

CITY OF OAKLAND CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 1998

PREPARED BY THE BUDGET AND FINANCE AGENCY

DEBORAH EDGERLY • DIRECTOR
WILLIAM J. ZENONI • CONTROLLER

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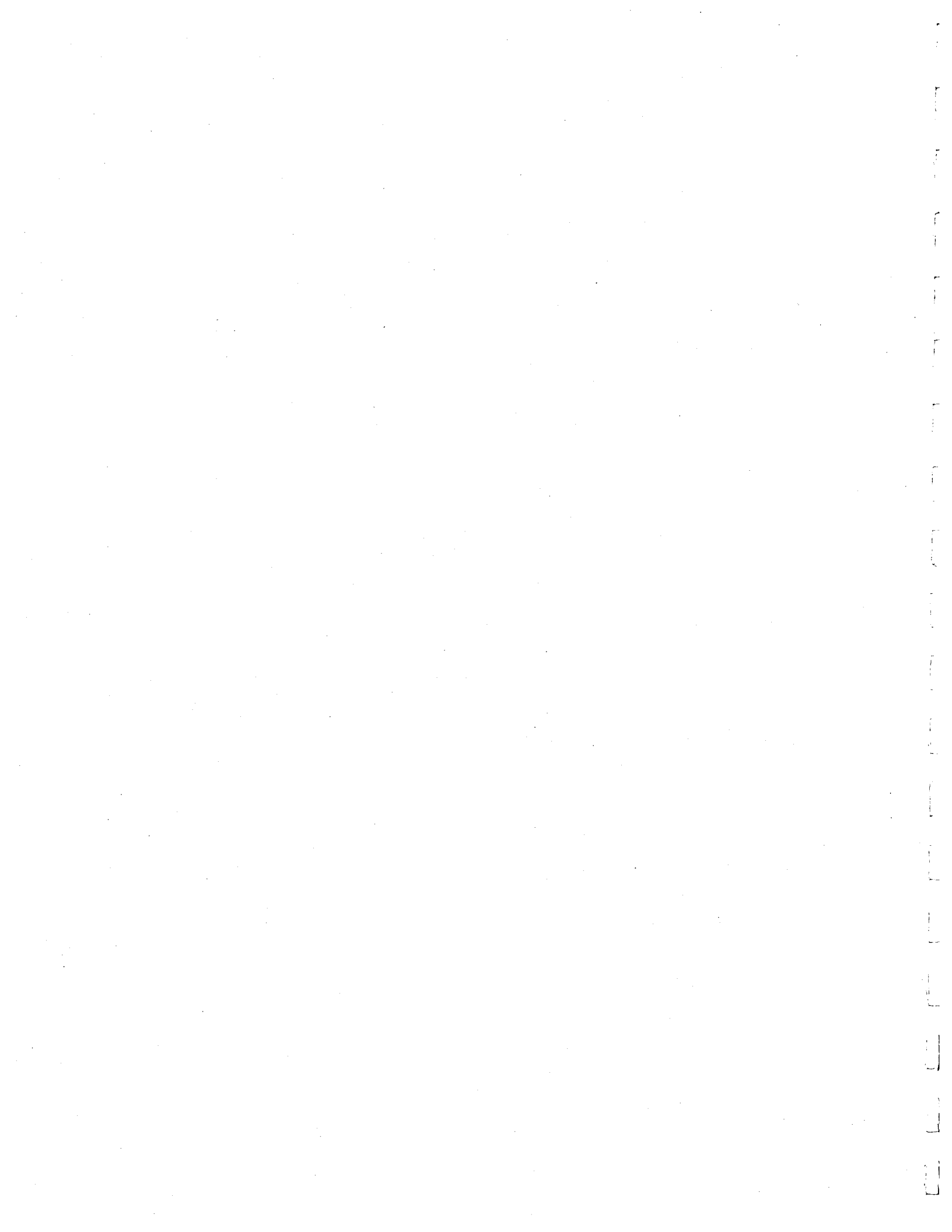
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INTRODUCTORY SECTION



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 1998

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BUDGET AND FINANCE AGENCY

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December 18, 1998

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Budget and Finance Agency has prepared this report to present the financial position of the City for the fiscal year ended June 30, 1998, and to present the results of the City's operations and the cash flows of its proprietary fund types for the year then ended. The general purpose financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections.

The **Introductory Section** includes information about the organizational structure of the City, its accounting and budgetary systems, and its fund structure. This section also has summarized data reflecting the City's financial condition, including an overview of the City and its economy, general government operations, enterprise operations, and debt administration.

The **Financial Section** includes the General Purpose Financial Statements as an overview of the City's entire financial operations. Combining and individual fund and account group statements present the separate funds and account groups that are material. Schedules provide other information and details of data summarized in the general purpose financial statements. These statements and schedules pertain to those operations which, when taken together, make up the reporting entity of the City. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.

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

The accuracy of the City's general purpose financial statements and the completeness and fairness of their presentation, including all disclosures, are the responsibility of City management. We believe that the data, as presented, is accurate in all material respects and is reported in a manner that presents fairly the financial position and the results of operations of the City's various funds and account groups, and that the disclosures will provide the reader with a full understanding of the City's financial affairs.

THE REPORTING ENTITY AND ITS SERVICES

The City has defined its reporting entity in accordance with generally accepted accounting principles which provide guidance for determining which governmental activities, organizations, and functions should be included in the reporting entity. This Comprehensive Annual Financial Report presents information on the activities of the reporting entity, including all of the fund types and account groups of the City and its component units.

Generally accepted accounting principles 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 City operations.

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. In addition to these general government activities, we have included the operations of the Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), and the Oakland Redevelopment Agency (Agency). The operations of the Port of Oakland (including the Oakland International Airport) and the Oakland Convention and Visitors Authority are presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda

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

The City operates under a Council-Manager form of government. The City Council is a nine-member legislative policy making body. There are eight council members and the Mayor who is the Chief elected official. The City Council appoints the City Manager who is responsible for the daily administration of City affairs. The City Council also appoints the City Attorney. The City Auditor is an elected official.

Oakland's Economy

The focus of Oakland's economic public policy is to improve upon its position as the transportation and communication "hub" of the Oakland-San Francisco Bay Area. Supported by creative economic public policy decisions, the Oakland economy has continued its expansion.

Development of the new state, city and federal government office building complex has brought to Oakland thousands of new workers and shoppers. These new workers and shoppers have created new demand for additional merchandise retailers and commercial service providers.

Expansion and modernization of the Oakland International Airport has generated a 6% per annum increase in passenger traffic and a 10% per annum increase in commercial cargo tonnage. Funding is available to continue airport facilities improvements and modernization through the year 2000. The Oakland International Airport will continue as an active participant in the economic health of Oakland.

Because of the collaborative effort of policy makers, managers, and employees of the City of Oakland, Port of Oakland, and the federal government, the Port of Oakland will expand and modernize its maritime facilities and operations. The "Vision 2000 Program" will develop approximately 525 land and water acres of the former Fleet and Industrial Supply Center (FISCO). The program, which began construction during the spring of 1998, consists of five maritime container berths, terminals, and expanded cargo yards; the Joint Intermodal Terminal to accommodate two major transcontinental railways (handling rail-ship-truck transfers of cargo); new harbor roadways; and increased waterfront access for the public. In-process dredging will deepen the Oakland shipping channels to accommodate the new fleet of deep-hull container ships that will dock at Oakland in the future. Additionally, there are plans to develop 190 water acres into an Oakland Harbor Habitat for marine life and waterfowl. Completion of these activities will enable the Port of Oakland to continue its operations as a world leader among modern container handling ports of call for shippers and ships.

Public policy decisions have been made that will improve the quality and quantity of the technical work force ready to meet the challenges of the technological labor market place. The Oakland area public policy makers are working as a team to accomplish the common goal of retaining components of the current economic base and creating an economic environment that will attract and retain new businesses in growth industries. Some of the special programs and projects that have been created to accomplish this goal are as follows:

Oakland Enterprise Zone: This City of Oakland program offers tax incentives designed to stimulate business development and employment growth. The program reduces the cost of doing business by offering a series of tax incentives to companies doing business in the targeted areas.

Job Training Partnership Act (JTPA): City of Oakland, Alameda County, and State of California Private Industry Councils (PIC), provide occupational skills training in a variety of fields: accounting, certified network engineer, computer, general clerical, hazardous waste technician, software applications, truck driving, and welding. JTPA training programs and projects are designed to match the needs of employees and employers.

Employment and Training Directory. The directory lists over 100 employment and training providers that make up the network of organizations, public and private, that are committed to servicing the needs of residents and businesses in the City of Oakland. The directory provides linkage between existing businesses and employment and training programs, develops strategies and data to address the employment needs of business and maximizes employment opportunities for Oakland residents.

Public Safety

For five consecutive years, the City of Oakland has experienced a decrease in crime and an increase in personal safety. In 1997-98, crime was at a five-year low, 3% less than any previous year. Expectations are that the five-year trend of reduction in crime and increase in personal safety will continue into the future. Acts contributing to improved public safety were the City's employment of additional well trained police officers, and full implementation of a Community Policing philosophy throughout the City of Oakland.

Quality of Life

The City of Oakland enriches the lives of its citizens through a variety of cultural, recreational, educational, health and social services programs and projects. In 1997-98, the Museum launched the highly acclaimed and successful "Gold Rush" exhibit commemorating the sesquicentennial of California's gold rush, which was well received by school children, the visiting public and historical scholars alike. Oakland's children, youth and families were better served through the strengthened partnership between the City and the public schools' Homework Assistance and Literacy Program, and cultural and performing arts day camps for children. Oakland has enhanced recreational offerings, added Head Start Program sites and job training for Head Start parents, and dedicated general tax revenue for children's projects and special programs "Oakland Fund for Children and Youth" (Kids First Initiative). The Mayor's Summer Jobs program established an employment bridge between Oakland youth and the local business community. Oakland senior citizens were healthier, more active and better able to remain independent of institutional care through skill development and alternative transportation services. Oakland voters and tax payers are providing special funding to design and construct three new libraries, 12 additional recreational, cultural, and senior facilities, and 35 children play areas, which will increase the City's capacity to provide life enriching experiences for its citizens.

SIGNIFICANT EVENTS AND ACCOMPLISHMENTS

The following significant events and accomplishments were among those reported within the City of Oakland during the 1997-98 fiscal year.

New City Manager

Robert C. Bobb became the City Manager of Oakland in November 1997 after spending 11 years as the City Manager of Richmond, Virginia. Before that, Mr. Bobb served as City Manager of Santa Ana, California and Kalamazoo, Michigan. Mr. Bobb is a nationally recognized leader in the areas of public finance, economic development, public safety and community-based government. Mr. Bobb is a frequent speaker/lecturer on urban issues, and he has served on numerous boards and commissions. He earned the prestigious International City Management Association's L.P. Cookingham Award for Career Development and National Forum of Black Public Administrator's Marks of Excellence Award. In 1993, Mr. Bobb was named by *City & State*, a newspaper for state and local government officials, as the Most Valuable Public Official among professional managers of the country's local governments.

The City Manager's vision includes the reinvention of city government and includes three major initiatives. These initiatives include Banishing Bureaucracy, a comprehensive Public Safety Strategy, and

Community Oriented Government. Oakland's Banishing Bureaucracy initiative is aimed at improving the way the city conducts its business. It is modeled from the work of David Osborne and Peter Plastrik and includes employee teams focused on 7 areas - Control, Customer, Culture, Consequences, Communication, Rules-Busting, and Training.

The Public Safety Strategy is focused on tackling the public safety issues of the city from a comprehensive, coordinated, citywide approach. The strategy includes implementing a crime and grime reduction strategy that focuses on the disparate efforts of individual agencies and departments and brings together existing resources to create a safe and healthy city. Specific programs include Operation Hot Spots, Truancy, Community Court, Court Watch, and Community Prosecutors.

Community Oriented Government is a vision to bring comprehensive, coordinated and strategic services to the community that address the long-term sustainability of the community. The initiative starts by organizing the City of Oakland services to work in partnership with one another and with the collective voice of the community along common geographic boundaries. The City has mobilized itself along 57 community policing beats, 6 service districts and 3 broad management areas as a way to begin this type of service delivery within manageable sized geographic areas.

The "Oakland Government Center"

The center is a 600 million dollar complex of office buildings, parking structures and plazas with gardens and stages. There are five office buildings with 2.3 million square feet of space that house up to 6,500 city, state, and federal employees. There are four parking structures with 2,413 parking spaces. The three plazas have beautiful gardens, fountains, and portable arts stages that are used by government officials and employees, performing arts companies, and the general public. Additionally, the complex has a variety of specialty food restaurants and convenient shops.

Year 2000 Information System

The City of Oakland has undertaken a major project both to resolve the City's computer hardware and software problems that would result from the turn of the century and to fully integrate many previously independently operating programs. To ensure that all information technology is year 2000 compliant and fully integrated, replacement software is being developed for financial reporting, budget development and human resources/payroll. In addition, replacement or upgrade of desktop computers as well as the installation of a new client/server environment to support the new business applications is being completed. All City departments are participating in this project. It is anticipated that the Year 2000 Project will be completed during the 1998-99 fiscal year.

FINANCIAL INFORMATION

Financial Controls

The City's financial controls are maintained primarily within the automated Financial Management System (FMS). This system provides an internal control structure for the proper recording of revenues and expenditures, and maintains budgetary control for the allocation of available resources. These controls are designed to provide reasonable, but not absolute, assurance that: (1) assets are safeguarded

against waste, fraud and inefficient use; and (2) the City's financial records can be relied upon to produce financial statements in accordance with GAAP. The concept of reasonable assurance recognizes that the cost of maintaining the system of internal accounting controls should not exceed benefits likely to be derived, and that the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Single Audit

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to comply with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management, the elected City Auditor's staff, and the City's independent auditor.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Circular A-133, "Audits of State, Local Governments and Non-Profit Organizations." As part of this audit, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial awards programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 1998, provided no instances of material weakness in the internal control structure.

Budgetary Controls

The City's budget is a detailed operating plan which identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and City Council are adopted, implemented and controlled. Note 2 to the General Purpose Financial Statements summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 24, 1997, the City Council voted unanimously to adopt the City's first two-year budget for fiscal years 1997-98 and 1998-99. In June 1998, the City underwent a Mid-Term Budget Review to adjust an expected 1997-98 budget shortfall and 1998-99 budget increases. The 1998-99 increases included funding for retirement cost of the Grass Valley Fire Station and new programs adopted during the 1997-98 fiscal year. The revised 1998-99 budget was approved by the City Council on June 30, 1998.

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

The City also maintains an encumbrance accounting system as a way of accomplishing budgetary controls for governmental funds. Encumbrances which would result in an overrun of an account balance are suspended in the system until additional appropriations are made. Encumbrances outstanding at June 30 are reported as reservations of the appropriate governmental fund's fund balance since they do not constitute expenditures or liabilities. Encumbrances do not lapse but are brought forward to the new year and added to the budget adopted by City Council for that year.

GENERAL GOVERNMENTAL FUNCTIONS

General governmental activities are accounted for in the general, special revenue, debt service and capital projects funds. These funds account for the major portion of the City's operating revenues and expenditures.

Revenues for general governmental activities totaled \$528,306,000 in fiscal year 1997-98, an increase of approximately 12% over the prior fiscal year total of \$472,653,000. The schedule below presents the amount of revenue from specific sources, as well as increases or decreases in relation to the prior fiscal year.

Revenue Classified By Source Governmental Fund Types (In Thousands)

	FY1996-97 <u>Amount</u>	FY1997-98 <u>Amount</u>	Percent of Total	Increase (Decrease) Over Previous Year	
				<u>Amount</u>	<u>Percent</u>
Taxes:					
Property	\$119,813	\$135,605	25.67%	\$15,792	13.18%
State					
Sales and Use	37,253	40,202	7.61	2,949	7.92
Motor Vehicle	15,080	16,410	3.11	1,330	8.82
Gas	<u>7,056</u>	<u>7,209</u>	<u>1.36</u>	<u>153</u>	<u>2.17</u>
Total	<u>59,389</u>	<u>63,821</u>	<u>12.08</u>	<u>4,432</u>	<u>7.46</u>
Local					
Business License	31,935	31,198	5.90	(737)	(2.31)
Utility Consumption	32,783	35,695	6.76	2,912	8.88
Real Estate Transfer	17,645	22,716	4.30	5,071	28.74
Transient Occupancy	7,321	8,466	1.60	1,145	15.64
Parking	4,595	4,837	.92	242	5.27
Franchise	<u>8,579</u>	<u>8,776</u>	<u>1.66</u>	<u>197</u>	<u>2.30</u>
Total	<u>102,858</u>	<u>111,688</u>	<u>21.14</u>	<u>8,830</u>	<u>8.58</u>
Licenses and permits	7,097	7,701	1.46	604	8.51
Fines and penalties	10,218	12,494	2.36	2,276	22.27
Interest/investment	41,569	52,662	9.97	11,093	26.68
Charges for services	33,449	34,483	6.53	1,034	3.09
Federal and state grants and subventions	77,659	85,346	16.15	7,687	9.90
Other	<u>20,601</u>	<u>24,506</u>	<u>4.64</u>	<u>3,905</u>	<u>18.96</u>
TOTAL	<u>\$472,653</u>	<u>\$528,306</u>	<u>100.00%</u>	<u>\$55,653</u>	<u>11.77%</u>

Property tax revenues, including voter approved special taxes, increased 13.2% (\$15.8 million) primarily due to collection of taxes for payment of debt service on general obligation bonds issued in 1997 and increased assessed valuations from increased property sales transactions.

State tax revenues increased 7.5% (\$4.4 million). Sales and Use tax revenue increased 7.9% (\$2.9 million) due to continued economic growth. Motor vehicle license fees increased 8.8% (\$1.3 million) due to the increase in new vehicle sales. The increase of 2.2% (\$.2 million) in state gasoline tax revenues is attributable to increased gasoline prices.

Local tax revenues increased 8.6% (\$8.8 million). Business License tax revenue decreased 2.3% (\$.7 million) due to a slight increase in delinquencies. Utility consumption taxes increased 8.9% (\$2.9 million) due to increased utility rates and growth in the telecommunication sector activity. The increase in Real Estate Transfer tax revenue by 28.7% (\$5.1 million) is due to improved real estate conditions resulting from favorable interest rates. Transient Occupancy tax revenues increased 15.6% (\$1.1 million) due to higher hotel occupancy and increased room rates. Parking tax revenue increased by 5.3% (\$.2 million) due to increased parking stall usage. The 2.3% (\$.2 million) increase in Franchise revenue is due to increased franchise payments from providers of garbage, sewer and cable television utility services.

License and permit revenue increased by 8.5% (\$.6 million) due mainly to increased construction activity in the City's downtown area. Fines and penalties revenue increased 22.3% (\$2.3 million) due to increased enforcement collection efforts.

Interest income increased 26.7% (\$11.1 million) due primarily to interest earned on unexpended 1997 general obligation bond proceeds.

Revenue from service charges increased 3.1% (\$1.0 million) due mainly to collection of additional fees for services provided. Grants and subventions increased 9.9% (\$7.7 million) due to increased grants for Health and Human Services. The increase in Other Revenue of 18.9% (\$3.9 million) is mainly attributed to increased billing to the Port of Oakland for services provided by the City.

Expenditures for fiscal year 1997-98 general governmental functions totaled \$603,984,000, a decrease of 40.1% over the preceding fiscal year total of \$1,008,907,000. This decrease is primarily due to the payment of \$440.4 million to the Police and Fire Retirement System (PFRS) for a portion of the actuarial accrued unfunded liability in fiscal year 1996-97. Expenditures by departments within major service areas, and the increases or decreases in relation to the prior fiscal year, are shown in the schedule on the following page.

**Expenditures Classified by Major Service Area
Governmental Fund Types
(In Thousands)**

	FY1996-97 <u>Amount</u>	FY1997-98 <u>Amount</u>	Percent of Total	Increase (Decrease) Over Previous Year	
				<u>Amount</u>	<u>Percent</u>
Elected and Appointed Officials:					
Mayor	\$ 864	\$ 893	.15%	\$ 29	3.36%
Council	1,647	2,031	.34	384	23.32
City Manager	2,973	2,790	.46	(183)	(6.16)
City Attorney	5,692	4,460	.74	(1,232)	(21.64)
City Auditor	713	902	.15	189	26.51
City Clerk	<u>2,093</u>	<u>2,014</u>	<u>.33</u>	<u>(79)</u>	<u>(3.77)</u>
Total	<u>13,982</u>	<u>13,090</u>	<u>2.17</u>	<u>(892)</u>	<u>(6.38)</u>
Agencies/Departments:					
Personnel Resource Management	<u>4,200</u>	<u>3,807</u>	<u>.63</u>	<u>(393)</u>	<u>(9.36)</u>
Retirement and Risk Administration	<u>895</u>	<u>941</u>	<u>.16</u>	<u>46</u>	<u>5.14</u>
Information Technology	<u>7,365</u>	<u>6,435</u>	<u>1.06</u>	<u>(930)</u>	<u>(12.63)</u>
Budget and Finance	<u>8,938</u>	<u>12,166</u>	<u>2.01</u>	<u>3,228</u>	<u>36.12</u>
Police	<u>97,721</u>	<u>105,248</u>	<u>17.40</u>	<u>7,527</u>	<u>7.70</u>
Fire	<u>53,613</u>	<u>58,151</u>	<u>9.61</u>	<u>4,538</u>	<u>8.46</u>
Life Enrichment					
Parks & Recreation	24,783	24,526	4.05	(257)	(1.04)
Library	12,906	13,425	2.22	519	4.02
Museum	4,557	4,815	.80	258	5.66
Aging	5,716	6,206	1.03	490	8.57
Health and Human Services	<u>11,175</u>	<u>14,134</u>	<u>2.33</u>	<u>2,959</u>	<u>26.48</u>
Total	<u>59,137</u>	<u>63,106</u>	<u>10.43</u>	<u>3,969</u>	<u>6.71</u>
Community and Economic Development					
Public Works	81,247	73,833	12.20	(7,414)	(9.13)
Payment to unfunded pension	440,409	—	—	(440,409)	(100.00)
Other	23,363	30,906	5.11	7,543	32.30
Capital outlay	85,054	82,702	13.67	(2,352)	(2.77)
Debt service	<u>85,365</u>	<u>107,831</u>	<u>17.82</u>	<u>22,466</u>	<u>26.32</u>
TOTAL	<u>\$1,008,907</u>	<u>\$ 604,984</u>	<u>100.00%</u>	<u>\$(404,923)</u>	<u>(40.04)%</u>

Expenditures for Elected and Appointed Officials decreased 6.4% (\$.9 million) during the 1997-98 fiscal year. Mayor's Office expenditures increased 3.4% (\$.03 million) due the to transfer of media relations responsibilities from the City Manager's Office to the Office of the Mayor. Council Office expenditures increased 23.3% (\$.4 million) due to additional personnel and operating and maintenance costs. City Manager expenditures decreased 6.2% (\$.2 million) due to decentralization of the media relations and public information responsibilities and reduced departmental charges to grant projects. City Attorney expenditures decreased 21.6% (\$1.2 million) due mainly to the funding of consulting attorneys' fees under the 'Other' category. City Auditor expenditures increased 26.5% (\$.2 million) due to additional staff to assume responsibilities resulting from a voter-approved Charter amendment. City Clerk expenditures decreased 3.8% (\$.1 million) due to reduced contractual services costs.

