by the State of California as broker/dealer
- Members of a federally regulated securities exchange
- National or state-chartered banks
- Federal or state savings institutions or associations as defined in Finance Code Section 5102
- Brokerage firms reporting as a primary government dealer to the Federal Reserve Bank

The Treasury Manager will maintain a current and eligible list of reputable California primary and regional dealers, brokers and financial institutions with whom securities trading and placement of funds are authorized. A strong capital base credit worthiness, and, where applicable, a broker/dealer staff experienced in transactions with California local governments are primary criteria for inclusion on the City of Oakland's approved list. Approved dealers and brokers shall be limited to primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule) and which provide: proof of National Association of Securities Dealers certification; proof of California State registration; and a completed City of Oakland broker/dealer questionnaire. In addition, prior to approval and annually thereafter, approved dealers and brokers must provide: an audited financial statement; certification of receipt, review of and willingness to comply with the current Investment Policy; and certification of compliance with Rule G-37 of the Municipal Securities Rulemaking Board regarding limitations on political contributions to the Mayor or any member of the City Council or to any candidate for these offices.

The Treasurer or Treasury Manager may remove a firm from the approved list at any time due to: any failure to comply with any of the above criteria; any failure to successfully execute a transaction; any change in broker/dealer staff; or any other action, event or failure to act which, in the sole discretion of the Treasurer or Treasury Manager is materially adverse to the best interests of the City/Agency.

4. *Permitted Investments*

The following securities are permissible investments pursuant to Section 53601 of the Government Code as well as this Investment Policy. Any other investment not specified hereunder shall be made only upon prior approval by the City Council and/or the Agency.

U. S. Treasury Securities

Bills, notes and bonds issued by the U.S. Treasury which are direct obligations of the federal government.

Maximum Maturity:	5 years
Maximum Portfolio Exposure:	20%*
Maximum Issuer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Credit Requirement:	N.A.

* 20% limit is as a result of the Nuclear Free Zone Ordinance, subject also to prior adoption by Council of a waiver for a period not to exceed 60 days allowing investment in U.S. Treasury securities due to specified findings. There is no limitation under the Government Code.

Federal Agencies and Instrumentalities

Notes and bonds of federal agencies, government-sponsored enterprises and international institutions. Not all are direct obligations of the U. S. Treasury but may involve federal sponsorship and/or guarantees, in some instances.

Maximum Maturity:	5 years
Maximum Portfolio Exposure:	None
Maximum Issuer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Credit Requirement:	N.A.

Banker's Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, typically created from a letter of credit issued in a foreign trade transaction.

Maximum Maturity:	180 days
Maximum Portfolio Exposure:	40%
Maximum Issuer Exposure:	10% per issue and 30% of total surplus funds may be in BAs of one commercial bank
Credit Requirement:	Al, P1, or F1 (S&P/Moody's/Fitch)

Commercial Paper

A short-term, unsecured promissory note issued by financial and non-financial companies to raise short-term cash. Financial companies issue commercial paper to support their consumer and/or business lending; non-financial companies issue for operating funds.

Maximum Maturity:	270 days
Maximum Portfolio Exposure:	25%
Maximum Issuer Exposure:	10% of the outstanding paper of the issuer; maximum 10 % per issue
Credit Requirement:	A1 or P1 (S&P/Moody's); or F1 (Fitch)
Eligibility:	Limited to corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by S&P or Moody's, or Fitch.

Asset Backed Commercial Paper

Asset -Backed Commercial Paper ("ABCP") issued by special purpose corporations ("SPCs") that is supported by credit enhancement facilities (e.g. over collateralization, letters of credit, surety bonds, etc.)

Maximum Maturity:	270 days
Maximum Portfolio Exposure:	25% (Not to exceed 25% of total secured and unsecured CP)
Credit Requirement:	Rated "A1" by Standard and Poors, "P1" by Moody', or "F1" by Fitch.
Eligibility:	Issued by special purpose corporations ("SPC") organized and operating in the the United States with assets exceeding $500 million. Restricted to programs sponsored by commercial banks or finance companies organized and operated in the United States. Program must have credit facility that provides at least 100% liquidity. Serialized ABCP programs are not eligible.

Ratings are to be routinely monitored. The Treasurer, Treasury Manager or Investment Supervisor is to perform his/her own due diligence as to creditworthiness.