Personnel Resource Management expenditures decreased 9.8% (\$.4 million) due to decentralization of certain personnel functions and staff. Retirement and Risk Administration expenditures increased 5.1% (\$.05 million) due to increased staff costs. Office of Information Technology expenditures decreased 12.6% (\$.9 million) due to a reduction in staff.

Budget and Finance expenditures increased 36.1% (\$3.2 million) primarily due to transfer of the parking citation/collection responsibilities and staff from an external consultant to an internal operation.

Police and Fire expenditures increased 7.7% (\$7.5 million) and 8.5% (\$4.5 million), respectively, due to increased personnel and operating costs.

Life Enrichment expenditures increased 6.7% (\$4.0 million) due primarily to increased expenditures for Aging and Health and Human Services programs.

Community and Economic Development expenditures decreased 9.1% (\$7.4 million) due to reduced Redevelopment Agency expenditures for land purchases and low/moderate income housing projects.

Public Works expenditures decreased 1.8% (\$.9 million) due to decreased expenditures for capital projects.

Other expenditures increased 32.3% (\$7.5 million) due mainly to funding outside litigation costs which were previously charged directly to the City Attorney's budget and expenditures related to the Kid's First Program.

Capital outlay expenditures decreased 2.8% (\$2.3 million) due to reduced expenditures on the City Administration Building complex.

Debt Service increased 26.3 % (\$22.5 million) due to debt service payments made on new bond issues.

General Fund Balance

The total fund balance of the General Fund decreased by \$5.2 million to \$24.5 million. The reserved portion increased by \$1.5 million to \$4.3 million due to increased year-end encumbrances. The unreserved designated portion decreased by \$2.3 million to \$11.7 million while the undesignated portion decreased by \$4.4 million to \$8.5 million.

PROPRIETARY OPERATIONS

Enterprise Funds are used to account for public service operations that are financed and operated similarly to private businesses. The costs, including depreciation, of providing goods or services are recovered in whole or in part through user charges. The following schedule shows actual revenues, expenses, including depreciation, and results of operations for the fiscal year ended June 30, 1998.

Revenues, Expenses, and Results of Operations
Enterprise Funds
(In Thousands)

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>
Parks and Recreation	\$ 905	\$ 780	\$ 125
Sewer Service	<u>16,928</u>	<u>11,886</u>	<u>5,042</u>
TOTAL	<u>\$17,833</u>	<u>\$12,666</u>	<u>\$5,167</u>

Internal Service Funds are used to account for operations that provide goods or services to other departments and agencies of the City on a cost-reimbursement basis. Internal service funds should break even over the long term and therefore will have net losses from time to time to offset net income. The following table shows actual revenues, expenses, including depreciation, and results of operations for the fiscal year ended June 30, 1998.

Revenues, Expenses, and Results of Operations
Internal Service Funds
(In Thousands)

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income (Loss)</u>
Equipment	\$11,584	\$13,728	\$(2,144)
Radio	1,435	1,016	419
Facilities	10,928	11,930	(1,002)
Reproduction	1,024	997	27
Central Stores	<u>1,762</u>	<u>1,962</u>	<u>(200)</u>
TOTAL	<u>\$26,733</u>	<u>\$29,633</u>	<u>\$(2,900)</u>

Fiduciary Operations

Fiduciary operations consist of trust and agency funds. Trust funds, including pension and expendable trusts, account for resources held by the City which must be spent as provided in legal trust agreements and related state laws. Agency funds account for assets held for other funds, governments, or private organizations or individuals. Agency funds do not measure the results of operations.

The City maintains two pension systems: the Oakland Municipal Employees' Retirement System (OMERS) for civilian employees hired before September 1970; and Oakland Police and Fire Retirement System for uniformed employees hired before July 1976. All other full-time employees belong to the California Public Employees' Retirement System (PERS) administered by the State of California. The City also holds in trust monies for employees who elect to have a portion of their earnings placed in a deferred compensation plan.

OMERS and PFRS had (overfunded) unfunded pension benefit obligations of \$(5.1) million and \$624.0 million, respectively, based on actuarial valuations as of June 30, 1996. On an annual basis, the City is funding the amounts that have been actuarially determined to meet the required obligations by July 1, 2020, for OMERS and by July 1, 2026, for PFRS. The City issued pension obligation bonds in February 1997 to fund the PFRS until the year 2011. Bond proceeds in the amount of \$417.2 million

were transferred to the plan for investment. This information will be reflected in the next actuarial valuation. The PERS (overfunded) liability as of June 30, 1996, was (\$93.5) million.

The City has fiduciary responsibility for various expendable trust funds, including the Oakland Redevelopment Agency Projects Fund, the Pension Annuity Fund, the Other Expendable Trusts Fund, and the Parks, Recreation and Cultural Trust Fund. Assets in the Deferred Compensation Fund are included in the agency funds.

DEBT ADMINISTRATION

As of June 30, 1998, the City and the Agency had various types of debt outstanding in the Long Term Obligations Account Group. The general debt includes \$136.1 million of general obligation bonds, \$191.8 million of tax allocation bonds, \$326.9 million of lease financing debt, \$10.9 million of special assessment debt, and \$598.0 million of special revenue bonds.

The City received authorization to issue \$60 million of General Obligation Bonds by a two-thirds vote of the electorate in favor of "Measure K" on 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 Series 1997C, leaving the authorized but unissued amount of \$10,750,000.

Obligations of the proprietary and fiduciary fund types are not included in the General Long-Term Obligations Account Group. Proprietary fund types had \$10.1 million outstanding at June 30, 1998. These were Sewer Fund loans issued for construction projects. As of June 30, 1998, fiduciary fund types had \$1.8 million of OMERS Revenue Bonds outstanding, which were issued to repay a loan made by the City to OMERS.

The Port of Oakland, a discretely presented component unit, had various revenue bonds and other Port certificates and notes of indebtedness. These issues were used to finance Port activities and total \$539.9 million.

In addition to long-term debt, the City issues short-term Tax and Revenue Anticipation Notes (TRAN) to cover working capital needs of the General Fund during the fiscal year. For fiscal year ended June 30, 1998, a \$60 million TRAN was issued. The City maintained its MIG 1, SP-1+ and F-1+ credit ratings. These notes were retired on June 30, 1998.

CASH MANAGEMENT

To maximize interest income and maintain liquidity, the City pools certain operating cash and investments and invests these monies in securities of various maturities. These monies and separate operating funds of the Redevelopment Agency are invested pursuant to the City's Investment Policy. Investments are selected for safety, liquidity, yield, compliance with Section 53601 of the California Government Code, and compliance with the Nuclear Free Zone, Burma, Nigeria, and Linked Banking Ordinances, and the Tobacco Divestiture Resolution. Investments are secured by collateral as required

under law, with maturity dates staggered to ensure that cash is available when needed. The City Council receives monthly reports on the performance of the City's pooled investment program.

The Investment Policy include federal agency issues, bankers' acceptances, commercial paper, corporate stocks and bonds with ratings of A1 or P1 by either Standard and Poor's Corporation or Moody's Investor Service Inc., negotiable certificates of deposit, Local Agency Investment Fund and repurchase agreements.

RISK MANAGEMENT

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

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

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

INDEPENDENT AUDIT

An independent audit by certified public accountants is important in determining the reliability of these general purpose financial statements and supporting records. The importance of such verification has been recognized by the federal government, the State government, the City's Charter, bond holders and sellers, and the general public. The certified public accounting firm of KPMG LLP was selected to perform this audit beginning with fiscal year 1996-97. Their report on the General Purpose Financial Statements and schedules is included in the financial section of this CAFR. Additionally, the Port of Oakland, the Oakland Municipal Employees Retirement System, the Police and Fire Retirement System, the Oakland-Alameda County Coliseum Authority, and the Oakland Redevelopment Agency were separately audited by other independent certified public accounting firms.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.


A Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for the last ten consecutive years (fiscal years ended 1988-1997). We believe our current report continues to conform to the Certificate of Achievement Program requirements, and are submitting it to the GFOA to be considered for another certificate.

The City also received the GFOA's Award for Distinguished Budget Presentation for its biennium budget beginning July 1, 1997. The City's budget document was judged to be proficient in several categories including policy documentation, financial planning and effective communication. The 1997-99 Adopted Policy Budget was unanimously rated "outstanding" as a policy document and operations guide. The award is likewise valid for two years. The City of Oakland has received the Distinguished Budget Presentation Award for nine consecutive years. We believe our current budget continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

ACKNOWLEDGMENTS

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

Respectfully submitted,


Deborah Edgerly, Director
Budget and Finance Agency

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland,
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

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



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

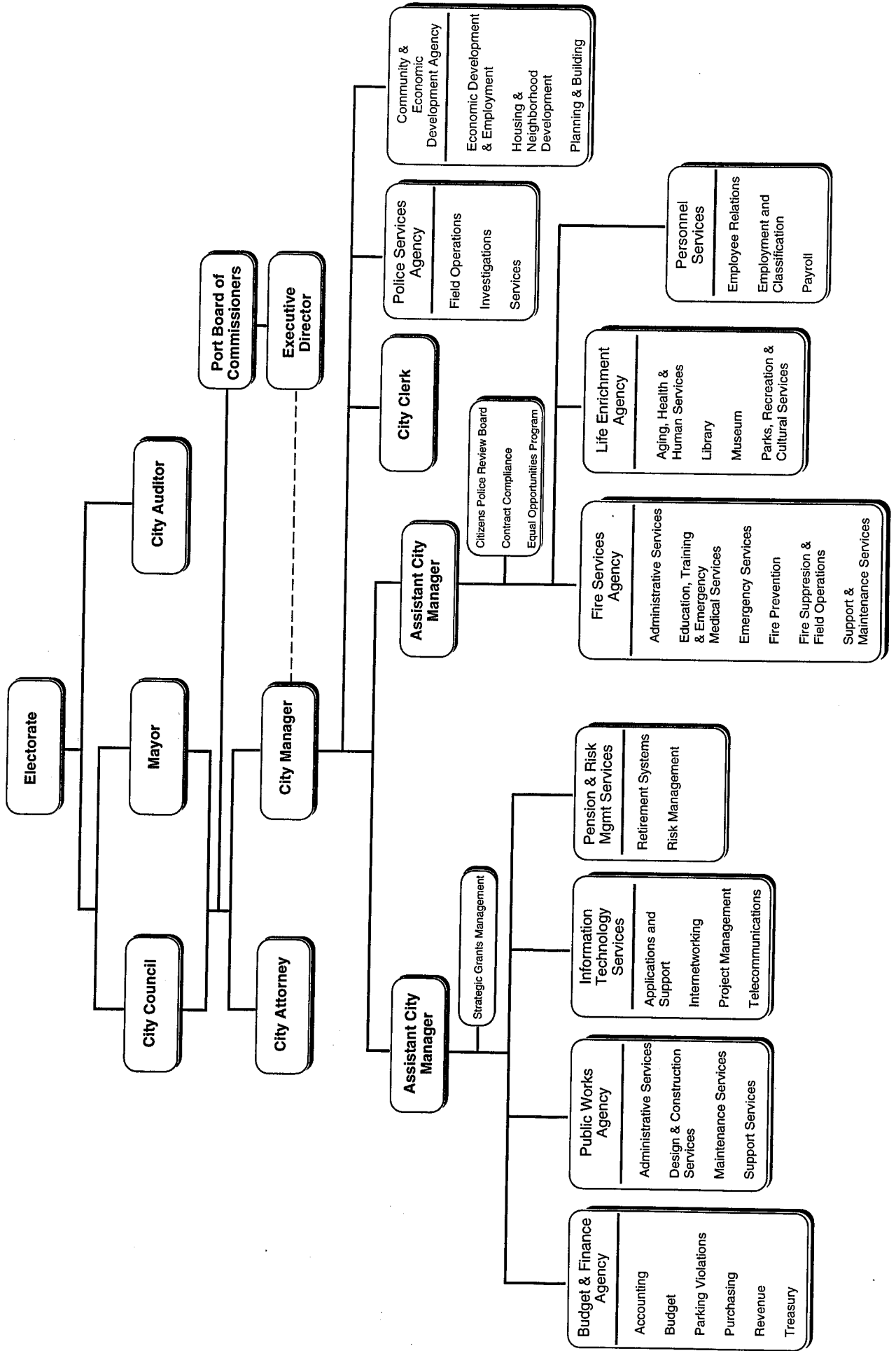
**PRESENTED TO
City of Oakland,
California**

**For the Biennium Beginning
July 1, 1997**

Linda K. Savitsky
President

Jeffrey L. Esser
Executive Director

CITY OF OAKLAND ORGANIZATION CHART





DIRECTORY OF CITY OFFICIALS
COUNCIL-MANAGER FORM OF GOVERNMENT
June 30, 1998

CITY COUNCIL

Elihu M. Harris, *Mayor*
Ignacio De La Fuente, *Vice-Mayor, District 5*

District 1 - Jane Brunner
District 4 - Dick Spees

District 2 - John Russo
District 6 - Nate Miley
At-Large - Henry Chang, Jr.

District 3 - Nancy Nadel
District 7 - Larry Reid

COUNCIL APPOINTED OFFICERS

Robert C. Bobb, *City Manager*
Jayne Williams, *City Attorney*

ELECTED OFFICER

Norma Ng Lau, *City Auditor*

Assistant City Managers

Dolores E. Blanchard
George Musgrove

City Clerk

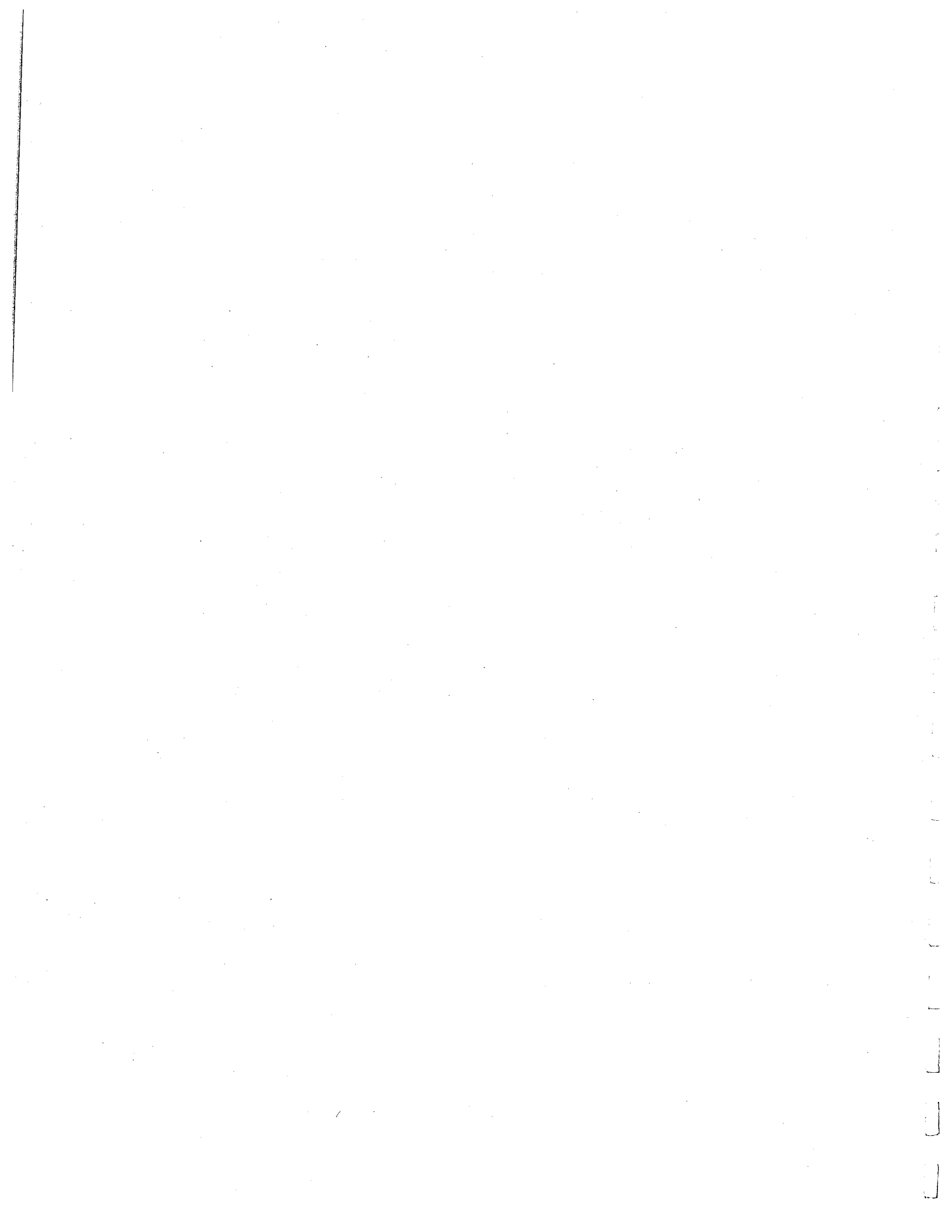
Ceda Floyd

AGENCY DIRECTORS

Budget & Finance
Police Services
Fire Services
Life Enrichment
Public Works
Community and Economic Development

Deborah Edgerly
Joseph Samuels
John Baker
Floretta Chisom, Interim
Terry E. Roberts
William Claggett

FINANCIAL SECTION





One Kaiser Plaza
Oakland, CA 94612

Independent Auditors' Report

Honorable Mayor and Members of the
City Council of the 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, 1998, 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 0%, respectively, of the combined totals of the Special Revenue Funds; 31% and 27% of the combined totals of the Debt Service Funds; 45% and 54% of the combined totals of the Capital Projects Funds; 78% and 85% of the combined totals of the Fiduciary Fund Types and 15% 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 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.



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Independent Auditors' Report, Continued

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, 1998, 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 generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 1998 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in notes 3 and 16 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments, Pools*, and Statement No. 27, *Accounting for Pensions by State and Local Employers*.

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 of the general purpose financial statements (other than the financial statements of the Oakland Municipal Employees' Retirement System, the Police and Fire Retirement System, the Oakland Redevelopment Agency, and the Port of Oakland, which were audited by other auditors whose reports expressed unqualified opinions) and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

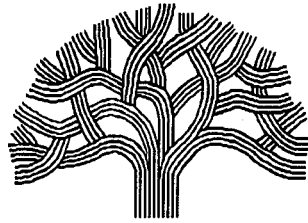
The statistical section listed in the accompanying table of contents is presented for the purpose of additional analysis and it not a required part of the general purpose financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we do not express an opinion thereon.

October 30, 1998, except as to note 21, which
is as of December 17, 1998

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GENERAL PURPOSE
FINANCIAL STATEMENTS

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CITY OF OAKLAND



**ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
COMBINED BALANCE SHEET**

June 30, 1998

(In Thousands)

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
ASSETS AND OTHER DEBITS						
Assets						
Cash and investments	\$ 7,927	\$ 17,874	\$ 7,749	\$ 85,062	\$ 9,296	\$ 16,149
Receivables (net of allowance for uncollectibles):						
Accrued interest and dividends	692	1,524	256	8,019	—	—
Property taxes	1,960	613	200	72	30	—
Accounts receivable	30,310	886	5	4,115	2,340	209
Grants receivable	—	33,230	—	—	—	—
Special assessments	—	—	1,735	—	—	—
Receivable from Port of Oakland	8,179	—	—	—	—	—
Due from other funds	62,708	8,808	—	6,924	106	1,853
Due from other governments	—	—	—	150	—	—
Notes and loans receivable (net of allowance for uncollectibles)	13,709	71,180	—	37,303	—	—
Restricted cash and investments	24	8,826	83,815	238,863	—	—
Inventories	—	—	—	—	—	850
Fixed assets (net, where applicable of accumulated depreciation)	—	—	—	—	65,622	12,107
Property held for resale	—	—	21,447	49,432	—	—
Other	2,708	169	—	2,407	—	30
Other Debits						
Amount available in debt service funds	—	—	—	—	—	—
Amount to be provided for long-term obligations	—	—	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 128,217</u>	<u>\$ 143,110</u>	<u>\$ 115,207</u>	<u>\$ 432,347</u>	<u>\$ 77,394</u>	<u>\$ 31,198</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Units		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Oakland Convention & Visitors Authority	Reporting Entity
\$1,058,099	\$ —	\$ —	\$1,202,156	\$ 96,833	\$ 5	\$1,298,994
5,175	—	—	15,666	3,749	—	19,415
—	—	—	2,875	—	—	2,875
685	—	—	38,550	25,169	—	63,719
—	—	—	33,230	—	—	33,230
—	—	—	1,735	—	—	1,735
—	—	—	8,179	—	—	8,179
864	—	—	81,263	—	—	81,263
—	—	—	150	—	—	150
—	—	—	122,192	—	—	122,192
336,865	—	—	668,393	129,359	—	797,752
—	—	—	850	—	—	850
—	675,356	—	753,085	815,157	—	1,568,242
—	—	—	70,879	—	—	70,879
8	—	—	5,322	29,657	—	34,979
—	—	70,154	70,154	—	—	70,154
—	—	<u>1,385,356</u>	<u>1,385,356</u>	—	—	<u>1,385,356</u>
<u>\$1,401,696</u>	<u>\$675,356</u>	<u>\$1,455,510</u>	<u>\$4,460,035</u>	<u>\$1,099,924</u>	<u>\$ 5</u>	<u>\$5,559,964</u>

(continued)



ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS

COMBINED BALANCE SHEET, continued

June 30, 1998

(In Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities						
Accounts payable and accrued liabilities	\$ 49,646	\$ 9,875	\$ 14	\$ 10,014	\$ 456	\$ 2,533
Due to other funds	10,956	27,290	26,976	5,557	308	7,128
Payable to primary government	—	—	—	—	—	—
Deferred revenue	42,646	77,698	1,735	54,193	—	—
Matured bonds and interest payable	—	—	16,256	—	—	—
Long-term obligations	—	—	—	—	10,103	—
Obligations under deferred compensation plans	—	—	—	—	—	—
Due to bond holders	—	—	—	—	—	—
Other	505	154	72	1,289	—	—
Securities lending liability	—	—	—	—	—	—
Total liabilities	<u>103,753</u>	<u>115,017</u>	<u>45,053</u>	<u>71,053</u>	<u>10,867</u>	<u>9,661</u>
Equity and Other Credits						
Investment in general fixed assets	—	—	—	—	—	—
Contributed capital	—	—	—	—	—	17,382
Retained earnings	—	—	—	—	66,527	4,155
Fund balances:						
Reserved for pension benefits	—	—	—	—	—	—
Reserved	4,276	19,927	70,154	361,294	—	—
Unreserved:						
Designated	11,724	6,125	—	—	—	—
Undesignated	8,464	2,041	—	—	—	—
Total equity and other credits	<u>24,464</u>	<u>28,093</u>	<u>70,154</u>	<u>361,294</u>	<u>66,527</u>	<u>21,537</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 128,217</u>	<u>\$ 143,110</u>	<u>\$ 115,207</u>	<u>\$ 432,347</u>	<u>\$ 77,394</u>	<u>\$ 31,198</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Units		Total (Memorandum Only)
	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Oakland Convention & Visitors Authority
\$ 12,283	\$ —	\$ —	\$ 84,821	\$ 37,746	\$ 5	\$ 122,572
3,048	—	—	81,263	—	—	81,263
—	—	—	—	8,179	—	8,179
—	—	—	176,272	5,723	—	181,995
—	—	—	16,256	15,981	—	32,237
1,600	—	1,455,510	1,467,213	539,918	—	2,007,131
125,101	—	—	125,101	29,291	—	154,392
12,180	—	—	12,180	—	—	12,180
8	—	—	2,028	17,112	—	19,140
<u>208,103</u>	<u>—</u>	<u>—</u>	<u>208,103</u>	<u>—</u>	<u>—</u>	<u>208,103</u>
<u>362,323</u>	<u>—</u>	<u>1,455,510</u>	<u>2,173,237</u>	<u>653,950</u>	<u>5</u>	<u>2,827,192</u>
—	675,356	—	675,356	—	—	675,356
—	—	—	17,382	176,763	—	194,145
—	—	—	70,682	269,211	—	339,893
867,913	—	—	867,913	—	—	867,913
170,607	—	—	626,258	—	—	626,258
—	—	—	17,849	—	—	17,849
853	—	—	11,358	—	—	11,358
<u>1,039,373</u>	<u>675,356</u>	<u>—</u>	<u>2,286,798</u>	<u>445,974</u>	<u>—</u>	<u>2,732,772</u>
<u>\$1,401,696</u>	<u>\$ 675,356</u>	<u>\$1,455,510</u>	<u>\$4,460,035</u>	<u>\$1,099,924</u>	<u>\$ 5</u>	<u>\$5,559,964</u>

(concluded)



**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES**

Year ended June 30, 1998

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes:				
Property	\$ 76,624	\$ 22,071	\$13,069	\$23,841
State:				
Sales and Use	32,936	7,266	—	—
Motor Vehicle In-lieu	16,410	—	—	—
Gas	—	7,209	—	—
Local:				
Business License	31,198	—	—	—
Utility Consumption	35,695	—	—	—
Real Estate Transfer	22,716	—	—	—
Transient Occupancy	8,466	—	—	—
Parking	4,837	—	—	—
Franchise	8,776	—	—	—
Licenses and permits	7,690	11	—	—
Fines and penalties	11,873	612	9	—
Interest and investment income	5,793	1,425	12,546	32,898
Charges for services	30,920	1,183	—	2,380
Federal and state grants and subventions	6,242	78,904	—	200
Pension annuity distribution	—	—	—	—
Other	14,730	7,061	20	2,695
TOTAL REVENUES	\$314,906	\$125,742	\$25,644	\$ 62,014

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
\$ —	\$135,605
—	40,202
—	16,410
—	7,209
—	31,198
—	35,695
—	22,716
—	8,466
—	4,837
—	8,776
—	7,701
—	12,494
739	53,401
27	34,510
—	85,346
18,762	18,762
<u>806</u>	<u>25,312</u>
<u>\$20,334</u>	<u>\$548,640</u>

(continued)



**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued
Year ended June 30, 1998
(In Thousands)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	\$ 893	\$ —	\$ —	\$ —
Council	2,016	—	—	15
City Manager	2,750	1	—	39
City Attorney	4,046	339	—	75
City Auditor	902	—	—	—
City Clerk	1,899	—	—	115
Agencies/Departments:				
Personnel Resource Management	3,747	26	—	34
Retirement and Risk Administration	941	—	—	—
Information Technology	6,166	24	—	245
Budget and Finance	10,610	722	305	529
Police Services	103,241	1,955	—	52
Fire Services	55,707	2,442	—	2
Life Enrichment				
Parks and Recreation	9,978	14,036	—	512
Library	8,512	4,769	—	144
Museum	4,815	—	—	—
Aging	2,242	3,964	—	—
Health and Human Services	1,018	13,116	—	—
Community and Economic Development	14,775	39,068	—	19,990
Public Works	29,359	14,243	—	3,166
Other	13,693	9,391	286	7,536
Capital outlay	1,967	14,823	—	65,912
Debt service:				
Principal repayment	—	—	26,664	—
Interest charges	2,520	—	78,647	—
TOTAL EXPENDITURES	<u>281,797</u>	<u>118,919</u>	<u>105,902</u>	<u>98,366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 33,109</u>	<u>\$ 6,823</u>	<u>\$(80,258)</u>	<u>\$(36,352)</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Fiduciary Fund Type</u> Expendable Trust	Total (Memorandum Only)
\$ 143	\$ 1,036
366	2,397
57	2,847
1,044	5,504
—	902
42	2,056
—	3,807
—	941
—	6,435
292	12,458
1,015	106,263
—	58,151
23	24,549
173	13,598
141	4,956
—	6,206
—	14,134
5,144	78,977
1,825	48,593
5,347	36,253
644	83,346
—	26,664
—	81,167
<u>16,256</u>	<u>621,240</u>
<u>\$ 4,078</u>	<u>\$ (72,600)</u>

(continued)



**ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued**

Year Ended June 30, 1998

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, BROUGHT FORWARD	<u>\$ 33,109</u>	<u>\$ 6,823</u>	<u>\$(80,258)</u>	<u>\$ (36,352)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	—	—	—	1,250
Property sale proceeds	255	672	—	3,461
Operating transfers in	34,869	8,834	73,308	9,066
Operating transfers out	(70,971)	(1,925)	(407)	(40,337)
Other proceeds of long term debt	—	—	—	3,232
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,847)</u>	<u>7,581</u>	<u>72,901</u>	<u>(23,328)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,738)	14,404	(7,357)	(59,680)
Fund balances at beginning of year	29,700	13,700	73,985	422,364
Residual equity transfer	(2,498)	—	3,364	(866)
Prior period adjustment	—	—	—	(87)
Cumulative effect of change in accounting principle	—	(11)	162	(437)
FUND BALANCES AT END OF YEAR	<u>\$ 24,464</u>	<u>\$ 28,093</u>	<u>\$ 70,154</u>	<u>\$ 361,294</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
<u>\$ 4,078</u>	<u>\$ (72,600)</u>
—	1,250
—	4,388
9,554	135,631
(21,073)	(134,713)
<u>—</u>	<u>3,232</u>
<u>(11,519)</u>	<u>9,788</u>
(7,441)	(62,812)
178,901	718,650
—	—
—	(87)
<u>—</u>	<u>(286)</u>
<u>\$171,460</u>	<u>\$ 655,465</u>
	(concluded)



**GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE
AND DEBT SERVICE FUNDS**
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL ON A BUDGETARY BASIS**
Year ended June 30, 1998
(In Thousands)

	<u>General Fund</u>		
	<u>Revised Budget</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES			
Taxes:			
Property	\$ 75,122	\$ 76,624	\$ 1,502
State:			
Sales and Use	33,353	32,936	(417)
Motor Vehicle In-lieu	15,693	16,410	717
Gas	—	—	—
Local:			
Business License	32,819	31,198	(1,621)
Utility Consumption	33,095	35,695	2,600
Real Estate Transfer	15,474	22,716	7,242
Transient Occupancy	7,731	8,466	735
Parking	4,832	4,837	5
Franchise	8,912	8,776	(136)
Licenses and permits	9,506	7,690	(1,816)
Fines and penalties	13,953	11,873	(2,080)
Interest and investment income	4,216	5,793	1,577
Charges for services	35,049	30,920	(4,129)
Federal and state grants and subventions	6,097	6,242	145
Other	<u>7,225</u>	<u>14,730</u>	<u>7,505</u>
TOTAL REVENUES	<u>\$303,077</u>	<u>\$314,906</u>	<u>\$ 11,829</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Annually Budgeted Special Revenue Funds</u>			<u>Annually Budgeted Debt Service Funds</u>		
<u>Revised Budget</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
\$ 15,669	\$16,408	\$ 739	\$13,734	\$12,456	\$(1,278)
5,444	6,655	1,211	—	—	—
<u>7,380</u>	<u>7,209</u>	<u>(171)</u>	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
11	11	—	—	—	—
420	223	(197)	—	9	9
—	464	464	—	3,161	3,161
34	34	—	—	—	—
400	11	(389)	—	—	—
<u>82</u>	<u>71</u>	<u>(11)</u>	<u>—</u>	<u>20</u>	<u>20</u>
<u>\$ 29,440</u>	<u>\$31,086</u>	<u>\$1,646</u>	<u>\$13,734</u>	<u>\$15,646</u>	<u>\$ 1,912</u>

(continued)



**GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE
AND DEBT SERVICE FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES -
BUDGET AND ACTUAL ON A BUDGETARY BASIS, continued
Year ended June 30, 1998
(In Thousands)**

	General Fund		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
EXPENDITURES AND ENCUMBRANCES			
Current:			
Elected and Appointed Officials:			
Mayor	\$ 840	\$ 893	\$ (53)
Council	2,100	2,016	84
City Manager	2,375	2,750	(375)
City Attorney	3,714	4,046	(332)
City Auditor	981	902	79
City Clerk	2,167	1,899	268
Agencies/Departments:			
Personnel Resource Management	2,902	3,747	(845)
Retirement and Risk Administration	910	941	(31)
Information Technology	5,952	6,166	(214)
Budget and Finance	12,361	10,610	1,751
Police Services	97,893	103,241	(5,348)
Fire Services	58,356	55,707	2,649
Life Enrichment			
Parks and Recreation	11,533	9,978	1,555
Library	9,231	8,512	719
Museum	4,671	4,815	(144)
Aging	2,702	2,242	460
Health and Human Services	869	1,018	(149)
Community and Economic Development	15,859	14,775	1,084
Public Works	30,946	29,359	1,587
Payment to unfunded pension	27,397	—	27,397
Other	27,030	13,693	13,337
Capital outlay	6,721	1,967	4,754
Debt service:			
Principal repayment	—	—	—
Interest charges	—	2,520	(2,520)
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>327,510</u>	<u>281,797</u>	<u>45,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (24,433)</u>	<u>\$ 33,109</u>	<u>\$ 57,542</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

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)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
77	77	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2	—	2	—	—	—
—	—	—	—	—	—
24	24	—	—	—	—
277	230	47	12	305	(293)
—	—	—	—	—	—
—	—	—	—	—	—
13,274	12,886	388	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2	—	2	—	—	—
11,850	11,050	800	—	—	—
—	—	—	—	—	—
2	2	—	127	722	(595)
11,690	3,739	7,951	—	—	—
—	—	—	14,360	14,049	311
—	—	—	51,907	50,651	1,256
<u>37,198</u>	<u>28,008</u>	<u>9,190</u>	<u>66,406</u>	<u>65,727</u>	<u>679</u>
<u>\$ (7,758)</u>	<u>\$ 3,078</u>	<u>\$ 10,836</u>	<u>\$ (52,672)</u>	<u>\$ (50,081)</u>	<u>\$ 2,591</u>

(concluded)



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

Year Ended June 30, 1998

(In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING REVENUES		
Rental	\$ 118	\$ 2
Interest and investment income	1	—
Charges for services	17,690	26,600
Other	<u>24</u>	<u>131</u>
TOTAL OPERATING REVENUES	<u>17,833</u>	<u>26,733</u>
OPERATING EXPENSES		
Personnel	5,464	9,774
Supplies	315	5,413
Depreciation and amortization	2,305	4,078
Contractual services and supplies	1,255	399
Repairs and maintenance	162	1,149
General and administrative	2,003	3,476
Rental	732	1,165
Interest	235	—
Other	<u>195</u>	<u>4,179</u>
TOTAL OPERATING EXPENSES	<u>12,666</u>	<u>29,633</u>
OPERATING INCOME (LOSS)	<u>5,167</u>	<u>(2,900)</u>
NON-OPERATING REVENUES (EXPENSES)		
Support	—	—
Federal and state grants	1,279	15
Interest, net	(300)	—
Other, net	<u>—</u>	<u>8</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>979</u>	<u>23</u>
INCOME BEFORE OPERATING TRANSFERS	<u>6,146</u>	<u>(2,877)</u>
Operating transfers in	—	—
Operating transfers out	<u>(918)</u>	<u>—</u>
TOTAL OPERATING TRANSFERS	<u>(918)</u>	<u>—</u>
NET INCOME (LOSS)	<u>5,228</u>	<u>(2,877)</u>
Depreciation of fixed assets acquired with contributed capital	—	—
Retained earnings at beginning of year	65,062	7,032
Prior period adjustment	<u>(3,763)</u>	<u>—</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 66,527</u>	<u>\$ 4,155</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Total (Memorandum Only)	Component Units		Total (Memorandum Only)
Primary Government	Port of Oakland	Oakland Convention & Visitors Authority	Reporting Entity
\$ 120	\$ 157,838	\$ 418	\$ 158,376
1	—	3	4
44,290	—	46	44,336
<u>155</u>	<u>—</u>	<u>1</u>	<u>156</u>
<u>44,566</u>	<u>157,838</u>	<u>468</u>	<u>202,872</u>
15,238	34,693	758	50,689
5,728	—	36	5,764
6,383	33,225	6	39,614
1,654	—	176	1,830
1,311	5,308	20	6,639
5,479	44,093	403	49,975
1,897	—	—	1,897
235	—	—	235
<u>4,374</u>	<u>—</u>	<u>9</u>	<u>4,383</u>
<u>42,299</u>	<u>117,319</u>	<u>1,408</u>	<u>161,026</u>
<u>2,267</u>	<u>40,519</u>	<u>(940)</u>	<u>41,846</u>
—	—	961	961
1,294	—	—	1,294
(300)	(22,787)	—	(23,087)
<u>8</u>	<u>(241)</u>	<u>—</u>	<u>(233)</u>
<u>1,002</u>	<u>(23,028)</u>	<u>961</u>	<u>(21,065)</u>
<u>3,269</u>	<u>17,491</u>	<u>21</u>	<u>20,781</u>
—	—	—	—
<u>(918)</u>	<u>—</u>	<u>—</u>	<u>(918)</u>
<u>(918)</u>	<u>—</u>	<u>—</u>	<u>(918)</u>
<u>2,351</u>	<u>17,491</u>	<u>21</u>	<u>19,863</u>
—	5,965	—	5,965
72,094	245,755	(21)	317,828
<u>(3,763)</u>	<u>—</u>	<u>—</u>	<u>(3,763)</u>
<u>\$ 70,682</u>	<u>\$ 269,211</u>	<u>\$ —</u>	<u>\$ 339,893</u>



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNITS
COMBINED STATEMENT OF CASH FLOWS**
Year ended June 30, 1998
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 5,167	\$(2,900)	\$ 2,267
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,305	4,078	6,383
Changes in assets and liabilities:			
Accounts receivable	(937)	(132)	(1,069)
Inventories	—	93	93
Other assets	—	(30)	(30)
Accounts payable and accrued liabilities	(535)	1,663	1,128
Deferred revenue	—	—	—
Obligations under deferred compensation plans	—	—	—
Other liabilities	—	—	—
Other	—	—	—
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>6,000</u>	<u>2,772</u>	<u>8,772</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Inter-fund repayments	(105)	3,510	3,405
Inter-fund borrowings	(1,474)	2,431	957
Operating transfers to other funds	<u>(918)</u>	<u>—</u>	<u>(918)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$(2,497)</u>	<u>\$ 5,941</u>	<u>\$ 3,444</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Port of Oakland	Component Units Oakland Convention & Visitors Authority	Total (Memorandum Only) Reporting Entity
\$ 40,519	\$ (940)	\$ 41,846
33,225	6	39,614
8,241	70	7,242
—	26	119
225	94	289
6,796	(254)	7,670
5,918	—	5,918
4,999	—	4,999
(4,667)	—	(4,667)
<u>1,806</u>	<u>(91)</u>	<u>1,715</u>
<u>97,062</u>	<u>(1,089)</u>	<u>104,745</u>
—	—	3,405
—	—	957
<u>—</u>	<u>—</u>	<u>(918)</u>
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,444</u>

(continued)



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS, continued**
Year ended June 30, 1998
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Long-term debt:			
Repayment of principal	\$ (381)	\$ —	\$ (381)
Payment of interest	(300)	—	(300)
Proceeds from sale of fixed assets	—	—	—
Acquisition and construction of capital assets	(3,980)	(6,488)	(10,468)
Grants from governmental agencies	1,279	15	1,294
Support from City funds, membership dues, and others	—	8	8
Passenger facility charges	—	—	—
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,382)</u>	<u>(6,465)</u>	<u>(9,847)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	—	—	—
Proceeds from sales of investments	—	—	—
Interest on investments	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	<u>—</u>	<u>—</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	121	2,248	2,369
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>9,175</u>	<u>13,901</u>	<u>23,076</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 9,296</u>	<u>\$16,149</u>	<u>\$25,445</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Port of Oakland	Component Units Oakland Convention & Visitors Authority	Total (Memorandum Only) Reporting Entity
\$(12,629)	\$ —	\$(13,010)
(26,562)	—	(26,862)
1,740	14	1,754
(68,421)	—	(78,889)
13,107	—	14,401
—	961	969
<u>14,043</u>	<u>—</u>	<u>14,043</u>
<u>(78,722)</u>	<u>975</u>	<u>(87,594)</u>
(23,948)	—	(23,948)
27,789	—	27,789
<u>5,907</u>	<u>—</u>	<u>5,907</u>
<u>9,748</u>	<u>—</u>	<u>9,748</u>
28,088	(114)	30,343
<u>68,745</u>	<u>119</u>	<u>91,940</u>
<u>\$ 96,833</u>	<u>\$ 5</u>	<u>\$122,283</u>

(concluded)



PENSION TRUST FUNDS
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended June 30, 1998
(In Thousands)

ADDITIONS:

Members contributions	\$ 1,403
Investment Income:	
Net appreciation in fair value of investments	79,549
Interest	31,313
Dividends	<u>6,905</u>
Total	117,767
Less investment expense	<u>(1,863)</u>
Net investment income	<u>115,904</u>
TOTAL ADDITIONS	<u>117,307</u>

DEDUCTIONS:

Disbursements to members and beneficiaries:	
Retirement	\$ 34,458
Disability	19,408
Death	<u>1,823</u>
Total	<u>55,689</u>
Administrative expenses	564
Interest expense - bonds	99
Interest on PERS	1,676
Termination refunds of employees' contributions	<u>466</u>
TOTAL DEDUCTIONS	<u>58,494</u>
EXCESS OF ADDITIONS OVER DEDUCTIONS	58,813
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>809,100</u>
End of year	<u><u>\$867,913</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

(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 Charter established a Council-Manager form of government consisting of nine elected Councilmembers, including the Mayor, and a Council-appointed 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.

Generally accepted accounting principles 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.

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.

Effective July 1, 1995, the Oakland Convention and Visitors Authority (OCVA) was created as a consolidation of the former Oakland Convention and Visitors Bureau and the former Oakland Convention Center Management, Inc. OCVA is responsible for marketing the City as a convention and tourist destination, as well as operating the Oakland Convention Center. OCVA, which is primarily funded by the City and the Agency, began transferring responsibility for its operating activities to the City during the fiscal year ending June 30, 1998.

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

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

(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 Auditing 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 based upon the expenditures recorded. 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, 1998.

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.

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 24, 1997, the City Council voted unanimously to adopt the City's first two-year budget for fiscal years 1997 and 1998.

The revised budgetary data presented in the accompanying "General Fund and Annually Budgeted Special Revenue and Debt Service Funds—Combined Schedule of Revenues, Expenditures and Encumbrances—Budget and Actual on a Budgetary Basis," reflect approved changes to the original 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. Annually appropriated funds (not related to multi-year projects or programs) lapse at the end of the fiscal year, unless such funds were encumbered on otherwise approved for carryforward by the City Manager. Appropriations carried forward from the prior year are included in the revised budgetary data. Historically, appropriations carried forward have ultimately resulted in expenditures.

Transfers of appropriations between funds must be approved by the City Council. Supplemental appropriations financed by unanticipated revenues or beginning available fund balances must also be approved by the City Council.

Transfers of appropriations between departments and 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

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 Funds

- Deferred Employee Compensation 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.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds (except for Enterprise, Internal Service and certain Special Revenue 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. Restricted cash and investments generally have original maturities of greater than three months and are therefore not considered 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.

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 are 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 and the Port:

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

Contributed capital in the Port includes grants from government agencies which are restricted for the acquisition or construction of capital assets, and passenger facility charges which are restricted in use for projects eligible under federal legislation and approved by the Federal Aviation Administration. Depreciation expense on assets acquired with contributed capital is charged to contributed capital.

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.

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 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.

Reclassification

Certain amounts in the June 30, 1997, general purpose financial statement have been reclassified in 1998 for comparative purposes.

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;

NOTES TO FINANCIAL STATEMENTS

- 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, 1998, 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	OCVA	Total
Deposits	\$ 118,017	\$ 11,425	\$ 5	\$ 129,447
Investments	<u>1,752,532</u>	<u>214,767</u>	—	<u>1,967,299</u>
TOTAL	<u>\$1,870,549</u>	<u>\$226,192</u>	<u>\$ 5</u>	<u>\$2,096,746</u>

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

	City	Port	OCVA	Total
Cash and investments	\$1,202,156	\$ 96,833	\$ 5	\$1,298,994
Restricted cash and investments	<u>668,393</u>	<u>129,359</u>	—	<u>797,752</u>
TOTAL	<u>\$1,870,549</u>	<u>\$226,192</u>	<u>\$ 5</u>	<u>\$2,096,746</u>



Effective July 1, 1997, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires governments to present investments at fair value. Also, in accordance with GASB Statement No. 31, investment income includes realized and unrealized gains or losses. The impact of implementing GASB Statement No. 31 was not material to the City as of the implementation date; however, it was material to the Oakland Redevelopment Agency and is reflected as an adjustment to beginning fund balance in the applicable funds.

Deposits

At June 30, 1998, the carrying amount of the City's deposits was \$118,017,000 and the bank balance was \$121,619,000. 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, \$500,000 was FDIC insured and \$121,119,000 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.