Medium Term Notes

Corporate Bonds, Corporate Notes and Deposit Notes. Issuers are banks and bank holding companies, thrifts, finance companies, insurance companies and industrial corporations. These are debt obligations that are generally unsecured.

Maximum Maturity:	5 years (additional limitations based on credit, below)
Maximum Portfolio Exposure:	30%
Maximum Issuer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Credit Requirement:	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest. Maturity no greater than 24 months ("A" category) or 36 months ("AA" category).
Eligibility:	Limited to corporations organized and operating within the United States or depository institutions licensed by the United States or any state and operating within the United States.

Negotiable Certificates of Deposit

Issued by commercial banks and thrifts, and foreign banks (Yankee CD's).

Maximum Maturity:	5 years
Maximum Portfolio Exposure:	30%
Maximum Issuer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Credit Requirement:	Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise, for Domestic Banks and Savings & Loans a minimum of C (Thomson Bank Watch) and for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings

Repurchase Agreements

A contractual transaction between the investor and a bank/dealer to exchange cash for temporary ownership or control of securities/collateral with an agreement by the bank/dealer to repurchase the securities on a future date. Primarily used as an overnight investment vehicle.

Maximum Maturity:	360 days
Maximum Portfolio Exposure:	None
Maximum Dealer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Collateral Requirements:	Collateral limited to Treasury and Agency securities (102 - 103%)
Mark-to-market:	Daily
Eligibility:	Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency

Reverse Repurchase Agreements

The mirror image of a repurchase agreement. Used as a source of liquidity when there is a mismatch of cash flow requirement and scheduled maturities. A mechanism to avoid liquidating securities for immediate cash needs. Restricted to securities owned for a minimum of 30 days prior to settlement of the repurchase agreement.

This strategy should be used solely for liquidity and not for arbitrage or leverage purposes.

Maximum Maturity:	92 days
Maximum Portfolio Exposure:	20% (sum of reverse repurchase agreements and securities lending agreements)
Maximum Dealer Exposure:	10% of value of portfolio; maximum 10% per issue
Mark-to-Market:	Daily
Eligibility:	Limited to primary dealers of the Federal Reserve Bank of New York

Secured Obligations and Agreements

Obligations, including notes or bonds, collateralized at all times in accordance with Sections 53651 and 53652 of the Government Code.

Maximum Maturity:	2 years
Maximum Portfolio Exposure:	20% (sum of reverse repurchase agreements and securities lending agreements)
Maximum Issued/Provider Exposure:	Prudent person standard applies overall; maximum 10% per issue
Collateral Requirements:	Collateral limited to Treasury and Agency securities (102 - 103%)
Mark-to-market:	Daily
Credit Requirement:	Issued/Provider rated in "AA" category by at least one national rating agency; or Agreement guaranteed by a "AA" company
Eligibility:	Banks, insurance companies, insurance holding companies and other financial institutions

Certificates of Deposit

Time deposits, which are non-negotiable, issued most commonly by commercial banks, savings and loans and credit unions with federal deposit insurance available for amounts up to $100,000. Deposits in banks, savings and loan associations and federal credit unions with a branch office within Oakland will be made (to the extent permissible by State and federal law or rulings) pursuant to the following conditions:

Maximum Maturity:	Prudent person standard applies
Maximum Portfolio Exposure:	Prudent person standard applies
Maximum Issuer Exposure:	Waive first $100,000 pursuant to Gov. Code 53653 (due to federal insurance); otherwise
Collateral:	as provided in Gov. Code 53652

360 days

Credit Requirement:	For deposits over $100,000: Top 3 rating categories, A, A2 or A (S&P/Moody's/Fitch) being the lowest, if rated by S&P, Moody's or Fitch, otherwise for Domestic Banks and Savings & Loans a minimum standard of C (Thomson Bank Watch) and for Foreign Banks a minimum of B (Thomson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings.
Deposit Limit:	For federally insured deposits of $100,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution.
Depository Selection:	Highest available rate of interest
Institution Requirements:	Most Recent Annual Report

Money Market Mutual Funds

Regulated by the SEC, these funds operate under strict maturity and diversification guidelines. These funds have no federal guarantee but are viewed as a very safe way to invest short-term cash.