NOTES TO FINANCIAL STATEMENTS

At June 30, 1998, investments included the following (in thousands):

	Category 1	Category 3	Carrying Value
Subject to Custodial Risk Categorization			
U.S. Treasury securities	\$ 302,437	\$ —	\$ 302,437
Federal agency issues	316,225	—	316,225
Municipal bonds	5,552	—	5,552
Commercial paper	28,828	—	28,828
Banker's acceptance	4,284	—	4,284
Corporate stocks and bonds	408,988	130,003	538,991
Medium term corporate notes	13,220	—	13,220
Long-term repurchase and investment agreements	<u>77,839</u>	<u>67,000</u>	<u>144,839</u>
Total	<u>\$1,157,373</u>	<u>\$ 197,003</u>	<u>1,354,376</u>
Investments Not Subject to Custodial Risk Categorization			
Real estate deeds			442
Real estate mortgage loans/investments			5,150
Mutual funds			136,200
Life insurance annuity contracts			145,000
Local Agency Investment Fund			31,894
Investments held by broker-dealers under securities loans			<u>201,669</u>
Total			<u>520,355</u>
TOTAL INVESTMENTS			1,874,731
Less Port of Oakland Pooled Investments			<u>(122,199)</u>
TOTAL CITY INVESTMENTS			<u>\$1,752,532</u>

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, 1998, PFRS had securities on loan with a market value of approximately \$201,669,000 for cash collateral of approximately \$208,103,000. The cash collateral of \$197,003,000 is in investments classified under risk category 3 and \$11,100,000 is in investments not subject to custodial risk categorization.

PFRS' securities lending income for the year ending June 30, 1998, is as follows:

Gross Income	\$ 11,619,028
Expenses:	
Borrower rebates	10,857,882
Administration fees	<u>327,768</u>
Total Expenses	<u>11,185,650</u>
NET INCOME FROM SECURITIES LENDING	<u>\$ 433,378</u>

Derivatives

The City has invested in certain derivatives as permitted by its investment policy. There were no derivatives included in the investment pool at June 30, 1998.

Discretely Presented Component Unit

The Port's cash and investments are reported as follows at June 30, 1998 (in thousands):

Cash and investments:	
Cash and investments with the City	\$ 94,257
Cash on hand	48
Cash in bank accounts	<u>2,528</u>
TOTAL CASH AND INVESTMENTS	<u>96,833</u>
Restricted cash and investments:	
Sinking fund and reserve deposits with fiscal agents	36,072
Unexpended bond proceeds restricted for construction	35,782
Deferred compensation plan assets	29,291
Cash and investments with City:	
Passenger facility charges	27,658
Other	284
Restricted deposits with fiscal agents for current debt service	<u>272</u>
TOTAL RESTRICTED CASH AND INVESTMENTS	<u>129,359</u>
TOTAL	<u>\$226,192</u>

NOTES TO FINANCIAL STATEMENTS

The carrying amount of Port cash and investments is as follows at June 30, 1998 (in thousands):

Cash on hand and at bank	\$ 2,581
Government securities money market mutual funds	288
U.S. Treasury obligations	54,025
Guaranteed investment contracts	17,808
Cash and investments with the City of Oakland	122,199
Deferred compensation plan mutual funds	<u>29,291</u>
TOTAL	<u>\$226,192</u>

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

The carrying amount of Port deposits with banks and fiscal agents was \$11,425,000 at June 30, 1998. The bank balances of \$7,567,000 are insured or collateralized with securities held by the pledging financial institution in the Port's name, in accordance with Section 53652 of the California Government Code.

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, 1998 (in thousands):

	Due from	Due to
General Fund	<u>\$ 62,708</u>	<u>\$ 10,956</u>
Special Revenue Funds		
Federal and State Grants	2,168	24,736
Traffic Safety and Control	—	106
State Gas Tax	416	354
Landscape and Lighting Assessment District	10	274
Other Assessment Districts	—	19
Other Special Revenue	5,914	1,801
Oakland Redevelopment Agency	<u>300</u>	<u>—</u>
	<u>8,808</u>	<u>27,290</u>
Debt Service Funds		
Tax Allocation Bonds	—	20,988
Lease Financings	—	413
Other Assessment Bonds	—	880
Special Revenue Bonds	<u>—</u>	<u>4,695</u>
	<u>—</u>	<u>26,976</u>
Capital Projects Funds		
Parks and Recreation	1,474	7
Municipal Improvement Capital	3,102	1,465
Emergency Services	13	21
Oakland Redevelopment Agency	<u>2,335</u>	<u>4,064</u>
	<u>6,924</u>	<u>5,557</u>
Enterprise Funds		
Parks and Recreation	—	10
Sewer Service	<u>106</u>	<u>298</u>
	<u>106</u>	<u>308</u>
Internal Service Funds		
Equipment	1,017	1,762
Radio	—	8
Facilities	203	3,957
Reproduction	117	9
Central Stores	<u>516</u>	<u>1,392</u>
	<u>1,853</u>	<u>7,128</u>
Trust and Agency Funds		
Expendable Trust Funds		
Oakland Redevelopment Agency Projects	864	2,939
Parks, Recreation and Cultural Trust	—	97
Other Expendable Trust	<u>—</u>	<u>12</u>
	<u>864</u>	<u>3,048</u>
TOTAL	<u><u>\$ 81,263</u></u>	<u><u>\$ 81,263</u></u>

(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.

Pursuant to the Sixth Supplemental Agreement to the MOUs, the City and the Port agreed that the total remaining obligation of the Port to the City arising out of or related to any and all general obligation bonds issued by the City for the benefit of the Port was \$31,749,000, of which \$0 is remaining at June 30, 1998.

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, 1998, \$3,740,000 in Special Services expenditures was 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 for General Services and Lake Merritt to the City 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, 1998, \$661,000 and \$728,000, respectively, were accrued as a current liability by the Port and as a receivable by the City.

The City and the 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 \$3.0 million 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, 1998, consisted of the following (in thousands):

Grant-in-aid loans at various interest rates and due dates (0% to 10% at June 30, 1998)	\$ 38,470
Pacific Renaissance Associates II, bearing interest at 10%, principal and interest due July 30, 2015	7,000
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	2,919
Oakland Hotel Associates, Ltd., bearing interest at Bank of America reference rate (6% at June 30, 1998), no principal and interest payable until December 30, 2026	3,379
Oakland Business Development Corporation-Dufwun Towers, bearing interest at 6%, principal and interest due September 8, 1999	2,390
Foothill Plaza Partnership, bearing interest at 3%, principal and interest payable in equal monthly installments through July 20, 2017	1,195
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	1,491
Hillary Development, bearing interest at 3%, principal and interest due December 11, 1996	1,696
Harrison Hotel Associates, bearing interest at 6%, principal and interest due December 15, 2048	2,085
Woodrow Hotel, bearing interest at 6.50%, principal and interest due December 3, 2023	1,398
Other pass-thru loans at various interest rates and maturities (0% to 10% at June 30, 1998)	6,170
Other notes and loans receivable at various interest rates and maturities	29,954
E.M. Health Service, bearing interest at 8.75%, principal and interest payable in equal monthly installments through April 1, 2004	1,100
Granny Goose Foods, \$1,782 bearing interest at 8.5%, principal and interest payable in equal monthly installments through October 1, 2016	1,739
Cahon, Inc., bearing interest at 9%, through June 30, 1993, and zero interest thereafter, principal and interest due December 31, 1996, or earlier under certain provisions of the note	1,100
Old Town Square Housing Development/Keating Housing Initiative Inc., with zero interest, principal due December 31, 2000	2,300
Women's Economic Agenda, bearing interest at 6%, principal and interest due August 14, 2000	2,410
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	<u>1,940</u>
TOTAL	<u>\$ 122,192</u>

NOTES TO FINANCIAL STATEMENTS

(7) FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 1998, follows (in thousands):

	Balance July 1, 1997	Transfers/ Additions	Deletions	Balance June 30, 1998
Land	\$ 68,479	\$ 32	\$ —	\$ 68,511
Facilities and improvements	487,649	67,758	—	555,407
Furniture, machinery and equipment	26,026	8,378	1,028	33,376
Investments in joint venture	4,696	—	4,696	—
Construction in progress	<u>45,645</u>	<u>5,699</u>	<u>33,282</u>	<u>18,062</u>
TOTAL	<u>\$632,495</u>	<u>\$ 81,867</u>	<u>\$39,006</u>	<u>\$675,356</u>

A summary of property and equipment at June 30, 1998, for proprietary fund types and discretely presented component units follows (in thousands):

	Enterprise Funds	Internal Service Funds	<u>Component Unit</u> Port of Oakland
Land	\$ 220	\$ 310	\$146,562
Facilities and improvements	—	210	819,956
Container cranes	—	—	94,283
Furniture, machinery and equipment	80,109	48,953	29,715
Construction in progress	<u>—</u>	<u>—</u>	<u>52,091</u>
	80,329	49,473	1,142,607
Less accumulated depreciation and amortization	<u>(14,707)</u>	<u>(37,366)</u>	<u>(327,450)</u>
TOTAL	<u>\$ 65,622</u>	<u>\$12,107</u>	<u>\$815,157</u>



(8) PROPERTY HELD FOR RESALE

Property held for resale at June 30, 1998, consisted of the following (in thousands):

Chinatown	\$ 2,100
City Center	3,336
Housewives Market	1,611
Rotunda Building	1,850
Multi-Service Center	5,100
Plaza Building	613
Swans Market	4,425
Taldan Site	1,302
State Building	3,026
City Hall Annex	2,880
Preservation Park	6,448
City Center Garage West	21,447
Fox Theater	3,000
11th-12th Broadway & Franklin	3,153
U.S. Ice Skating Rink	<u>10,588</u>
Total	<u>\$70,879</u>

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.

In June 1996, U.S. Ice Ventures defaulted on their loan repayment obligations to the Agency pursuant to loan documents between the Agency and U.S. Ice Ventures. As a result of the default, the Agency sued U.S. Ice Ventures to enforce the Agency's rights under the agreements between the Agency and U.S. Ice Ventures. In October 1996, U.S. Ice Ventures filed for bankruptcy. On May 1, 1997, under the bankruptcy settlement, the Agency took title of the property.

(9) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

During the fiscal year ended June 30, 1998, the City issued tax and revenue anticipation notes payable of \$60,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 4.50%. Principal and interest were due and repaid on June 30, 1998.

(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, 1998 (in thousands):

	Balance at July 1, 1997	Additional Obligations and Net Increases	Maturities and Retirements	Balance at June 30, 1998
General obligation bonds	\$ 138,315	\$ —	\$ 2,180	\$ 136,135
Tax allocation bonds	198,874	—	7,080	191,794
Lease financings	332,243	—	5,390	326,853
Special assessment debt with governmental commitment	10,125	1,250	450	10,925
Special revenue bonds	609,860	—	11,819	598,041
Notes payable	9,155	13,843	—	22,998
Accrued vacation and sick leave	28,084	868	—	28,952
Self-insurance liability for workers' compensation	33,700	192	—	33,892
Estimated claims payable	6,692	3,123	—	9,815
Contingent liability for Authority debt (Note 15)	<u>97,387</u>	<u>—</u>	<u>1,282</u>	<u>96,105</u>
TOTAL	<u>\$1,464,435</u>	<u>\$19,276</u>	<u>\$28,201</u>	<u>\$1,455,510</u>



General long-term obligations at June 30, 1998, consisted of the following (in thousands):

	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 1998
General Obligation Bonds			
General Obligation Bonds Series 1991A (a)	1998-2015	5.50%-8.50%	\$ 10,710
General Obligation Bonds Series 1995B (a)			
Serial bonds	1999-2013	5.30%-8.25%	8,395
Term bonds	2015	5.875%	1,760
Term bonds	2019	5.875%	4,190
General Obligation Bonds Series 1997C (a)			
Serial bonds	1998-2019	5.50%-6.00%	17,480
Term bonds	2022	5.90%	4,660
General Obligation Bonds Series 1992 (b)			
Serial bonds	1999-2012	4.25%-6.00%	18,830
Term bonds	2017	6.00%	10,435
Term bonds	2022	6.00%	14,460
General Obligation Bonds Series 1997 (c)			
Serial bonds	1998-2016	5.25%-5.75%	28,055
Term bonds	2019	5.75%	5,075
Term bonds	2022	5.85%	<u>12,085</u>
			<u>136,135</u>
Tax Allocation Bonds			
Acorn Refunding Series 1988 (d)			
Serial bonds	1999-2000	6.90%-7.00%	425
Term bonds	2007	7.40%	2,075
Central District Tax Allocation Refunding Series 1989A (e)			
Serial bonds	1998-2000	6.40%-6.55%	9,835
Capital appreciation bonds	2001-2009	6.60%-6.65%	11,899
Central District Senior Tax Allocation Refunding Series 1992 (f)			
Serial bonds	1999-2008	5.10%-6.00%	45,325
Term bonds	2009-2014	5.50%-6.15%	35,910
Central District Subordinated Tax Allocation Refunding Series 1992A (g)	1998-2019	5.95%	53,000
Central District Subordinated Tax Allocation Series 1993A (h)			
Serial bonds	1998-2004	4.00%-4.90%	4,315
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	1999	5.25%	195
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%	<u>7,060</u>
			<u>191,794</u>

NOTES TO FINANCIAL STATEMENTS

	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 1998
Lease Financings			
Oakland JPFA Lease Revenue Bonds, Series 1996 (j)			
Serial bonds	2000-2011	4.60%-5.50%	\$ 28,125
Term bonds	2016	5.90%	18,395
Term bonds	2021	5.75%	24,610
Term bonds	2026	5.75%	32,815
California Statewide Communities			
Development Authority Bonds (k)			
Serial bonds	1998-2007	5.40%-6.20%	59,665
Term bonds	2010	6.00%	31,900
Term bonds	2014	5.50%	52,630
Oakland Museum 1992 Series A (l)			
Serial bonds	1999-2003	5.60%-6.00%	10,290
Term bonds	2005	6.25%	5,020
Term bonds	2012	6.00%	15,900
Capital appreciation bonds	2006-2007	6.45%-6.55%	2,203
Civic Improvement Corporation (m)	1998-2015	Variable	<u>45,300</u>
			<u>326,853</u>
Special Assessment Debt with Governmental Commitment			
Medical Hill Parking District Refunding Improvement Bonds 1994 (n)			
Serial bonds	1998-1999	5.20%-5.50%	375
Term bonds	2004	6.00%	1,145
Rockridge Area Water Improvement Series 1994 (o)	1998-2024	6.25-7.5%	855
Fire Area Utility Underground Assessment District (p)			
Series 1994A	2024	7.5%	3,835
Series 1994B (Taxable)			
Term bonds	2004	9.625%	655
	2009	9.875%	915
	2014	10.125%	1,480
Oakland JPFA Special Assessment Pooled Revenue Bonds 1996 Series A (q)			
	1998-2020	4.70-6.70%	415
Oakland Special Assessment Pooled Revenue Bonds 1997 (r)			
Serial Bonds	1998-2007	4.20-5.20%	740
Term bonds	2012	5.65%	<u>510</u>
			<u>10,925</u>
Special Revenue Bonds			
Special Revenue Refunding Bonds (s)			
Serial bonds	1998-2003	7.00%-7.40%	40,911
Term bonds	2021	7.60%	124,140
Taxable Pension Obligation Bonds Series 1997 (t)	1998-2010	5.63%-7.31%	<u>432,990</u>
			<u>598,041</u>
Notes Payable			
Koch Financial Corporation (u)	1998-2003	4.11%	13,843
Department of Housing Urban Development (v)	N/A	N/A	<u>9,155</u>
			<u>22,533</u>
Other Long-Term Liabilities			
Accrued vacation and sick leave			28,952
Self-insurance liability for workers' compensation (Note 12)			33,892
Estimated claims payable (Note 12)			9,815
Contingent liability for Authority debt (Note 15)			<u>166,105</u>
			<u>238,764</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS			<u><u>\$1,525,510</u></u>



General Obligation Bonds

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

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. 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.

(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 are to be 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.

(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



Discretely Presented Component Unit - Port of Oakland

The Port of Oakland debt at June 30, 1998, was as follows (in thousands):

	Maturity	Interest Rates	Balance at June 30, 1998
Parity Bonds (a)			
1990 Revenue Bonds Series D	2003	6.125-8.00%	\$ 28,430
1992 Revenue Bonds Series E	2022	5.00-6.50%	146,310
1993 Revenue Bonds Series F	2009	2.75-5.75%	47,757
1997 Revenue Bonds Series G	2025	3.60-6.00%	84,495
1997 Revenue Bonds Series H	2015	3.60-5.50%	77,445
1997 Revenue Bonds Series I	2019	5.40-5.60%	84,820
1997 Revenue Bonds Series J	2026	5.50%	<u>14,845</u>
Total Parity Bonds			<u>484,102</u>
Department of Boating and Waterways (DBW) Loans (b)			
Small Craft Harbor Revenue Bonds Series A-D	2009	4.50%	2,003
Small Craft Harbor Revenue Bonds Series 1981	2010	4.50%	1,282
Small Craft Harbor Revenue Bonds Series 1982	2019	4.50%	988
Small Craft Harbor Revenue Bonds Series 1983	2020	4.50%	372
1991 Marina Planning Loan	2002	4.70%	<u>55</u>
Total DBW Loans			<u>4,700</u>
Mitsubishi Note	2000	9.00%	616
Special Facilities Revenue Bonds 1992 Series A (c)	2019	5.00%-6.80%	<u>50,500</u>
TOTAL PORT OF OAKLAND LONG-TERM DEBT			<u><u>\$ 539,918</u></u>

(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, and Series J 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, 1998, 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, and 1997 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.

On February 4, 1997, the Port of Oakland issued \$262,660,000 of revenue bonds in four series. Proceeds from the sale of the bonds, together with Port cash, were applied to (1) finance the cost of capital improvements; (2) refinance OPA's \$38,368,000 construction loan; (3) refund all of the 1989 Series A and B bonds; (4) satisfy the reserve fund requirements; and (5) finance certain costs of issuance. As part of the refinancing, OPA pledged a portion of its revenue (defined as the lesser of OPA Net Revenues or \$3,300,000) as collateral for the payment of principal, premium, if any, and interest on the bonds.

Series H and I, totaling \$162,815,000, refunded the 1989 Series A and B bonds. Series J, totaling \$14,845,000, was used to repay a portion of the outstanding OPA construction loan. Series G, totaling approximately \$74,500,000, after bond issuance costs and reserve funding requirement, is to be used to fund capital projects with \$14,400,000 of the amount reimbursing the Port for prior capital expenditures. The net interest cost on the bonds was approximately 5.6%.

There was no gain or loss recognized from the refunding and the Port effectively reduced its aggregate debt service payments over the next 23 years by \$56,330,000 and obtained an economic gain (difference between the present values of the old and new debt service payments net of the Port's cash contribution and accrued interest received at the refunding) of \$23,804,000.

(b) Department of Boating and Waterways Loans

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) 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.

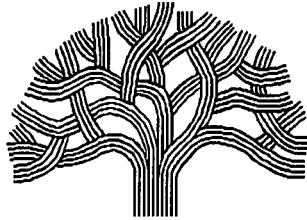
The Special Facilities Bonds are limited obligations of the Port payable from and secured by the Bond Payment Obligation (as defined) derived by the Port under the Non-exclusive Preferential Assignment Agreement (the Agreement) between the Port and Mitsui O.S.K. Lines, Ltd. (MOL). MOL's rights and obligations 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.

Defeased Bonds

The following is a schedule of outstanding bonds that are defeased. Cash and investments in U.S. government securities were placed in irrevocable trusts to provide for all future debt service on the old bonds. Accordingly, the assets and the corresponding liabilities are not reflected in the accompanying General Purpose Financial Statements.

Name of Issue	Outstanding at June 30, 1998 (in thousands)
Discretely Presented Component Unit	
Port of Oakland 1989 Revenue Bonds Series C	<u>\$ 39,534</u>



CITY OF OAKLAND



Repayment Schedule

The annual requirements to amortize all long-term debt as of June 30, 1998, are as follows (in thousands):

Years Ending June 30,	General Long-Term Debt			
	General Obligation Bonds	Tax Allocation Bonds	Lease Financings	Special Assessment Debt with Governmental Commitment
1999	\$ 11,100	\$ 17,832	\$ 23,867	\$ 1,199
2000	11,030	17,806	23,901	1,203
2001	10,970	18,783	27,362	1,172
2002	10,894	17,977	27,378	1,165
2003	10,775	17,942	27,448	1,152
Thereafter	<u>197,421</u>	<u>252,211</u>	<u>443,369</u>	<u>17,343</u>
	252,190	342,551	573,325	23,234
Less amounts representing interest and discounts	<u>(116,055)</u>	<u>(150,757)</u>	<u>(246,472)</u>	<u>(12,309)</u>
Principal due at June 30, 1998	<u>\$136,135</u>	<u>\$191,794</u>	<u>\$326,853</u>	<u>\$ 10,925</u>

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.

NOTES TO FINANCIAL STATEMENTS

Special Revenue Bonds	Notes Payable	Enterprise Fund Debt	Pension Trust Fund Debt	Total Primary Government	Component Unit Port of Oakland
\$ 58,567	\$ 3,747	\$ 915	\$ 548	\$ 117,775	\$ 42,887
62,562	3,905	915	219	121,541	42,830
62,055	3,754	915	560	125,571	42,473
63,673	4,113	915	230	126,345	42,383
65,451	2,425	915	318	126,426	42,868
<u>705,353</u>	<u>6,320</u>	<u>8,234</u>	<u>—</u>	<u>1,630,251</u>	<u>825,920</u>
1,017,661	24,264	12,809	1,875	2,247,909	1,039,361
<u>(419,620)</u>	<u>(1,266)</u>	<u>(2,706)</u>	<u>(275)</u>	<u>(949,460)</u>	<u>(499,443)</u>
<u>\$ 598,041</u>	<u>\$22,998</u>	<u>\$10,103</u>	<u>\$ 1,600</u>	<u>\$1,298,449</u>	<u>\$ 539,918</u>



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, 1998, follows (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 1998
Housing Mortgage Programs			
Housing Revenue Bonds Series D, 1991	\$ 112,890	2010-2024	\$ 39,000
City of Oakland Insured Refunding Revenue Bonds (Children's Hospital Medical Center of Northern California), 1994 Series A	19,490	5/1/09	18,565
City of Oakland Economic Development Revenue Bonds (Cardio-Pulmonary Building), Series 1985	2,500	12/1/05	1,850
County of Alameda/City of Oakland Variable Rate Demand Revenue Bonds (The Old Oakland Company Project), December 1984	9,900	12/7/99	9,900
City of Oakland Variable Rate Demand Revenue Bonds (The Delger Block/Ross House Company Project), December 1984	9,500	12/7/99	9,500
County of Alameda/City of Oakland Variable Rate Demand Revenue Bonds (The Wilcox/Leimert Company Project), December 1984	9,500	12/7/99	9,500
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/1/09	2,070
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1987	23,000	12/1/15	20,520
City of Oakland Insured Health Facility Revenue Bonds (East Oakland Health Center Project), Series 1990	2,500	10/1/20	2,360
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	6/1/10	8,650
City of Oakland Skyline Sewer Assessment District Bonds	350	9/2/20	<u>42</u>
TOTAL			<u>\$ 121,957</u>

(11) CONTRIBUTED CAPITAL

A summary of changes in contributed capital for the year ended June 30, 1998, follows (in thousands):

	Primary Government	Component Unit
	Internal Service Funds	Port of Oakland
BALANCE AT JUNE 30, 1997	\$ 17,382	\$161,753
Grants from governmental agencies	—	6,932
Passenger facility charges	—	14,043
Depreciation of property and equipment acquired with contributed capital	—	(5,965)
BALANCE AT JUNE 30, 1998	\$ 17,382	\$176,763

(12) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 1998 and 1997, are as follows (in thousands):

	1998	1997
Unpaid claims, beginning of fiscal year	\$54,179	\$50,886
Current year claims and changes in estimates	24,716	19,410
Claim payments	(18,314)	(16,117)
Unpaid claims, end of fiscal year	\$60,581	\$54,179

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 Attorney estimates that as of June 30, 1998, the amount of liability determined to be probable of occurrence is approximately \$19,089,000. Of this amount, claims and litigation approximating \$9,274,000 are estimated to be payable with current expendable resources and are included as accrued liabilities of the General Fund (\$8,297,000) and the Capital Fund (\$977,000). The remainder of \$9,815,000 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. As of June 30, 1998, the amount of workers' compensation liability determined to be probable is approximately \$42,492,000. Of this amount, workers' compensation approximating \$8,600,000 is estimated to be payable with current expendable resources and is included as accrued liabilities of the General Fund. The remaining amount of \$33,892,000 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, 1996, the Port carries commercial insurance for claims in excess of \$350,000. The Port also carried this excess insurance with a \$350,000 per accident self-insured retention in the two policy years ending July 31, 1995 and 1994.

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):

	1998	1997
Workers' compensation liability at beginning of fiscal year	\$3,000	\$ 3000
Current year claims and changes in estimates	1,012	954
Claim payments	<u>(1,012)</u>	<u>(954)</u>
Workers' compensation liability at end of fiscal year	<u>\$3,000</u>	<u>\$3,000</u>

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 \$1,000,000 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, 1998, follow (in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds
RESERVED			
Pension obligations	\$ —	\$ —	\$ —
Capital projects	—	—	—
Property held for resale	—	—	21,447
Employees' retirement systems	—	—	—
Debt service	—	—	48,707
Encumbrances	<u>4,276</u>	<u>19,927</u>	<u>—</u>
TOTAL RESERVED FUND BALANCES	<u>\$ 4,276</u>	<u>\$ 19,927</u>	<u>\$ 70,154</u>
UNRESERVED-DESIGNATED			
Capital improvement projects	\$ 4,290	\$ 6,125	\$ —
Recycling program	5,458	—	—
Multi-purpose reserve	1,575	—	—
Telecommunications reserve	<u>401</u>	<u>—</u>	<u>—</u>
TOTAL UNRESERVED- DESIGNATED FUND BALANCES	<u>\$ 11,724</u>	<u>\$ 6,125</u>	<u>\$ —</u>

NOTES TO FINANCIAL STATEMENTS

Capital Projects Funds	Pension Trust Funds	Total
\$ —	\$ 170,607	\$ 170,607
311,862	—	311,862
49,432	—	70,879
—	867,913	867,913
—	—	48,707
<u>—</u>	<u>—</u>	<u>24,203</u>
 <u>\$361,294</u>	 <u>\$1,038,520</u>	 <u>\$1,494,171</u>
 \$ —	 \$ —	 \$ 10,415
—	—	5,458
—	—	1,575
<u>—</u>	<u>—</u>	<u>401</u>
 <u>\$ —</u>	 <u>\$ —</u>	 <u>\$ 17,849</u>



(14) SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City accounts for operations which provide facilities, harbor and airport services, housing programs, parks and recreation programs, sewage treatment, and convention management as enterprise funds. These operations are financed by user charges or interest income. Segment information as of and for the year ended June 30, 1998, follows (in thousands):

	Parks and Recreation	Sewer Service	Total Enterprise Funds
For Year Ended June 30, 1998			
Operating revenues	\$ 905	\$ 16,928	\$ 17,833
Operating income	125	5,042	5,167
Depreciation and amortization	27	2,278	2,305
Grants from governmental agencies	—	1,279	1,279
Operating transfers out	—	(918)	(918)
Interest and other non-operating revenues (expenses), net	—	(300)	(300)
Net income	125	5,103	5,228
Property and equipment - additions	—	3,980	3,980
As of June 30, 1998			
Net working capital	\$ 37	\$ 10,971	\$ 11,008
Total assets	559	76,835	77,394
Total equity	498	66,029	66,527
Long-term obligations and advances - Payable from operating revenues	—	10,103	10,103

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 Coliseum Stadium and the Coliseum Arena pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Authority 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.

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 payable solely from revenues of the Authority on behalf of the City and County. These revenues consist of certain football 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. 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 payment from their respective General Funds. The City and the County each have covenanted to appropriate \$11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$22 million annually in the event of default by the County.

On August 2, 1996, the Authority issued \$70,000,000 Series A-1 and \$70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreement) among the Warriors, the City, the County, Coliseum Inc. and the Authority.

Under the original Warriors Agreement, the Arena Bonds are limited obligations of the Authority payable solely from 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 \$25,000,000 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.

On July 22, 1997, the City adopted a Memorandum of Understanding (the MOU) between the Authority, the City, the County, Coliseum, Inc., the Warriors Arena Management (WAM) and the Warriors which modified the original Warriors Agreement. Under this MOU, WAM receives the right to operate and maintain the Arena in return for which WAM will pay to the Authority annual rental equal to the amount of debt service due on the Arena Bonds, including letter of credit and trustee fees and similar related expenses. WAM has informed the City, the County and the Authority that they are not currently interested in managing the Arena. However, at June 30, 1998, the Authority was negotiating an amendment to the Warriors License agreement which would dedicate revenues from the sale of naming rights and the collection of a 5% facility fee to the payment of debt service. Absent the amendment, these revenues become Arena revenues, which are to be used first for operations and then shared with WAM. It is estimated that these additional revenues plus the \$7.42 million from premium seating revenues should be sufficient to fund debt service on the Arena bonds.

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. The Raiders have filed a cross-complaint seeking the right to rescind the Master Agreement and for breaches of the Master Agreement. They are not seeking damages. The City is optimistic about the outcome of this suit and countersuit and expects to recover all attorney costs related to the complaint filed.

The Authority has entered into the following interest rate swap agreements for portions of the bonds issued to finance the Stadium and Arena improvements:

In 1995-96 for \$140,000,000 of the variable rate Stadium Bonds at a fixed rate of 6.75%. The agreement expires February 1, 2006. The market value of the swap at June 30, 1998 is \$9,168,000, reflecting the cost to the Authority to terminate the swap as of such date.

On August 22, 1996, for \$84,000,000 of the variable rate Arena Bonds at a fixed rate of 6.85%. The agreement is effective November 1, 1997, and expires on September 1, 2001.

NOTES TO FINANCIAL STATEMENTS

The market value of the swap at June 30, 1998 is \$2,881,000, representing the cost to the Authority to terminate the swap as of such date.

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
1999	\$ 15,666	\$ 12,518
2000	15,648	10,520
2001	15,715	10,521
2002	15,681	10,517
2003	15,636	10,589
2004-2008	78,277	53,325
2009-2013	78,200	53,892
2014-2018	78,783	54,673
2019-2023	79,358	55,649
2024	31,989	34,082
Less interest	<u>(232,743)</u>	<u>(166,286)</u>
Total	<u>\$192,210</u>	<u>\$140,000</u>

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. The City's portion of net liability is calculated from the unaudited June 30, 1998, financial activity of the Authority as follows:

Total Assets	\$641,068
Less: Amounts to be provided for retirement of long-term debt	<u>317,256</u>
Adjusted total assets	323,812
Less: Total liabilities	<u>336,199</u>
Net liability	<u>\$(12,387)</u>
50% interest	<u>\$ (6,194)</u>



The City's equity in the Authority's net losses exceeds its investment and, therefore, the equity method of accounting for the investment has been suspended. As of June 30, 1998, the date of the latest available unaudited financial statements, the City's unrecognized share of cumulative net losses of the Authority was \$6,194,000. 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 cost, to the extent such funding is necessary. During the year ended June 30, 1998, the City made no contributions to fund its share of operating deficits. If there were such contributions they would be included in the City's General Fund.

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 \$10,400,000 for the 1998-99 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 JPA 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 \$96,105,000).

(16) PENSION PLANS AND DEFERRED COMPENSATION 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 approximates 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.

NOTES TO FINANCIAL STATEMENTS

Investments representing 5% or more of the market value of the OMERS net assets for pension benefits as of June 30, 1998, are as follows:

Stocks	Shares	Market Value
American Express Corporation	8,000	\$ 910,000
Bristol Meyers Squibb	6,000	689,625
Chase Manhattan Corporation	10,000	755,000
Duke Energy Corporation	15,666	928,211
Emerson Electric Company	6,000	362,250
Ford Motor Company	6,000	354,000
Marsh & McLennan Companies, Inc.	6,000	362,625
Phillips Petroleum Company	8,000	385,500
Shared Medical Services	10,000	734,375
Sherwin-Williams Company	12,000	397,500
Southern Company Electric	20,000	553,750
Southern New England Telecom	15,000	982,500
Varian Associates, Inc.	10,000	390,000
Washington Water Power	20,000	<u>448,750</u>
Total		<u>\$8,254,086</u>

No investments in any one non-federal organization represented 5% or more of PFRS net assets for pension benefits as of June 30, 1998.

Effective July 1, 1997, the City implemented GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*. There was no net pension obligation at the time of transition upon implementation of GASB Statement No. 27.

Complete financial statements of the Plans can be obtained from:

William J. Zenoni, 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, 1996	July 1, 1996	June 30, 1996



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	5.5%	6.5%	4.5%
Post-retirement benefit increase	5.5%	3.0%	2.0%
Investment return	8.0%	8.0%	8.5%

	PFRS	OMERS	PERS	Total
Employees covered as of June 30, 1998				
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not currently receiving them	1,499	184	1,563	3,246
Current employees—vested	224	2	2,297	2,523

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 plan upon termination of employment with the City.

The City's annual contribution to PFRS was determined by calculating the total pension liability for public safety employees under both PFRS and PERS. The amount to be contributed to both plans was allocated between years such that a level percentage of payroll (60.49% in fiscal year 1997-98) will amortize the unfunded liabilities by 2026 and 2000 for PFRS and PERS, respectively. The City issued pension obligation bonds in February 1997 to fund the PFRS until the year 2011. Bond proceeds in the amount of \$417,173,300 were transferred to

NOTES TO FINANCIAL STATEMENTS

the plan for investment. The bonds are an obligation of the City. Contributions to PFRS are deducted and the difference is used to make debt service payments.

For the year ended June 30, 1998, employee contributions to PFRS totaling \$1,395,450 were made in accordance with actuarially determined contribution requirements. Employer contributions were not required in fiscal year 1998.

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

The plan is currently involved in class action litigation seeking payment of additional benefits to retired firefighters. If petitioners prevail, management estimates that an award would exceed \$13,500,000. In the City's opinion, at this point, the ultimate resolution of this litigation will not have a significant impact on the financial statements.

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions (\$ in millions)	Percentage (%) Contributed
1996	34.5	100
1997	34.8	1199

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 10 years of service and reach the age of 60, or have reached the age of 70, 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 \$7,640 were made during 1998 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 year ends June 30, 1998, 1997 and 1996, 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 135%.



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 8.454% for non-safety employees and 9.665% 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 1997-98, the City's annual pension cost of \$14,548,000 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 1996, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.5% 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 4.5%. 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
1996	\$15.0	100%	\$ 0
1997	16.4	100	0
1998	14.6	100	0

Deferred Compensation Plans

The City and the Port offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. Separate plans are maintained for City and Port of Oakland employees. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City and the Port (without being restricted to the provisions of benefits under the plan), subject only to the claims of general creditors. Participants' rights under the plan are equal to those of general creditors of the City and the Port in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City's legal counsel that the City and the Port have no liability for losses under the plans but do have the duty of due care that would be required of an ordinary prudent investor. The City and Port believe that it is unlikely they will use the assets to satisfy the claims of general creditors in the future.

Deferred compensation plan assets of the City of \$125,101,000 as of June 30, 1998, are included at fair value in the Deferred Employee Compensation Agency Fund. Deferred compensation plan assets of the Port are included at fair value in the Port's financial statements and amounted to approximately \$29,291,000 as of June 30, 1998.

On August 16, 1997, federal legislation was passed requiring that all amounts deferred under a Section 457 plan must be held in trust or custodial accounts for the exclusive benefit of participants and their beneficiaries. This trust requirement has to be satisfied by January 1, 1999. Deferred compensation plan assets are currently held with the City and the Port who are finalizing negotiations with financial institutions for custodial accounts.

(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, Expenditures and Encumbrances - 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, 1998, was \$603,137.

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

	General Fund
Excess (deficiency) of revenues and other financing sources over expenditures and encumbrances and other financing uses - GAAP basis	\$ (2,738)
Amortization of debt service deposit agreement	<u>(603)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	<u>\$ (3,341)</u>

The General Fund Balance on a Budgetary Basis reconciled to that on a GAAP basis as of June 30, 1998, is as follows (in thousands):

	General Fund
Fund Balance, June 30, 1998 - GAAP Basis	\$ 24,464
Prior year debt service deposit agreement recorded on Budgetary Basis in the year of receipt	<u>7,544</u>
Fund Balance, June 30, 1998 - Budgetary Basis	<u>\$ 32,008</u>

NOTES TO FINANCIAL STATEMENTS

General Fund Budgetary Basis Fund Balance at June 30, 1998, is composed of the following (in thousands):

	General Fund
Reserved	\$ 4,276
Unreserved, designated for:	
Capital improvement projects	4,290
Recycling program	5,458
Other	<u>1,976</u>
Total designated	11,724
Unreserved, undesignated	<u>16,008</u>
Fund Balance, June 30, 1998 - Budgetary Basis	<u>\$ 32,008</u>

(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. The City contribution constituted an average of approximately 5% of health insurance premium charges for retirees. Approximately \$726,000 was paid on behalf of 1,730 retirees under this program for the year ended June 30, 1998.

A City Council resolution, dated November 12, 1985, and a related City Administrative Instruction, dated May 1, 1991, established a quarterly payment of \$225 to qualifying retirees from City employment who were active, full-time or permanent part-time, unrepresented City employees at the time of retirement on or after July 1, 1985. Such payments commenced the last quarter of the year ended June 30, 1991, and constitute premium payment required for approximately 115 retirees. An expendable trust fund was set up to finance these benefits and the City has made contributions to this fund to finance future payments. For the year ended June 30, 1998, \$105,000 in benefit payments were made under this program. The trust fund balance was \$95,000 as of June 30, 1998.

(19) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 1998, the following funds reported excess expenditures over appropriations:

Debt Service Funds	
Special Assessment Bonds	\$346,000
Special Revenue Bonds	\$187,000

The Special Assessment Bonds expenditures include unbudgeted bond issuance costs and related fees for bonds issued in FY1997-98.



The Special Revenue Bonds Fund includes unbudgeted payments related to the Taxable Pension Obligation Bonds Series 1997.

(20) COMMITMENTS AND CONTINGENT LIABILITIES

Grants and Subventions

Receipts from federal and state financial assistance programs are subject to 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 audits.

Construction Commitments

Primary Government

The City has committed funding in the amount of \$361,294,000 to a number of capital improvement projects.

Discretely Presented Component Unit

The Port has developed a \$1.4 billion five-year capital improvement program which forms the basis of a long-term strategic financial plan. All capital projects are prioritized according to necessity and return on investment analysis. Dependent on the Port's financial and engineering capacity, projects may be eliminated, delayed, or revised. The most significant projects include the development and construction of new container terminals, 50-foot deepening of the channel, a new airport terminal, and a new airport parking garage and surface parking lots.

The projects noted in the remainder of this footnote are all included in the five-year capital improvement program.

The Port participated in the Corps of Engineers' Congressionally authorized project to dredge the inner and outer harbor channel to a depth of 42 feet. The actual dredging was completed in fiscal year 1998 at a cost to the Port of \$44,426,000. It is estimated the Port will spend an additional \$10,000,000 for landfill closure and a replacement of a golf course used in connection with the dredging project.

As of June 30, 1998, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	\$ 15,973
Aviation	9,837
Commercial real estate	<u>1,587</u>
	<u>\$ 27,397</u>

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 thirty years. Repayment of the loan will begin on August 1, 1999. No distributions have been made on the loan as of June 30, 1998.

Individual Fund Deficits

As of June 30, 1998, the following funds reported deficits in fund balances and/or retained earnings (in thousands):

Debt Service	
Special Revenue Bonds	\$ 4,114
Internal Service	
Facilities	\$ 5,097
Central Stores	\$ 660
Expendable Trust	
Oakland Redevelopment Agency	\$ 1,902

The Debt Service Special Revenue Bonds deficit includes an accrual to adjust for amounts held by a trustee to be used for future debt service payments. The deficit is expected to be funded by transfers from the capital projects funds.

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

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

Other Contingencies

Primary Government

As of June 30, 1998, the Agency has entered into contractual commitments of approximately \$1,748,000 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, 1998, the Agency was committed to fund \$7,876,000 in loans and had issued \$1,648,600 in repayment guarantees and 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

In July 1987, the California Department of Health Services (Department) issued an order determining that the Port and a former tenant of the Port are responsible for the costs of cleaning up hazardous substances on a site leased by several former tenants. The Port received a Remedial Action Plan from the Department which included an apportionment of liability for the costs of hazardous substance removal and remedial actions. The Port is in the process of reviewing the Plan and determining its response. In October 1990, the Port and a former tenant agreed to share equally in the remediation costs. As of June 30, 1998, the Port had accrued a liability of \$886,000 representing its expected 50% share of the total estimated investigation, monitoring and remediation costs related to this site. The ultimate remediation costs have not been determined.

The Port has certain legal obligations to modify or remove various underground storage tanks. A Tank Management Strategy Report on Port-owned underground tanks was prepared for the Port by an outside environmental consulting company. During 1997, the Port continued soil remediation and tank removal. As of June 30, 1998, a liability of \$1,852,000 has been recorded representing the expected remaining costs to modify or remove designated Port-owned underground storage tanks.

On August 9, 1994, the Board of Port Commissioners authorized a settlement for a lawsuit involving the filling of wetlands by the Port. A Consent Decree was entered into on December 15, 1994, by the United States District Court for the Northern District of California to implement the settlement. The Consent Decree requires the Port to spend \$2,500,000 to create, enhance and restore seasonal and tidal wetlands over approximately 72 acres of Port land. Title to the 72 acres of land will pass to the East Bay Regional Park District (EBRPD) at the end of the construction. Whatever funds remain of the \$2,500,000 at the end of the construction will be turned over to the EBRPD to fund monitoring and maintenance of the wetlands. In addition to the \$2,500,000 the Port estimates it will incur approximately \$185,000 in internal Port staff costs. As of June 30, 1998, the Port has accrued \$1,338,000 for the creation, enhancement and restoration of the wetlands.

The Port has accrued approximately \$2,267,000 for environmental clean-up and remediation at a site. The nature of all remediation activities that may be required on the site is currently unknown. The extent of the clean up, therefore, has not yet been fully determined.

As of June 30, 1998, the Port has accrued approximately \$3,022,000 for various environmental remediation programs in addition to those noted above.

(21) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 23, 1998, the City issued tax and revenue anticipation notes payable of \$60,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 4.25%. Principal and interest are due and payable on September 30, 1999.

Lease Revenue Bonds

On July 16, 1998, the Oakland Joint Powers Financing Authority issued lease revenue bonds in the amount of \$187,500,000. The bonds were issued to provide a portion of the funding necessary to refund all of the outstanding City of Oakland Special Revenue Bonds 1998 Series A.

Oakland-Alameda County Coliseum Authority

During the 1997-98 fiscal year, the Warriors Arena Management (WAM) failed to make the rental payments to cover the arena debt obligation as required in the modifications to the original Warriors agreements. On December 15, 1998, the Oakland-Alameda County Coliseum Authority (Authority) gave the Warriors a notice of arbitration per the agreements over the failure to make the required payments. Until this dispute can be resolved, the Authority will be required to fund the debt service payments on the Arena bonds (refer to Note 15). The Authority has indicated to the joint venture partners that it is optimistic about the outcome of the arbitration and expects to recover all attorney costs related thereto.

In addition, on December 2, 1998, the Authority settled its dispute with the Oakland A's baseball team which resulted in a \$2.2 million settlement payment to the A's. Also, on December 16, 1998, the Authority settled Arena construction-related claims with the construction contractor which will result in a payment of \$6.7 million to the contractor.

The above issues will require funding from the City for its share (50%) of the related costs, as the Authority has anticipated a deficit for the 1998-99 fiscal year. As stated in Note 15, the City is required to appropriate annually \$20.5 million in its budget to cover shortfalls in the Authority. The City's portion of these Authority costs are covered by its appropriation.



(22) PRIOR PERIOD ADJUSTMENTS

On March 15, 1996, the Oakland Joint Power Financing Authority (JPFA) issued Lease Revenue Bonds Series 1996 in the amount of \$103,497,000. The City recognized unamortized bond issuance costs in the amount of \$2,596,725. The unamortized bond issuance cost should be recognized on a pro-rata basis, annually, for the full term of the bond issue. In FY1997, the City of Oakland did not record the pro-rata share of the unamortized bond issuance costs of \$87,000. This entry is being presented as a prior period adjustment to the Municipal Improvement Capital Fund.

On February 2, 1993, the City of Oakland entered into a loan agreement C06-4006-311, Contract #2-814-550-1, with the State Water Resources Control Board in the amount of \$4,394,978. The loan should have been recorded as a Long-term Obligation of the Sewer Service Enterprise Fund. \$3,763,000 is being booked as a prior year adjustment to reflect the remaining long-term obligation as of June 30, 1998.

REQUIRED SUPPLEMENTAL SCHEDULES

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

Actuarial Valuation Date July 1,	Actuarial Value (\$) of Plan Assets⁽¹⁾⁽²⁾ (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 ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
1996	16.9	11.8	143	(5.1)	.124	(4113)

(1)At market.

(2)Actuarial valuation conducted biennially.

(3)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 AAL (\$) Funded (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	20.1	3105 ⁽³⁾

(1) At market.

(2) Actuarial valuation conducted biennially.

(3) During the fiscal year ended June 30, 1997, the City made a lump sum payment in the amount of \$417,173,300 to fund the UAAL. This payment will be reflected in the July 1998 actuarial valuation.