Maximum Maturity:	
Maximum Portfolio Exposure:	20%
NAV Requirement:	$1.00
Credit Requirement:	Top ranking or highest letter and numerical rating provided by at least two nationally recognized statistical rating organizations
Investment Advisor Alternative to Ratings:	Registered with the SEC with not less than 5 years experience in investing securities as authorized by the Code, and with assets under management in excess of $500 million
Fund Composition:	Comprised of instruments in accordance with the California State Government Code

N/A

State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by LAIF is $40 million, which is subject to change.

Maximum Maturity:	N/A
Maximum Portfolio Exposure:	None

Local City/Agency Bonds

Bonds issued by the City of Oakland, the Redevelopment Agency or any department, board, agency or authority of the City or the Redevelopment Agency.

Maximum Maturity:	5 years
Maximum Portfolio Exposure:	None
Maximum Issuer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Credit Requirement:	Prudent person standard applies

State of California Bonds

State of California registered state warrants, treasury notes, or bonds issued by the State or by a department, board, agency or authority of the State.

Maximum Maturity:	5 years
Maximum Portfolio Exposure:	None
Maximum Issuer Exposure:	Prudent person standard applies overall; maximum 10% per issue
Credit Requirement:	Prudent person standard applies

Other Local Agency Bonds

Bonds, notes, warrants or other evidences of indebtedness of any local agency within the state.

Maximum Maturity:	5 years
Maximum Portfolio Exposure:	Prudent person standard applied overall; Maximum 10% per issue
Maximum Issuer Exposure:	Prudent person standard applies
Credit Requirement:	Prudent person standard applies

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (this "Disclosure Certificate") is executed and delivered by the **CITY OF OAKLAND, CALIFORNIA** (the "City") in favor of __________, as Fiscal Agent, in connection with the issuance of $__________ City of Oakland, General Obligation Bonds (Series 2002, Measure G) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Fiscal Agent Agreement, dated as of June 1, 2002, between the City and the Fiscal Agent (the "Fiscal Agent Agreement"). The City and the Fiscal Agent covenant and agree as follows:

Section 1. <u>Purpose of the Disclosure Certificate</u>. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

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

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

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

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

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

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

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

"Repository" shall mean each National Repository and each State Repository. Information regarding the National Repositories as of a particular date is available on the Internet at <u>www.sec.gov/info/municipal/nrmsir.htm</u>. Information regarding state information repositories can be found at <u>www.sec.gov/info/municipal/nrmsir.htm#state</u>.

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is currently 30) commencing with the 2001-2002 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

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

(c) The Dissemination Agent shall:

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

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

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

1. The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

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

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

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

5. Outstanding general obligation debt of the City.

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

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

1. Principal and interest payment delinquencies.

2. Non-payment related defaults.

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

4. Optional, contingent or unscheduled bond calls.

5. Defeasances.

6. Rating changes.

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

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

9. Unscheduled draws on credit enhancements reflecting financial difficulties.

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

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

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

If the City determines that knowledge of the occurrence of a Listed Event would be material, the City shall promptly file a notice of such occurrence with each Repository. The City shall have no obligation under this Section 5 to give further notices after the date of the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event.

Notwithstanding any other provision of this Section, the City may amend this Section 5, and any provision of this Section 13 may be waived, provided that the following conditions are satisfied:

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

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

(c) the amendment or waiver either (i) is approved by the Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

Nothing in this Section shall be deemed to prevent the City from disseminating any other information, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

In the event of a failure of the City to comply with any provision of this Section 5 any Bondholder may take such actions as may be necessary and appropriate, including applicable legal remedies to cause the City to comply with its obligations under this Section 5. A default under this Section shall not be deemed an event of default under this Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Section shall be an action to compel performance.

This Section shall inure solely to the benefit of the City, the Participating Underwriters and holders from time to time of the Bonds and no other person shall have any rights hereunder.

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

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

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

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

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

Section 8. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Fiscal Agent, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

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

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

Section 14. Effective Date. This Disclosure Certificate shall be effective on and as of July ___, 2002.

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

If to the City:

City of Oakland
Financial Services Agency
150 Frank H. Ogawa Plaza, Suite 5330
Oakland, California 94612
Attention: Treasury Manager
Telephone: (510) 238-7375
Fax: (510) 238-2059

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

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

IN WITNESS WHEREOF, this Certificate is given this ____ day of June, 2002.