REQUIRED SUPPLEMENTAL SCHEDULES

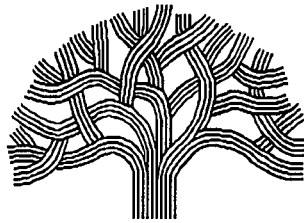
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

(unaudited)

(In Millions)

Required Supplementary Information

	(A)	(B)	(C)	(D)	(E)	(F)
Actuarial Valuation Date June 30,	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability [(B)- (A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll {[(B)-(A)]/(E)}
<u>Miscellaneous</u>						
1994	\$506.2	\$535.8	\$29.6	94.5%	\$137.7	21.478%
1995	545.9	553.3	7.4	98.6	135.6	5.526
1996	615.5	635.3	19.8	96.9	129.1	15.367
<u>Safety</u>						
1994	\$ 95.4	\$ 90.9	\$(4.5)	104.9%	\$41.9	(10.711)%
1995	112.8	106.6	(6.2)	105.8	44.2	(13.921)
1996	137.4	131.8	(5.6)	104.3	42.3	(13.255)



CITY OF OAKLAND

GENERAL FUND

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, and federal and state grants.

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 1998 and 1997
(In Thousands)

	1998	1997
ASSETS		
Cash and investments	\$ 7,927	\$ 720
Receivables (net of allowance for uncollectibles of: 1998, \$557; 1997, \$557):		
Accrued interest and dividends	692	732
Property taxes	1,960	1,389
Accounts receivable	30,310	25,120
Receivable from Port of Oakland	8,179	6,076
Due from other funds	62,708	74,759
Notes and loans receivable	13,709	13,771
Restricted cash and investments	24	2,745
Other	<u>2,708</u>	<u>—</u>
TOTAL ASSETS	<u>\$128,217</u>	<u>\$125,312</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities	\$ 49,646	\$ 35,541
Due to other funds	10,956	14,082
Deferred revenue	42,646	43,026
Other	<u>505</u>	<u>2,963</u>
Total liabilities	<u>103,753</u>	<u>95,612</u>
Fund Balance		
Reserved for:		
Encumbrances	4,276	2,729
Unreserved:		
Designated	11,724	14,039
Undesignated	<u>8,464</u>	<u>12,932</u>
Total fund balance	<u>24,464</u>	<u>29,700</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$128,217</u>	<u>\$125,312</u>



GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Years ended June 30, 1998 and 1997
(In Thousands)

	1998	1997
REVENUES		
Taxes:		
Property	\$ 76,624	\$ 72,798
State:		
Sales and Use	32,936	31,069
Motor Vehicle In-lieu	16,410	15,080
Local:		
Business License	31,198	31,923
Utility Consumption	35,695	32,783
Real Estate Transfer	22,716	17,645
Transient Occupancy	8,466	7,321
Parking	4,837	4,595
Franchise	8,776	8,579
Licenses and permits	7,690	7,097
Fines and penalties	11,873	9,506
Interest and investment income	5,793	8,702
Charges for services	30,920	32,008
Federal and state grants and subventions	6,242	7,443
Other	<u>14,730</u>	<u>8,955</u>
TOTAL REVENUES	<u>\$314,906</u>	<u>\$295,504</u>

(continued)

GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES, continued
Years ended June 30, 1998 and 1997
(In Thousands)

	1998	1997
EXPENDITURES		
Current:		
Elected and Appointed Officials:		
Mayor	\$ 893	\$ 831
Council	2,016	1,647
City Manager	2,750	2,363
City Attorney	4,046	5,429
City Auditor	902	713
City Clerk	1,899	2,089
Agencies/Departments:		
Personnel Resource Management	3,747	3,986
Retirement and Risk Administration	941	895
Information Technology	6,166	7,215
Budget and Finance	10,610	7,910
Police Services	103,241	94,713
Fire Services	55,707	51,126
Life Enrichment		
Parks and Recreation	9,978	9,627
Library	8,512	8,179
Museum	4,815	4,555
Aging	2,242	2,004
Health and Human Services	1,018	673
Community and Economic Development	14,775	14,158
Public Works	29,359	29,023
Payment to unfunded pension	—	440,409
Other	13,693	11,208
Capital outlay	1,967	2,951
Debt service - interest charges	<u>2,520</u>	<u>2,605</u>
TOTAL EXPENDITURES	<u>281,797</u>	<u>704,309</u>
EXCESS (DEFICIENCY) OF REVENUES		
OVER (UNDER) EXPENDITURES	<u>\$ 33,109</u>	<u>\$(408,805)</u>

(continued)



GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES, continued
Years ended June 30, 1998 and 1997
(In Thousands)

	1998	1997
OTHER FINANCING SOURCES (USES)		
Bond proceeds	\$ —	\$438,844
Property sale proceeds	255	322
Operating transfers in	34,869	18,068
Operating transfers out	<u>(70,971)</u>	<u>(47,190)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(35,847)</u>	<u>410,044</u>
EXCESS (DEFICIENCY) OF REVENUES AND		
OTHER FINANCING SOURCES OVER (UNDER)		
EXPENDITURES AND OTHER FINANCING USES	(2,738)	1,239
Fund balance at beginning of year	29,700	28,461
Residual equity transfer	<u>(2,498)</u>	<u>—</u>
FUND BALANCE AT END OF YEAR	<u>\$24,464</u>	<u>\$ 29,700</u>

(concluded)

GENERAL FUND
COMPARATIVE BALANCE SHEETS
June 30, 1998 and 1997
(In Thousands)

	1998	1997
ASSETS		
Cash and investments	\$ 7,927	\$ 720
Receivables (net of allowance for uncollectibles of: 1998, \$557; 1997, \$557):		
Accrued interest and dividends	692	732
Property taxes	1,960	1,389
Accounts receivable	30,310	25,120
Receivable from Port of Oakland	8,179	6,076
Due from other funds	62,708	74,759
Notes and loans receivable	13,709	13,771
Restricted cash and investments	24	2,745
Other	<u>2,708</u>	<u>—</u>
TOTAL ASSETS	<u>\$128,217</u>	<u>\$125,312</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable and accrued liabilities	\$ 49,646	\$ 35,541
Due to other funds	10,956	14,082
Deferred revenue	42,646	43,026
Other	<u>505</u>	<u>2,963</u>
Total liabilities	<u>103,753</u>	<u>95,612</u>
Fund Balance		
Reserved for:		
Encumbrances	4,276	2,729
Unreserved:		
Designated	11,724	14,039
Undesignated	<u>8,464</u>	<u>12,932</u>
Total fund balance	<u>24,464</u>	<u>29,700</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$128,217</u>	<u>\$125,312</u>



GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Years ended June 30, 1998 and 1997
(In Thousands)

	1998	1997
REVENUES		
Taxes:		
Property	\$ 76,624	\$ 72,798
State:		
Sales and Use	32,936	31,069
Motor Vehicle In-lieu	16,410	15,080
Local:		
Business License	31,198	31,923
Utility Consumption	35,695	32,783
Real Estate Transfer	22,716	17,645
Transient Occupancy	8,466	7,321
Parking	4,837	4,595
Franchise	8,776	8,579
Licenses and permits	7,690	7,097
Fines and penalties	11,873	9,506
Interest and investment income	5,793	8,702
Charges for services	30,920	32,008
Federal and state grants and subventions	6,242	7,443
Other	<u>14,730</u>	<u>8,955</u>
TOTAL REVENUES	<u>\$314,906</u>	<u>\$295,504</u>

(continued)

GENERAL FUND
SCHEDULE OF BUDGET APPROPRIATION CHANGES
Year Ended June 30, 1998
(In Thousands)

	Original Budget	Supple- mental Appropri- ations	Adjusted Beginning Carryforward Appropriations	Revised Budget
REVENUES				
Taxes:				
Property	\$ 75,099	\$ 23	\$ —	\$ 75,122
State:				
Sales and Use	33,353	—	—	33,353
Motor Vehicle In-lieu	15,693	—	—	15,693
Local:				
Business License	32,819	—	—	32,819
Utility Consumption	33,095	—	—	33,095
Real Estate Transfer	14,799	675	—	15,474
Transient Occupancy	7,731	—	—	7,731
Parking	4,832	—	—	4,832
Franchise	8,912	—	—	8,912
Licenses and permits	9,506	—	—	9,506
Fines and penalties	10,753	3,200	—	13,953
Interest and investment income	4,216	—	—	4,216
Charges for services	32,906	2,143	—	35,049
Federal and state grants and subventions	5,688	409	—	6,097
Other	<u>8,235</u>	<u>(1,010)</u>	<u>—</u>	<u>7,225</u>
TOTAL REVENUES	<u>\$297,637</u>	<u>\$ 5,440</u>	<u>\$ —</u>	<u>\$303,077</u>

(continued)



GENERAL FUND
SCHEDULE OF BUDGET APPROPRIATION CHANGES, continued
Year Ended June 30, 1998
(In Thousands)

	Original Budget	Supple- mental Appropri- ations	Adjusted Beginning Carryforward Appropriations	Revised Budget
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	\$ 995	\$ (34)	\$ (121)	\$ 840
Council	1,877	—	223	2,100
City Manager	2,113	21	241	2,375
City Attorney	3,684	(29)	59	3,714
City Auditor	966	—	15	981
City Clerk	2,111	1	55	2,167
Agencies/Departments:				
Personnel Resource Management	2,958	—	(56)	2,902
Retirement and Risk Administration	891	(23)	42	910
Information Technology	5,757	(3)	198	5,952
Budget and Finance	8,867	3,102	392	12,361
Police Services	96,867	(272)	1,298	97,893
Fire Services	58,403	(1,430)	1,383	58,356
Life Enrichment				
Parks and Recreation	10,389	98	1,046	11,533
Library	9,018	—	213	9,231
Museum	4,655	—	16	4,671
Aging	2,552	(286)	436	2,702
Health and Human Services	812	116	(59)	869
Community and Economic Development	15,115	(265)	1,009	15,859
Public Works	30,071	18	857	30,946
Payment to unfunded pension	27,397	—	—	27,397
Other	27,642	(603)	(9)	27,030
Capital outlay	<u>2,766</u>	<u>(1,786)</u>	<u>5,741</u>	<u>6,721</u>
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>315,906</u>	<u>(1,375)</u>	<u>12,979</u>	<u>327,510</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$(18,269)</u>	<u>\$ 6,815</u>	<u>\$ (12,979)</u>	<u>\$ (24,433)</u>

(concluded)

SPECIAL REVENUE FUNDS

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.

SPECIAL REVENUE FUNDS

Federal and State Grants Funds account for various Federal and State grants used or expended for a specific purpose, activity or program.

Traffic Safety and Control Funds account for monies received from 50% of parking meter collections and from fines and forfeitures for misdemeanor violations of vehicle codes which are expended or disbursed for purposes immediately connected with traffic safety and control.

State Gas Tax Funds account for the subventions received from state gas taxes under the provision of the Streets and Highways Code. State gas taxes are restricted to uses related to local streets and highways and would include acquisitions of real property, construction and improvements, and repairs and maintenance of streets and highways.

The **Landscape and Lighting Assessment District Fund** is an assessment district fund that is used to account for monies restricted to installing, maintaining and servicing public lighting, landscaping and park facilities.

Other Assessment Districts Funds account for monies restricted to specific improvements that beneficially affect a well defined and limited area of land.

Other Special Revenue Funds account for other restricted monies that are classified as Special Revenue Funds.

Oakland Redevelopment Agency Funds account for monies not restricted to specific projects or activities but limited to redevelopment purposes.



**SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET**

June 30, 1998

With comparative totals as of June 30, 1997

(In Thousands)

	Federal and State Grants	Traffic Safety and Control	State Gas Tax	Landscape and Lighting Assessment District
ASSETS				
Cash and investments	\$ —	\$ 4,413	\$ 5,233	\$ 3,171
Receivables:				
Accrued interest and dividends	—	88	61	—
Property taxes	91	—	—	468
Accounts receivable	1	647	—	—
Grants receivable	33,230	—	—	—
Due from other funds	2,168	—	416	10
Notes and loans receivable	65,585	—	—	—
Restricted cash and investments	8,826	—	—	—
Other	60	4	—	103
TOTAL ASSETS	<u>\$109,961</u>	<u>\$ 5,152</u>	<u>\$ 5,710</u>	<u>\$ 3,752</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 7,196	\$ 925	\$ 180	\$ 773
Due to other funds	24,736	106	354	274
Deferred revenue	68,853	—	—	—
Other	122	—	—	—
Total liabilities	<u>100,907</u>	<u>1,031</u>	<u>534</u>	<u>1,047</u>
Fund balances				
Reserved	9,054	3,992	1,378	875
Unreserved:				
Designated for capital improvement projects	—	129	3,798	1,830
Undesignated	—	—	—	—
Total fund balances	<u>9,054</u>	<u>4,121</u>	<u>5,176</u>	<u>2,705</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$109,961</u>	<u>\$ 5,152</u>	<u>\$ 5,710</u>	<u>\$ 3,752</u>

SPECIAL REVENUE FUNDS

Other Assessment Districts	Other Special Revenue	Oakland Redevelopment Agency	Total	
			1998	1997
\$ 510	\$ 3,802	\$ 745	\$ 17,874	\$ 15,573
6	41	1,328	1,524	1,757
22	32	—	613	604
238	—	—	886	7,066
—	—	—	33,230	11,965
—	5,914	300	8,808	10,081
—	5,488	107	71,180	62,602
—	—	—	8,826	5,456
—	2	—	169	—
<u>\$ 776</u>	<u>\$15,279</u>	<u>\$ 2,480</u>	<u>\$143,110</u>	<u>\$115,104</u>
\$ 65	\$ 736	\$ —	9,875	\$ 10,169
19	1,801	—	27,290	19,235
—	8,438	407	77,698	71,971
—	—	32	154	29
<u>84</u>	<u>10,975</u>	<u>439</u>	<u>115,017</u>	<u>101,404</u>
324	4,304	—	19,927	1,527
368	—	—	6,125	12,129
—	—	2,041	2,041	44
<u>692</u>	<u>4,304</u>	<u>2,041</u>	<u>28,093</u>	<u>13,700</u>
<u>\$ 776</u>	<u>\$15,279</u>	<u>\$ 2,480</u>	<u>\$143,110</u>	<u>\$115,104</u>



SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year ended June 30, 1998

With comparative totals as of June 30, 1997

(In Thousands)

	Federal and State Grants	Traffic Safety and Control	State Gas Tax	Landscape and Lighting Assessment District
REVENUES				
Taxes:				
Property	\$ 4,379	\$ —	\$ —	\$16,408
State				
Sales and Use	611	6,655	—	—
Gas	—	—	7,209	—
Licenses and permits	—	—	—	11
Fines and penalties	363	223	—	—
Interest and investment income	680	255	209	—
Charges for services	522	2	—	32
Federal and state grants and subventions	77,277	11	—	—
Other	<u>6,192</u>	<u>47</u>	<u>3</u>	<u>21</u>
TOTAL REVENUES	<u>\$90,024</u>	<u>\$ 7,193</u>	<u>\$ 7,421</u>	<u>\$16,472</u>

SPECIAL REVENUE FUNDS

Other Assessment Districts	Other Special Revenue	Oakland Redevelopment Agency	Total	
			1998	1997
\$ 122	\$ 1,162	\$ —	\$ 22,071	\$ 20,284
—	—	—	7,266	6,184
—	—	—	7,209	7,056
—	—	—	11	12
—	26	—	612	704
22	115	144	1,425	3,074
141	486	—	1,183	1,259
—	1,616	—	78,904	67,759
<u>124</u>	<u>485</u>	<u>189</u>	<u>7,061</u>	<u>8,319</u>
<u>\$ 409</u>	<u>\$ 3,890</u>	<u>\$ 333</u>	<u>\$ 125,742</u>	<u>\$114,651</u>

(continued)



**SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES,
EXPENDITURES AND ENCUMBRANCES –
BUDGET AND ACTUAL ON A BUDGETARY BASIS**

Year ended June 30, 1998

(In Thousands)

	Traffic Safety and Control			State Gas Tax		
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES						
Taxes:						
Property	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
State:						
Sales and Use	5,444	6,655	1,211	—	—	—
Gas	—	—	—	7,380	7,209	(171)
Licenses and permits	—	—	—	—	—	—
Fines and penalties	420	223	(197)	—	—	—
Interest and investment income	—	255	255	—	209	209
Charges for services	—	2	2	—	—	—
Federal and state grants and subventions	400	11	(389)	—	—	—
Other	<u>78</u>	<u>47</u>	<u>(31)</u>	<u>—</u>	<u>3</u>	<u>3</u>
TOTAL REVENUES	<u>6,342</u>	<u>7,193</u>	<u>851</u>	<u>7,380</u>	<u>7,421</u>	<u>41</u>
EXPENDITURES AND ENCUMBRANCES						
Current:						
Elected and Appointed Officials:						
City Attorney	—	—	—	—	—	—
Agencies/Departments:						
Personnel Resource						
Management	—	—	—	—	—	—
Information Technology	—	—	—	—	—	—
Budget and Finance	—	—	—	—	—	—
Life Enrichment						
Parks and Recreation	—	—	—	—	—	—
Museum	—	—	—	—	—	—
Community and Economic Development	—	—	—	2	—	2
Public Works	2,688	2,724	(36)	6,911	6,132	779
Other	—	—	—	—	—	—
Capital outlay	<u>9,090</u>	<u>3,070</u>	<u>6,020</u>	<u>1,721</u>	<u>417</u>	<u>1,304</u>
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>11,778</u>	<u>5,794</u>	<u>5,984</u>	<u>8,634</u>	<u>6,549</u>	<u>2,085</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u><u>\$(5,436)</u></u>	<u><u>\$1,399</u></u>	<u><u>\$ 6,835</u></u>	<u><u>\$(1,254)</u></u>	<u><u>\$ 872</u></u>	<u><u>\$ 2,126</u></u>

SPECIAL REVENUE FUNDS

Landscape and Lighting Assessment District			Total Special Revenue Funds		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
\$ 15,669	\$16,408	\$ 739	\$ 15,669	\$ 16,408	\$ 739
			5,444	6,655	1,211
			7,380	7,209	(171)
11	11		11	11	—
			420	223	(197)
			—	464	464
34	32	(2)	34	34	—
			400	11	(389)
<u>4</u>	<u>21</u>	<u>17</u>	<u>82</u>	<u>71</u>	<u>(11)</u>
<u>15,718</u>	<u>16,472</u>	<u>754</u>	<u>29,440</u>	<u>31,086</u>	<u>1,646</u>
77	77	—	77	77	—
2	—	2	2	—	2
24	24	—	24	24	
277	230	47	277	230	47
13,274	12,886	388	13,274	12,886	388
—	—	—	2	—	2
2,251	2,194	57	11,850	11,050	800
2	2	—	2	2	—
<u>879</u>	<u>252</u>	<u>627</u>	<u>11,690</u>	<u>3,739</u>	<u>7,951</u>
<u>16,786</u>	<u>15,665</u>	<u>1,121</u>	<u>37,198</u>	<u>28,008</u>	<u>9,190</u>
<u>\$(1,068)</u>	<u>\$ 807</u>	<u>\$ 1,875</u>	<u>\$ (7,758)</u>	<u>\$ 3,078</u>	<u>\$ 10,836</u>



SPECIAL REVENUE FUNDS
SCHEDULE OF BUDGET APPROPRIATION CHANGES
Year Ended June 30, 1998
(In Thousands)

		<u>Total - Annually Budgeted Funds</u>		
	Original Budget	Supple- mental Appro- priations	Begining Carryforward Appropri- ations	Revised Budget
REVENUES				
Taxes:				
Property	\$ 15,669	\$ —	\$ —	\$ 15,669
State:				
Sales and Use	5,444	—	—	5,444
Gas	7,380	—	—	7,380
Licenses and permits	11	—	—	11
Fines and penalties	420	—	—	420
Charges for services	34	—	—	34
Federal and state grants and subventions	400	—	—	400
Other	<u>82</u>	<u>—</u>	<u>—</u>	<u>82</u>
TOTAL REVENUES	<u>29,440</u>	<u>—</u>	<u>—</u>	<u>29,440</u>
EXPENDITURES AND ENCUMBRANCES				
Current:				
Elected and Appointed Officials:				
City Attorney	77	—	—	77
Agencies/Departments:				
Personnel Resource Management	2	—	—	2
Information Technology	24	—	—	24
Budget and Finance	277	—	—	277
Life Enrichment				
Parks and Recreation	12,918	317	39	13,274
Community and Economic Development	2	—	—	2
Public Works	9,969	1,805	76	11,850
Other	2	—	—	2
Capital outlay	<u>9,074</u>	<u>1,039</u>	<u>1,577</u>	<u>11,690</u>
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>32,345</u>	<u>3,161</u>	<u>1,692</u>	<u>37,198</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND ENCUMBRANCES	<u>\$ (2,905)</u>	<u>\$ (3,161)</u>	<u>\$ (1,692)</u>	<u>\$ (7,758)</u>

DEBT SERVICE FUNDS

Debt service funds account for the accumulation of resources to be used for the payment of general long-term debt principal and interest.

DEBT SERVICE FUNDS

The **General Obligation Bonds Fund** accounts for monies received in connection with the Series 1991A, Series 1992, and Series 1995B General Obligation Bonds and the related payments on such debt. Proceeds from the Series 1991A and 1995B bonds are to be used by the City to expand and develop park and recreation facilities. Proceeds from the Series 1992 bonds are to be used for enhancing the City's emergency response capabilities and for seismic reinforcement of essential public facilities and infrastructure.

The **Tax Allocation Bonds Fund** accounts for tax increment revenues and payment of principal and interest on bonded and other indebtedness related to projects of the Oakland Redevelopment Agency.

The **Lease Financings Fund** accounts for monies received in connection with leases between the City and the Agency, the City and the Civic Improvement Corporation and the City and the California Statewide Communities Development Authority. It also accounts for payments on bonds and other debt issued for the Oakland Museum, for capital improvements to certain City properties, and for the Scotlan and Kaiser Convention Centers.

The **Other Assessment Bonds Fund** accounts for special assessment monies received from property owners within the various special assessment districts to liquidate the improvement bonds. These districts include Medical Hill Parking, Rockridge Area Water Improvement, and the Fire Area Utility Underground.

The **Special Revenue Bonds Fund** accounts for monies received in connection with the Special Refunding Revenue Bonds (Pension Financing) 1988 Series A and for payments on such bonds. Proceeds from the bonds were used by the City to fund a portion of the City's liability for employee pensions.



DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
June 30, 1998
With comparative totals as of June 30, 1997
(In Thousands)

	General Obligation Bonds	Tax Allocation Bonds	Lease Financings
ASSETS			
Cash and investments	\$ 4,353	\$ —	\$ 9
Receivables:			
Accrued interest and dividends	50	111	54
Property taxes	188	—	—
Accounts receivable	—	5	—
Special assessments	—	—	—
Due from other funds	—	—	—
Restricted cash and investments	3,285	10,371	53,729
Property held for resale	—	21,447	—
TOTAL ASSETS	<u>\$ 7,876</u>	<u>\$31,934</u>	<u>\$ 53,792</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 12	\$ —	\$ —
Due to other funds	—	20,988	413
Deferred revenue	—	—	—
Matured bonds and interest payable	—	1,244	69
Other	—	—	—
Total liabilities	<u>12</u>	<u>22,232</u>	<u>482</u>
Fund balances			
Reserved for debt service	<u>7,864</u>	<u>9,702</u>	<u>53,310</u>
Total fund balances (deficit)	<u>7,864</u>	<u>9,702</u>	<u>53,310</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7,876</u>	<u>\$31,934</u>	<u>\$ 53,792</u>

Other Assessment Bonds	Special Revenue Bonds	Total	
		1998	1997
\$ 3,387	\$ —	\$ 7,749	\$ 20,739
41	—	256	605
12	—	200	62
—	—	5	11
1,735	—	1,735	2,010
—	—	—	5,163
834	15,596	83,815	92,569
—	—	21,447	21,447
<u>\$ 6,009</u>	<u>\$ 15,596</u>	<u>\$115,207</u>	<u>\$142,606</u>
\$ 2	\$ —	\$ 14	\$ 154
880	4,695	26,976	47,933
1,735	—	1,735	2,009
—	14,943	16,256	18,506
—	72	72	19
<u>2,617</u>	<u>19,710</u>	<u>45,053</u>	<u>68,621</u>
<u>3,392</u>	<u>(4,114)</u>	<u>70,154</u>	<u>73,985</u>
<u>3,392</u>	<u>(4,114)</u>	<u>70,154</u>	<u>73,985</u>
<u>\$ 6,009</u>	<u>\$ 15,596</u>	<u>\$115,207</u>	<u>\$142,606</u>



DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	General Obligation Bonds	Tax Allocation Bonds	Lease Financings
REVENUES			
Property taxes	\$ 11,159	\$ 613	\$ —
Fines and penalties	9	—	—
Interest and investment income	366	2,611	6,820
Other	<u>2</u>	<u>—</u>	<u>—</u>
TOTAL REVENUES	<u>11,536</u>	<u>3,224</u>	<u>6,820</u>
EXPENDITURES			
Current:			
Budget and Finance	96	—	—
Other	—	53	213
Debt service:			
Principal repayment	2,180	7,080	5,390
Interest charges	<u>8,976</u>	<u>10,468</u>	<u>17,828</u>
TOTAL EXPENDITURES	<u>11,252</u>	<u>17,601</u>	<u>23,431</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>284</u>	<u>(14,377)</u>	<u>(16,611)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	—	—	—
Operating transfers in	822	16,933	10,060
Operating transfers out	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>822</u>	<u>16,933</u>	<u>10,060</u>
EXCESS (DEFICIENCY) OF REVENUES AND AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,106	2,556	(6,551)
Fund balances at beginning of year	5,809	6,984	59,944
Residual equity transfer	949	—	(83)
Cumulative effect of change in accounting principle	<u>—</u>	<u>162</u>	<u>—</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ 7,864</u>	<u>\$ 9,702</u>	<u>\$53,310</u>

Other Assessment Bonds	Special Revenue Bonds	Total	
		1998	1997
\$ 1,297	\$ —	\$ 13,069	\$ 4,113
—	—	9	8
193	2,556	12,546	8,896
18	—	20	171
<u>1,508</u>	<u>2,556</u>	<u>25,644</u>	<u>13,188</u>
38	171	305	52
4	16	286	969
379	11,635	26,664	22,846
803	40,572	78,647	59,914
<u>1,224</u>	<u>52,394</u>	<u>105,902</u>	<u>83,781</u>
<u>284</u>	<u>(49,838)</u>	<u>(80,258)</u>	<u>(70,593)</u>
—	—	—	493
—	45,493	73,308	65,238
<u>(407)</u>	—	<u>(407)</u>	—
<u>(407)</u>	<u>45,493</u>	<u>72,901</u>	<u>65,731</u>
(123)	(4,345)	(7,357)	(4,862)
3,515	(2,267)	73,985	79,151
—	2,498	3,364	(304)
—	—	162	—
<u>\$ 3,392</u>	<u>\$ (4,114)</u>	<u>\$ 70,154</u>	<u>\$ 73,985</u>



DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES –
BUDGET AND ACTUAL ON A BUDGETARY BASIS

Year ended June 30, 1998

(In Thousands)

	<u>General Obligation Bonds</u>			<u>Other Assessment Bonds</u>		
	<u>Revised Budget</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance - Favorable (Unfavorable)</u>
REVENUES						
Property taxes	\$ 12,440	\$ 11,159	\$(1,281)	\$ 1,294	\$ 1,297	\$ 3
Fines and penalties	—	9	9	—	—	—
Interest and investment income	—	412	412	—	193	193
Other	—	2	2	—	18	18
TOTAL REVENUES	<u>12,440</u>	<u>11,582</u>	<u>(858)</u>	<u>1,294</u>	<u>1,508</u>	<u>214</u>
EXPENDITURES						
Current:						
Agencies:						
Budget and Finance	—	96	(96)	12	38	(26)
Other	24	295	(271)	103	411	(308)
Debt service:						
Principal repayments	2,200	1,885	315	375	379	(4)
Interest charges	<u>10,240</u>	<u>8,976</u>	<u>1,264</u>	<u>795</u>	<u>803</u>	<u>(8)</u>
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>12,464</u>	<u>11,252</u>	<u>1,212</u>	<u>1,285</u>	<u>1,631</u>	<u>(346)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND ENCUMBRANCES	<u>\$ (24)</u>	<u>\$ 330</u>	<u>\$ 354</u>	<u>\$ 9</u>	<u>\$ (123)</u>	<u>\$ (132)</u>

DEBT SERVICE FUNDS

<u>Special Revenue Bonds</u>			<u>Total Debt Service Funds</u>		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
\$ —	\$ —	\$ —	\$ 13,734	\$ 12,456	\$(1,278)
—	—	—	—	9	9
—	2,556	2,556	—	3,161	3,161
—	—	—	—	20	20
<u>—</u>	<u>2,556</u>	<u>2,556</u>	<u>13,734</u>	<u>15,646</u>	<u>1,912</u>
—	171	(171)	12	305	(293)
—	16	(16)	127	722	(595)
11,785	11,785	—	14,360	14,049	311
<u>40,872</u>	<u>40,872</u>	<u>—</u>	<u>51,907</u>	<u>50,651</u>	<u>1,256</u>
<u>52,657</u>	<u>52,844</u>	<u>(187)</u>	<u>66,406</u>	<u>65,727</u>	<u>679</u>
<u>\$(52,657)</u>	<u>\$(50,288)</u>	<u>\$ 2,369</u>	<u>\$(52,672)</u>	<u>\$(50,081)</u>	<u>\$ 2,591</u>

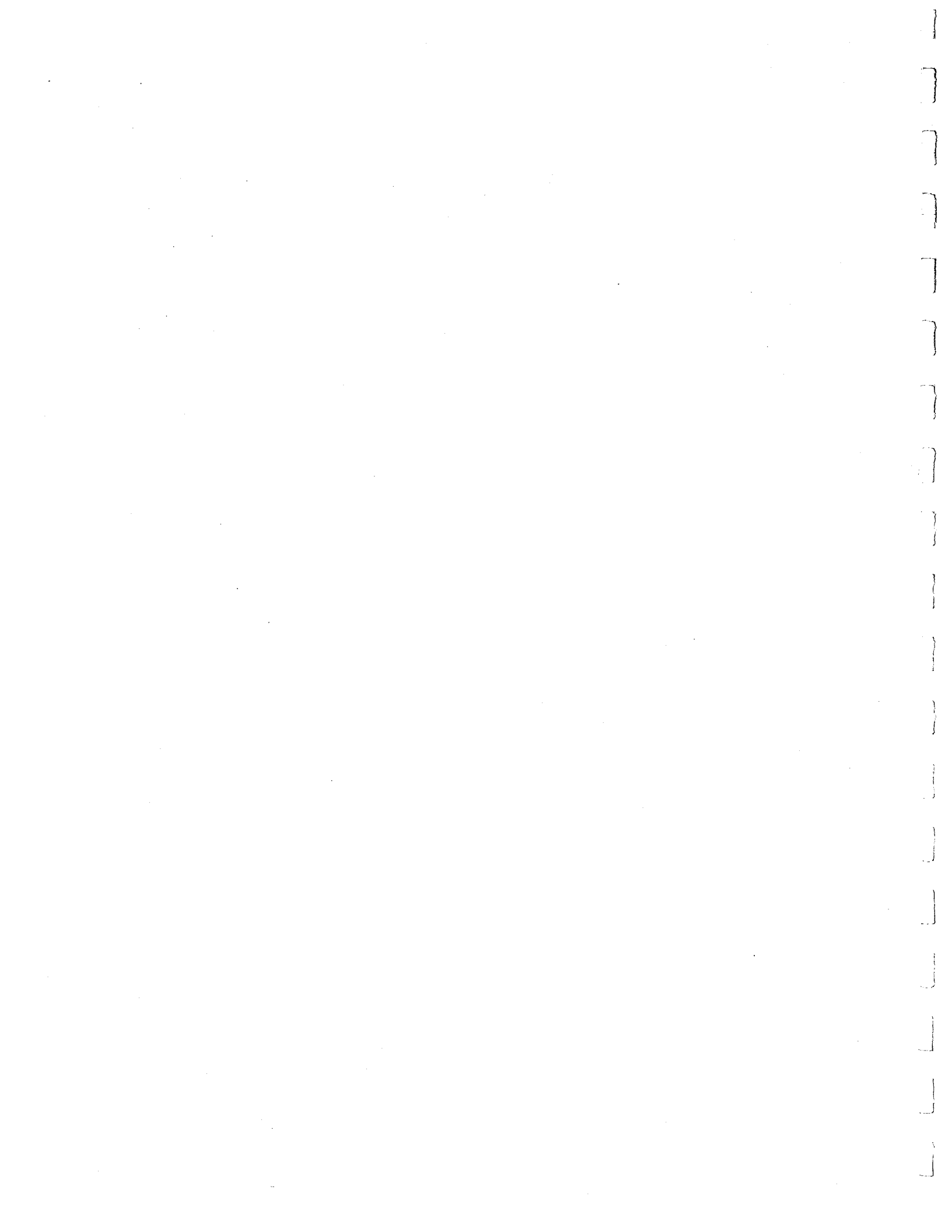


DEBT SERVICE FUNDS
SCHEDULE OF BUDGET APPROPRIATION CHANGES
Year Ended June 30, 1998
(In Thousands)

	Total - Annually Budgeted Funds			
	Original Budget	Supplemental Appropriations	Carry- forwards	Revised Budget
REVENUES				
Property tax	\$ 13,734	\$ —	\$ —	\$ 13,734
Interest and investment income	—	—	—	—
Other	—	—	—	—
TOTAL REVENUES	<u>13,734</u>	<u>—</u>	<u>—</u>	<u>13,734</u>
EXPENDITURES				
Current:				
Agencies:				
Budget and Finance	12	—	—	12
Other	127	—	—	127
Debt service:				
Principal repayments	14,360	—	—	14,360
Interest charges	51,907	—	—	51,907
TOTAL EXPENDITURES AND ENCUMBRANCES	<u>66,406</u>	<u>—</u>	<u>—</u>	<u>66,406</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND ENCUMBRANCES	<u>\$ (52,672)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (52,672)</u>

CAPITAL PROJECTS FUNDS

Capital projects funds account for financial resources to be used for the acquisition, construction or improvement of major capital facilities, except those financed by proprietary and trust funds.



CAPITAL PROJECTS FUNDS

The **Park and Recreation Fund** accounts for monies from the issuance of the Series 1991A General Obligation Bonds to be used for financing the acquisition of land and to expand, develop, and rehabilitate park and recreational facilities.

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

The **Emergency Services Fund** accounts for monies from the issuance of the Series 1992 General Obligation Bonds to be used for financing the enhancement of emergency response capabilities and seismic reinforcement of essential public facilities and infrastructures.

Oakland Redevelopment Agency Funds account for federal grants, land sales, rents and other revenues relating to redevelopment projects. Expenditures are comprised of land acquisition and improvements and all other costs inherent to redevelopment activities.



**CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET**

June 30, 1998

With comparative totals as of June 30, 1997

(In Thousands)

	Park and Recreation	Municipal Improvement Capital
ASSETS		
Cash and investments	\$ 1,940	\$ 343
Receivables:		
Accrued interest	—	1,599
Property taxes	—	72
Accounts receivable	—	3,603
Due from other funds	1,474	3,102
Due from other governments	—	—
Notes and loans receivable (net of allowance for uncollectible of: 1998, \$197; 1997, \$197)	—	165
Restricted cash and investments	11,355	147,549
Property held for resale	—	—
Other	—	2,402
TOTAL ASSETS	<u>\$14,769</u>	<u>\$158,835</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$ 212	\$ 7,979
Due to other funds	7	1,465
Deferred revenue	—	2,693
Other	34	600
Total liabilities	<u>253</u>	<u>12,737</u>
Fund balances		
Reserved for capital projects	<u>14,516</u>	<u>146,098</u>
Total equity and other transfers	<u>14,516</u>	<u>146,098</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$14,769</u>	<u>\$158,835</u>

CAPITAL PROJECTS FUNDS

Emergency Services	Oakland Redevelopment Agency	Total	
		1998	1997
\$ 9	\$ 82,770	\$ 85,062	\$102,741
—	6,420	8,019	7,397
—	—	72	71
—	512	4,115	5,255
13	2,335	6,924	7,168
—	150	150	—
—	37,138	37,303	38,691
65,974	13,985	238,863	280,363
—	49,432	49,432	51,308
<u>4</u>	<u>1</u>	<u>2,407</u>	<u>2,598</u>
<u>\$ 66,000</u>	<u>\$192,743</u>	<u>\$432,347</u>	<u>\$495,592</u>
\$ 878	\$ 945	\$ 10,014	\$ 8,988
21	4,064	5,557	13,931
—	51,500	54,193	49,542
<u>128</u>	<u>527</u>	<u>1,289</u>	<u>767</u>
<u>1,027</u>	<u>57,036</u>	<u>71,053</u>	<u>73,228</u>
<u>64,973</u>	<u>135,707</u>	<u>361,294</u>	<u>422,364</u>
<u>64,973</u>	<u>135,707</u>	<u>361,294</u>	<u>422,364</u>
<u>\$ 66,000</u>	<u>\$192,743</u>	<u>\$432,347</u>	<u>\$495,592</u>



CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Park and Recreation	Municipal Improvement Capital
REVENUES		
Property taxes	\$ —	\$ —
Interest/Investment, net	970	19,810
Charges for services	—	614
Federal and state grants and subventions	—	—
Other	<u>2</u>	<u>2,518</u>
TOTAL REVENUES	<u>\$ 972</u>	<u>\$22,942</u>

Emergency Services	Oakland Redevelopment Agency	Total	
		1998	1997
\$ —	\$23,841	\$23,841	\$22,618
4,339	7,779	32,898	20,897
—	1,766	2,380	182
—	200	200	2,457
—	175	2,695	3,156
<u>\$4,339</u>	<u>\$33,761</u>	<u>\$62,014</u>	<u>\$49,310</u>

(continued)



CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Park and Recreation	Municipal Improvement Capital
EXPENDITURES		
Current:		
Elected and Appointed Officials:		
Mayor	\$ —	\$ —
Council	—	15
City Manager	—	—
City Attorney	13	62
City Clerk	—	115
Agencies/Departments:		
Personnel Resource Management	—	34
Information Technology	—	245
Budget and Finance	—	529
Police Services	—	52
Fire Services	—	—
Life Enrichment		
Parks and Recreation	180	286
Library	68	7
Museum	—	—
Aging	—	—
Community and Economic Development	—	343
Public Works	134	2,332
Other	—	7,535
Capital outlay	<u>9,162</u>	<u>49,503</u>
TOTAL EXPENDITURES	<u>9,557</u>	<u>61,058</u>
EXCESS (DEFICIENCY) OF REVENUES OVER		
(UNDER) EXPENDITURES	<u>\$(8,585)</u>	<u>\$(38,116)</u>

CAPITAL PROJECTS FUNDS

Emergency Services	Oakland Redevelopment Agency	<u>Total</u>	
		1998	1997
\$ —	\$ —	\$ —	\$ 13
—	—	15	—
39	—	39	10
—	—	75	35
—	—	115	4
—	—	34	—
—	—	245	131
—	—	529	370
—	—	52	19
2	—	2	117
46	—	512	956
69	—	144	143
—	—	—	1
—	—	—	3
—	19,647	19,990	27,002
700	—	3,166	2,842
1	—	7,536	3,143
<u>7,247</u>	<u>—</u>	<u>65,912</u>	<u>70,168</u>
<u>8,104</u>	<u>19,647</u>	<u>98,366</u>	<u>104,957</u>
<u>\$(3,765)</u>	<u>\$ 14,114</u>	<u>\$(36,352)</u>	<u>\$(55,647)</u>

(continued)



CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

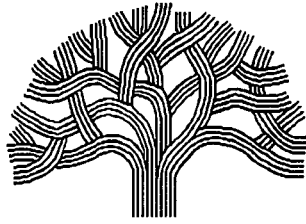
(In Thousands)

	Park and Recreation	Municipal Improvement Capital
OTHER FINANCING SOURCES (USES)		
Bond proceeds	\$ —	\$ 1,250
Property sale proceeds	—	491
Operating transfers in	1,465	7,601
Operating transfers out	(60)	(8,093)
Other proceeds of long-term debt	<u>—</u>	<u>3,232</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,405</u>	<u>4,481</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES		
	(7,180)	(33,635)
Fund balances at beginning of year	21,696	179,737
Residual equity transfer	—	83
Prior period adjustment	—	(87)
Cumulative effect of change in accounting principle	<u>—</u>	<u>—</u>
FUND BALANCES AT END OF YEAR	<u>\$14,516</u>	<u>\$146,098</u>

CAPITAL PROJECTS FUNDS

Emergency Services	Oakland Redevelopment Agency	Total	
		1998	1997
\$ — — — (5,697) <hr style="width: 100%;"/> (5,697)	\$ — 2,970 — (26,487) <hr style="width: 100%;"/> (23,517)	\$ 1,250 3,461 9,066 (40,337) <hr style="width: 100%;"/> 3,232 <hr style="width: 100%;"/> (23,328)	\$ 68,082 1,744 48,382 (72,441) <hr style="width: 100%;"/> — <hr style="width: 100%;"/> 45,767
(9,462) 75,384 (949) — <hr style="width: 100%;"/> —	(9,403) 145,547 — — <hr style="width: 100%;"/> (437)	(59,680) 422,364 (866) (87) <hr style="width: 100%;"/> (437)	(9,880) 431,940 304 — <hr style="width: 100%;"/> —
<hr style="width: 100%;"/> \$64,973	<hr style="width: 100%;"/> \$135,707	<hr style="width: 100%;"/> \$361,294	<hr style="width: 100%;"/> \$422,364

(concluded)



CITY OF OAKLAND

ENTERPRISE FUNDS

Enterprise funds account for public service operations that are financed and operated like private businesses.



ENTERPRISE FUNDS

Parks and Recreation Funds account for monies received and expended for the three golf courses operated by Parks and Recreation and Cultural Affairs.

The **Sewer Service Fund** was created by Council Ordinance 6551 CMS to provide the levy of a service charge based on the use of water. The proceeds are used for construction and maintenance of sanitary sewers and the administration costs of the program.



ENTERPRISE FUNDS
COMBINING BALANCE SHEET
June 30, 1998
With comparative totals as of June 30, 1997
(In Thousands)

	Parks and Recreation	Sewer Service
ASSETS		
Cash and investments	\$ 98	\$ 9,198
Receivables		
Property taxes	—	30
Accounts receivable	—	2,340
Due from other funds	—	106
Fixed assets, net of accumulated depreciation	<u>461</u>	<u>65,161</u>
TOTAL ASSETS	<u><u>\$ 559</u></u>	<u><u>\$76,835</u></u>
LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable and accrued liabilities	\$ 51	\$ 405
Due to other funds	10	298
Long-term obligations	<u>—</u>	<u>10,103</u>
Total liabilities	<u>61</u>	<u>10,806</u>
Fund equity		
Contributed capital	—	—
Retained earnings	<u>498</u>	<u>66,029</u>
Total equity	<u>498</u>	<u>66,029</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 559</u></u>	<u><u>\$76,835</u></u>

Total	
1998	1997
\$ 9,296	\$ 9,175
30	—
2,340	1,433
106	1
<u>65,622</u>	<u>63,947</u>
<u>\$ 77,394</u>	<u>\$ 74,556</u>
\$ 456	\$ 991
308	1,782
<u>10,103</u>	<u>6,721</u>
<u>10,867</u>	<u>9,494</u>
—	—
<u>66,527</u>	<u>65,062</u>
<u>66,527</u>	<u>65,062</u>
<u>\$ 77,394</u>	<u>\$ 74,556</u>



ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Parks and Recreation	Sewer Service
OPERATING REVENUES		
Rental	\$ 118	\$ —
Interest	—	1
Charges for services	787	16,903
Other	<u>—</u>	<u>24</u>
TOTAL OPERATING REVENUES	<u>905</u>	<u>16,928</u>
OPERATING EXPENSES		
Personnel	449	5,015
Supplies	43	272
Depreciation and amortization	27	2,278
Contractual services and supplies	3	1,252
Repairs and maintenance	—	162
General and administrative	40	1,963
Rental	23	709
Interest	—	235
Other	<u>195</u>	<u>—</u>
TOTAL OPERATING EXPENSES	<u>780</u>	<u>11,886</u>
OPERATING INCOME	<u>125</u>	<u>5,042</u>
NON-OPERATING REVENUES (EXPENSES)		
Federal and state grants	—	1,279
Interest, net	<u>—</u>	<u>(300)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>—</u>	<u>979</u>
INCOME BEFORE OPERATING TRANSFERS	125	6,021
Operating transfers out	<u>—</u>	<u>(918)</u>
NET INCOME	125	5,103
Retained earnings at beginning of year	373	64,689
Residual equity transfer	—	—
Prior period adjustment	<u>—</u>	<u>(3,763)</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 498</u>	<u>\$ 66,029</u>

Total	
1998	1997
\$ 118	\$ 97
1	—
17,690	17,086
<u>24</u>	<u>2,003</u>
<u>17,833</u>	<u>19,186</u>
5,464	6,125
315	345
2,305	2,237
1,255	1,315
162	41
2,003	1,757
732	764
235	248
<u>195</u>	<u>88</u>
<u>12,666</u>	<u>12,920</u>
<u>5,167</u>	<u>6,266</u>
1,279	57
<u>(300)</u>	<u>(300)</u>
<u>979</u>	<u>(243)</u>
6,146	6,023
<u>(918)</u>	<u>—</u>
5,228	6,023
65,062	69,157
—	(10,118)
<u>(3,763)</u>	<u>—</u>
<u>\$ 66,527</u>	<u>\$ 65,062</u>



ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year ended June 30, 1998
With comparative totals for the year ended June 30, 1997
(In Thousands)

	Parks and Recreation	Sewer Service
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 125	\$ 5,042
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	27	2,278
Loss (gain) on retirement of fixed assets	—	—
Changes in assets and liabilities:		
Accounts receivable	—	(937)
Other assets	—	—
Accounts payable and accrued liabilities	32	(567)
Deferred revenue	<u>—</u>	<u>—</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>184</u>	<u>5,816</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:		
Inter-fund repayment	—	(105)
Inter-fund borrowings	(86)	(1,388)
Operating transfers to other funds	<u>—</u>	<u>(918)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (86)</u>	<u>\$(2,411)</u>

<u>Total</u>	
<u>1998</u>	<u>1997</u>
\$ 5,167	\$ 6,266
2,305	2,237
—	(1,045)
(937)	881
—	—
(535)	275
<u>—</u>	<u>—</u>
<u>6,000</u>	<u>8,614</u>
(105)	83
(1,474)	1,344
<u>(918)</u>	<u>—</u>
<u>\$ (2,497)</u>	<u>\$ 1,427</u>

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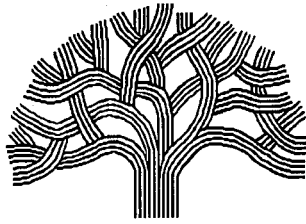


ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS, continued
Year ended June 30, 1998
With comparative totals for the year ended June 30, 1997
(In Thousands)

	Parks and Recreation	Sewer Service
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Long-term debt:		
Repayment of principal	\$—	\$ (381)
Repayment of interest	—	(300)
Acquisition and construction of capital assets	—	(3,980)
Grants from governmental agencies	—	<u>1,279</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>—</u>	<u>(3,382)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	98	23
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>—</u>	<u>9,175</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$98</u>	<u>\$ 9,198</u>

<u>Total</u>	
<u>1998</u>	<u>1997</u>
\$ (381)	\$ (367)
(300)	(300)
(3,980)	(7,329)
<u>1,279</u>	<u>57</u>
<u>(3,382)</u>	<u>(7,939)</u>
121	2,102
<u>9,175</u>	<u>7,073</u>
<u>\$ 9,296</u>	<u>\$ 9,175</u>

(concluded)



CITY OF OAKLAND

INTERNAL SERVICE FUNDS

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

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INTERNAL SERVICE FUNDS

The **Equipment Fund** accounts for the purchase of automotive and rolling equipment, and the related maintenance service charges and related billings for various City departments.