CITY OF OAKLAND, CALIFORNIA

____

City Manager

[FISCAL AGENT]

By:__________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	**THE CITY OF OAKLAND, CALIFORNIA**
Name of Bond Issue:	City of Oakland, California General Obligation Bonds (Series 2002, Measure G) (the " Bonds")
Date of Delivery:	June __, 2002.

NOTICE IS HEREBY GIVEN that the City of Oakland, California (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Fiscal Agent Agreement dated as of June 1, 2002 relating to the Bonds. The City anticipates that the Annual Report will be filed by __________.

Dated: __________

CITY OF OAKLAND, CALIFORNIA

By:____________________
Authorized Representative

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APPENDIX E

BOOK–ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book -entry system has been obtained from DTC and the City takes no responsibility for the accuracy thereof. The City cannot and does not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (all as defined below): (a) payments of principal of, premium if any, and interest on ("Debt Service") the Bonds; (b) confirmations of ownership interest in the Bonds; or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Neither the City nor the Fiscal Agent will have any responsibility or obligations to DTC, the Direct Participants, the Indirect Participants of DTC or the Beneficial Owners with respect to: (1) the accuracy of any records maintained by DTC or any Direct Participants or Indirect Participants of DTC; (2) the payment by DTC or any Direct Participants or Indirect Participants of DTC of any amount due to any Beneficial Owner in respect of the Debt Service on the Bonds; (3) the delivery by DTC or any Direct Participants or Indirect Participants of DTC of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Fiscal Agent Agreement; or (4) any consent given or other action taken by DTC as registered owner of the Bonds.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other names as may be requested by an authorized representative of DTC. One fully registered Bond certificate for each maturity will be issued for the Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides assets servicing for over 2 million issues of U.S. and Non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"), DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of Direct or Indirect the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co, or such other names as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds such as redemptions, renders, defaults, and proposed amendments to the Fiscal Agent Agreement. Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Fiscal Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (or any other DTC nominee) will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns the consenting or voting rights of the DTC nominee to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the Fiscal Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Fiscal Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Fiscal Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Fiscal Agent, or the City may decide to discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

Discontinuation of Book-Entry Only System; Payment to Beneficial Owners

In the event that the book-entry system described above is no longer used with respect to the Bonds, the provisions of the Fiscal Agent Agreement relating to place of payment, transfer and exchange of the Bonds, regulations with respect to exchanges and transfers, bond register, Bonds mutilated, destroyed or stolen, and evidence of signatures of Bond Owners and ownership of Bonds will govern the payment, registration, transfer, exchange and replacement of the Bonds. Interested persons should contact the City or the Fiscal Agent for further information regarding such provisions of the Fiscal Agent Agreement.

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APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

__________, 2002

To: City of Oakland

We have acted as Bond Counsel to the City of Oakland, California (the "City"), in connection with the issuance by the City of $38,000,000 aggregate principal amount of its City of Oakland, General Obligation Bonds (Series 2002A, Measure G) (the "Bonds"), dated as the date hereof. The Bonds are issued under and pursuant to a Resolution of the City Council adopted on June 28, 2002 (the "Resolution"), a Fiscal Agent Agreement, dated as of November 1, 2002 (the "Fiscal Agent Agreement"), between the City and BNY Western Trust Company, as fiscal agent (the "Fiscal Agent"), the Charter of the City and the provisions of the Governmental Code of the State of California. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Fiscal Agent Agreement

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

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

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

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

2. The Bonds have been duly and validly authorized, executed and delivered by the City and constitute valid, legal and binding general obligations of the City, payable as to both principal and interest from the proceeds of a levy of ad valorem taxes on all property subject to such taxes in the City, which taxes are unlimited as to rate or amount (except certain personal property which is taxable at limited rates).

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

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

Respectfully submitted,

APPENDIX G

SPECIMEN OF BOND INSURANCE POLICY

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

SPECIMEN

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

FGIC

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Mandatory California State
Amendatory Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number: **Control Number:** 0010001

SPECIMEN

The insurance provided by this Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
115 Broadway
New York, NY 10006
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC

Mandatory California State
Amendatory Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number: **Control Number:** 0010001

SPECIMEN

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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