The **Radio Fund** accounts for the purchase, maintenance and operation of radio and other communication equipment being used by various City departments.

The **Facilities Fund** accounts for the repair and maintenance of City facilities, and for provision of custodial and maintenance services related thereto.

The **Reproduction Fund** accounts for the acquisition, maintenance and provision of reproduction equipment and services related to normal governmental operations.

The **Central Stores Fund** accounts for inventory provided to various City departments on a cost reimbursement basis.



INTERNAL SERVICE FUNDS

COMBINING BALANCE SHEET

June 30, 1998

With comparative totals as of June 30, 1997

(In Thousands)

	Equipment	Radio	Facilities
ASSETS			
Cash and investments	\$13,064	\$ 2,458	\$ —
Receivables:			
Accounts receivable	184	3	22
Due from other funds	1,017	—	203
Inventories	—	—	—
Fixed assets, net of accumulated depreciation	11,098	766	238
Other	<u>24</u>	<u>6</u>	<u>—</u>
TOTAL ASSETS	<u><u>\$25,387</u></u>	<u><u>\$ 3,233</u></u>	<u><u>\$ 463</u></u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts payable and accrued liabilities	\$ 1,428	\$ 24	\$ 975
Due to other funds	<u>1,762</u>	<u>8</u>	<u>3,957</u>
Total liabilities	<u><u>3,190</u></u>	<u><u>32</u></u>	<u><u>4,932</u></u>
Fund Equity			
Contributed capital	15,057	1,023	628
Retained earnings (deficit)	<u>7,140</u>	<u>2,178</u>	<u>(5,097)</u>
Total fund equity (deficit)	<u><u>22,197</u></u>	<u><u>3,201</u></u>	<u><u>(4,469)</u></u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$25,387</u></u>	<u><u>\$ 3,233</u></u>	<u><u>\$ 463</u></u>

INTERNAL SERVICE FUNDS

Reproduction	Central Stores	<u>Total</u>	
		1998	1997
\$ 627	\$ —	\$ 16,149	\$ 13,901
—	—	209	77
117	516	1,853	5,363
—	850	850	943
5	—	12,107	9,697
<u>—</u>	<u>—</u>	<u>30</u>	<u>—</u>
<u>\$ 749</u>	<u>\$ 1,366</u>	<u>\$ 31,198</u>	<u>\$ 29,981</u>
\$ 9	\$ 97	\$ 2,533	\$ 870
<u>9</u>	<u>1,392</u>	<u>7,128</u>	<u>4,697</u>
<u>18</u>	<u>1,489</u>	<u>9,661</u>	<u>5,567</u>
137	537	17,382	17,382
<u>594</u>	<u>(660)</u>	<u>4,155</u>	<u>7,032</u>
<u>731</u>	<u>(123)</u>	<u>21,537</u>	<u>24,414</u>
<u>\$ 749</u>	<u>\$ 1,366</u>	<u>\$ 31,198</u>	<u>\$ 29,981</u>



INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
Year ended June 30, 1998
With comparative totals for the year ended June 30, 1997
(In Thousands)

	Equipment	Radio	Facilities
OPERATING REVENUES			
Rental	\$ —	\$ —	\$ 2
Charges for services	11,453	1,435	10,926
Other	<u>131</u>	<u>—</u>	<u>—</u>
TOTAL OPERATING REVENUES	<u>11,584</u>	<u>1,435</u>	<u>10,928</u>
OPERATING EXPENSES			
Personnel	4,062	443	5,013
Supplies	2,646	169	754
Depreciation and amortization	3,803	209	64
Contractual services and supplies	116	—	283
Repairs and maintenance	649	35	457
General and administrative	1,036	55	2,097
Rental	326	94	274
Other	<u>1,090</u>	<u>11</u>	<u>2,988</u>
TOTAL OPERATING EXPENSES	<u>13,728</u>	<u>1,016</u>	<u>11,930</u>
OPERATING INCOME (LOSS)	(2,144)	419	(1,002)
NON-OPERATING REVENUES (EXPENSES)			
Federal and state grants	—	—	15
Other, net	<u>8</u>	<u>—</u>	<u>—</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>8</u>	<u>—</u>	<u>15</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	(2,136)	419	(987)
Operating transfers out	<u>—</u>	<u>—</u>	<u>—</u>
NET INCOME (LOSS)	(2,136)	419	(987)
Retained earnings (deficit) at beginning of year	<u>9,276</u>	<u>1,759</u>	<u>(4,110)</u>
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>\$ 7,140</u>	<u>\$ 2,178</u>	<u>\$ (5,097)</u>

INTERNAL SERVICE FUNDS

Reproduction	Central Stores	Total	
		1998	1997
\$ —	\$ —	\$ 2	\$ 360
1,024	1,762	26,600	27,384
<u>—</u>	<u>—</u>	<u>131</u>	<u>4</u>
<u>1,024</u>	<u>1,762</u>	<u>26,733</u>	<u>27,748</u>
256	—	9,774	9,583
84	1,760	5,413	5,602
2	—	4,078	3,500
—	—	399	358
8	—	1,149	1,123
176	112	3,476	3,479
471	—	1,165	916
<u>—</u>	<u>90</u>	<u>4,179</u>	<u>3,006</u>
<u>997</u>	<u>1,962</u>	<u>29,633</u>	<u>27,567</u>
27	(200)	(2,900)	181
—	—	15	12
<u>—</u>	<u>—</u>	<u>8</u>	<u>1,164</u>
—	—	23	1,176
27	(200)	(2,877)	1,357
<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,300)</u>
27	(200)	(2,877)	(943)
<u>567</u>	<u>(460)</u>	<u>7,032</u>	<u>7,975</u>
<u>\$ 594</u>	<u>\$ (660)</u>	<u>\$ 4,155</u>	<u>\$ 7,032</u>



**INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS**

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Equipment	Radio	Facilities
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$(2,144)	\$419	\$ (1,002)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization	3,803	209	64
Changes in assets and liabilities:			
Accounts receivable	(161)	29	—
Inventories	—	—	—
Other assets	(24)	(6)	—
Accounts payable and accrued liabilities	<u>1,428</u>	<u>5</u>	<u>414</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,902</u>	<u>656</u>	<u>(524)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Inter-fund repayments	3,644	—	302
Inter-fund borrowings	1,612	2	184
Operating transfers to other funds	<u>—</u>	<u>—</u>	<u>—</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 5,256</u>	<u>\$ 2</u>	<u>\$ 486</u>

INTERNAL SERVICE FUNDS

Reproduction	Central Stores	Total	
		1998	1997
\$ 27	\$ (200)	\$ (2,900)	\$ 181
2	—	4,078	3,500
—	—	(132)	(21)
—	93	93	(1)
—	—	(30)	—
<u>(65)</u>	<u>(119)</u>	<u>1,663</u>	<u>(407)</u>
<u>(36)</u>	<u>(226)</u>	<u>2,772</u>	<u>3,252</u>
(31)	(405)	3,510	(2,915)
2	631	2,431	(873)
<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,300)</u>
<u>\$(29)</u>	<u>\$ 226</u>	<u>\$ 5,941</u>	<u>\$(6,088)</u>

(continued)

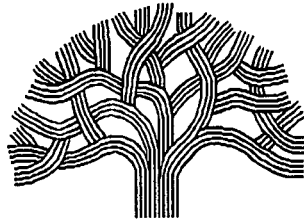


INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS, continued
Year ended June 30, 1998
With comparative totals for the year ended June 30, 1997
(In Thousands)

	Equipment	Radio	Facilities
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	\$ (6,517)	\$ 6	\$ 23
Grants from governmental agencies	<u>—</u>	<u>—</u>	15
Other	<u>8</u>	<u>—</u>	<u>—</u>
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(6,509)</u>	<u>6</u>	<u>38</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,649	664	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>11,415</u>	<u>1,794</u>	<u>—</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13,064</u>	<u>\$ 2,458</u>	<u>\$ —</u>

Reproduction	Central Stores	Total	
		1998	1997
\$ —	\$ —	\$ (6,488)	\$ (2,383)
<u>—</u>	<u>—</u>	15	12
<u>—</u>	<u>—</u>	<u>8</u>	<u>1,164</u>
<u>—</u>	<u>—</u>	<u>(6,465)</u>	<u>(1,207)</u>
(65)	—	2,248	(4,043)
<u>692</u>	<u>—</u>	<u>13,901</u>	<u>17,944</u>
<u>\$ 627</u>	<u>\$ —</u>	<u>\$ 16,149</u>	<u>\$ 13,901</u>

(concluded)



CITY OF OAKLAND

TRUST AND AGENCY FUNDS

Trust funds, including pension and expendable trusts, account for resources held by the City which must be spent as provided in legal trust agreements and related state laws. Agency funds account for assets held for other funds, governments, private organizations or individuals. Agency funds do not measure the results of operations and generally serve as clearing accounts.



TRUST AND AGENCY FUNDS

PENSION TRUST FUNDS

The **Oakland Municipal Employees Retirement System (OMERS) Fund** is a closed benefit plan that covers non-uniformed employees hired prior to September 1970 who have not elected to transfer to the California Public Employees Retirement System.

The **Police and Fire Retirement System (PFRS) Fund** is a closed benefit plan administered by a Board of Trustees which covers uniformed police and fire employees. Membership in the plan is limited to uniformed employees hired prior to July 1, 1976. All subsequent hires are covered under the California Public Employees Retirement System.

EXPENDABLE TRUST FUNDS

The **Oakland Redevelopment Agency Projects Fund** accounts for monies dedicated to Oakland Redevelopment Agency projects.

The **Parks, Recreation and Cultural Trust Fund** accounts for monies held for the general betterment and beautification of City parks, recreation centers, the Oakland Public Museum, and the Oakland Public Library.

The **Pension Annuity Fund** accounts for monies held in trust by the Police and Fire Retirement System. The monies are primarily invested in guaranteed insurance annuity contracts. The distributions received from the contracts are transferred out to meet the City's current debt service requirements for the Special Revenue Refunding Bonds.

Other Expendable Trust Funds account for the operations of certain trust funds, such as the Major Gifts Funds or the Youth Opportunity Program Fund, that are not related to ORA projects or parks, recreation or cultural activities.

AGENCY FUNDS

The **Deferred Employee Compensation Fund** accounts for monies held in trust for employees who elected to defer a portion of their earnings in a deferred compensation plan offered by the City.

The **Housing Finance Revenue Bond Fund** accounts for monies held in trust for holders of Housing Finance Revenue Bonds Series B, C, and D.

TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET

June 30, 1998

With comparative totals as of June 30, 1997

(In Thousands)

	Pension Trust	Expendable Trust
ASSETS		
Cash and investments	\$1,053,487	\$ 4,612
Receivables:		
Accrued interest and dividends	5,128	47
Accounts	63	622
Due from other funds	—	864
Restricted cash and investments	30,387	169,197
Other	—	8
TOTAL ASSETS	<u>\$1,089,065</u>	<u>\$175,350</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$ 11,449	\$ 834
Due to other funds	—	3,048
Long-term obligations	1,600	—
Obligations under deferred compensation plans	—	—
Due to bond holders	—	8
Other	—	—
Securities lending liability	<u>208,103</u>	<u>—</u>
Total liabilities	<u>221,152</u>	<u>3,890</u>
Fund balances		
Reserved for pension benefits	867,913	—
Reserved	—	170,607
Unreserved:		
Undesignated	<u>—</u>	<u>853</u>
Total fund balances	<u>867,913</u>	<u>171,460</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,089,065</u>	<u>\$175,350</u>



Agency	Total	
	1998	1997
\$ —	\$1,058,099	\$1,003,029
—	5,175	3,830
—	685	79
—	864	1,433
137,281	336,865	293,537
—	8	—
<u>\$137,281</u>	<u>\$1,401,696</u>	<u>\$1,301,908</u>
\$ —	12,283	197,014
—	3,048	2,399
—	1,600	1,650
125,101	125,101	100,950
12,180	12,180	11,885
—	8	9
—	208,103	—
<u>137,281</u>	<u>362,323</u>	<u>313,907</u>
—	867,913	809,100
—	170,607	174,998
—	853	3,903
—	<u>1,039,373</u>	<u>988,001</u>
<u>\$137,281</u>	<u>\$1,401,696</u>	<u>\$1,301,908</u>

PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
June 30, 1998
With comparative totals as of June 30, 1997
(In Thousands)

	OMERS	PFRS	<u>Total</u>	
			1998	1997
ASSETS				
Cash and investments	\$ 17,247	\$1,036,240	\$1,053,487	\$ 996,646
Receivables:				
Interest and dividends	101	5,027	5,128	3,720
Accounts	—	63	63	79
Restricted cash and investments	<u>1,436</u>	<u>28,951</u>	<u>30,387</u>	<u>7,036</u>
TOTAL ASSETS	<u>\$ 18,784</u>	<u>\$1,070,281</u>	<u>\$1,089,065</u>	<u>\$1,007,481</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 10,668	\$ 781	\$ 11,449	\$ 196,731
Securities lending liability	—	208,103	208,103	—
Long-term obligations	<u>1,600</u>	<u>—</u>	<u>1,600</u>	<u>1,650</u>
Total Liabilities	<u>12,268</u>	<u>208,884</u>	<u>221,152</u>	<u>198,381</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 6,516</u>	<u>\$ 861,397</u>	<u>\$ 867,913</u>	<u>\$ 809,100</u>

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended June 30, 1998
With comparative totals for the year ended June 30, 1997
(In Thousands)

	OMERS	PFRS	<u>Total</u>	
			1998	1997
ADDITIONS:				
Contributions:				
City of Oakland	\$ —	\$ —	\$ —	\$440,041
Members	8	1,395	1,403	1,791
Total	<u>8</u>	<u>1,395</u>	<u>1,403</u>	<u>441,832</u>
Investment Income:				
Net appreciation in fair value of investments	2,546	77,003	79,549	36,865
Interest	517	30,796	31,313	20,203
Dividends	244	6,661	6,905	5,144
Total	3,307	114,460	117,767	62,212
Less investment expense	<u>(39)</u>	<u>(1,824)</u>	<u>(1,863)</u>	<u>(825)</u>
Net investment income	<u>3,268</u>	<u>112,636</u>	<u>115,904</u>	<u>61,387</u>
TOTAL ADDITIONS	<u>\$ 3,276</u>	<u>\$114,031</u>	<u>\$117,307</u>	<u>\$503,219</u>
DEDUCTIONS:				
Disbursements to members and beneficiaries:				
Retirement	\$ 1,387	\$ 33,071	\$ 34,458	\$ 35,108
Disability	164	19,244	19,408	21,358
Death	4	1,819	1,823	1,816
Total	<u>1,555</u>	<u>54,134</u>	<u>55,689</u>	<u>58,282</u>
Administrative expenses	176	388	564	944
Interest expense - bonds	99	—	99	102
Interest on PERS	1,676	—	1,676	1,094
Termination refunds of employees' contributions	<u>—</u>	<u>466</u>	<u>466</u>	<u>238</u>
TOTAL DEDUCTIONS	<u>3,506</u>	<u>54,988</u>	<u>58,494</u>	<u>60,660</u>
EXCESS (DEFICIT) OF ADDITIONS OVER (UNDER) DEDUCTIONS	(230)	59,043	58,813	442,559
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS				
Beginning of year	<u>6,746</u>	<u>802,354</u>	<u>809,100</u>	<u>366,541</u>
End of year	<u>\$ 6,516</u>	<u>\$861,397</u>	<u>\$867,913</u>	<u>\$809,100</u>



**EXPENDABLE TRUST FUNDS
COMBINING BALANCE SHEET**

June 30, 1998

With comparative totals as of June 30, 1997

(In Thousands)

	Oakland Redevelopment Agency Projects	Parks, Recreation, and Cultural Trust	Pension Annuity
ASSETS			
Cash and investments	\$ —	\$ 1,530	\$ 1,395
Receivables:			
Accrued interest and dividends	—	11	15
Accounts	622	—	—
Due from other funds	864	—	—
Restricted cash and investments	—	—	169,197
Other	8	—	—
TOTAL ASSETS	<u>\$ 1,494</u>	<u>\$ 1,541</u>	<u>\$170,607</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 457	\$ 73	\$ —
Due to other funds	2,939	97	—
Other	—	1	—
Total liabilities	<u>3,396</u>	<u>171</u>	<u>—</u>
Fund balances (deficit)			
Reserved for assets not available	—	—	170,607
Unreserved:			
Undesignated (deficit)	<u>(1,902)</u>	<u>1,370</u>	<u>—</u>
Total fund balances (deficit)	<u>(1,902)</u>	<u>1,370</u>	<u>170,607</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,494</u>	<u>\$ 1,541</u>	<u>\$170,607</u>

Other Expendable Trusts	Total	
	1998	1997
\$ 1,687	\$ 4,612	\$ 6,383
21	47	110
—	622	—
—	864	1,433
—	169,197	173,666
—	8	—
<u>\$ 1,708</u>	<u>\$175,350</u>	<u>\$181,592</u>
\$ 304	\$ 834	\$ 283
12	3,048	2,399
7	8	9
<u>323</u>	<u>3,890</u>	<u>2,691</u>
—	170,607	174,998
<u>1,385</u>	<u>853</u>	<u>3,903</u>
<u>1,385</u>	<u>171,460</u>	<u>178,901</u>
<u>\$ 1,708</u>	<u>\$175,350</u>	<u>\$181,592</u>



EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Oakland Redevelopment Agency Projects	Parks, Recreation, and Cultural Trust	Pension Annuity
REVENUES			
Interest and investment income	\$ —	\$ 39	\$ 608
Charges for services	24	3	—
Pension annuity distribution	—	—	18,762
Other	—	311	1
TOTAL REVENUES	<u>\$ 24</u>	<u>\$ 353</u>	<u>\$ 19,371</u>
EXPENDITURES			
Current:			
Elected and Appointed Officials:			
Mayor	\$ 93	\$ 50	\$ —
Council	366	—	—
City Manager	57	—	—
City Attorney	1,044	—	—
City Clerk	42	—	—
Agencies/Departments:			
Budget and Finance	292	—	—
Police Services	605	—	—
Life Enrichment			
Parks and Recreation	6	17	—
Library	—	173	—
Museum	—	141	—
Community and Economic Development	5,083	—	—
Public Works	1,825	—	—
Other	—	—	5,000
Capital outlay	<u>607</u>	<u>37</u>	<u>—</u>
TOTAL EXPENDITURES	<u>10,020</u>	<u>418</u>	<u>5,000</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (9,996)</u>	<u>\$ (65)</u>	<u>\$ 14,371</u>

Other Expendable Trusts	Total	
	1998	1997
\$ 92	\$ 739	\$ 558
—	27	3
—	18,762	19,425
<u>494</u>	<u>806</u>	<u>1,246</u>
<u>\$ 586</u>	<u>\$20,334</u>	<u>\$21,232</u>
\$ —	\$ 143	\$ 131
—	366	576
—	57	58
—	1,044	943
—	42	37
—	292	289
410	1,015	842
—	23	78
—	173	363
—	141	78
61	5,144	4,697
—	1,825	775
347	5,347	6,217
<u>—</u>	<u>644</u>	<u>637</u>
<u>818</u>	<u>16,256</u>	<u>15,721</u>
<u>\$ (232)</u>	<u>\$ 4,078</u>	<u>\$ 5,511</u>

(continued)



EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Oakland Redevelopment Agency Projects	Parks, Recreation, and Cultural Trust	Pension Annuity
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 9,554	\$ —	\$ —
Operating transfers out	<u>(311)</u>	<u>—</u>	<u>(18,762)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,243</u>	<u>—</u>	<u>(18,762)</u>
EXCESS ((DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(753)	(65)	(4,391)
Fund balances (deficit) at beginning of year	<u>(1,149)</u>	<u>1,435</u>	<u>174,998</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u><u>\$ (1,902)</u></u>	<u><u>\$ 1,370</u></u>	<u><u>\$170,607</u></u>

Other Expendable Trusts	Total	
	1998	1997
\$ 92	\$ 739	\$ 558
—	27	3
—	18,762	19,425
<u>494</u>	<u>806</u>	<u>1,246</u>
<u>\$ 586</u>	<u>\$ 20,334</u>	<u>\$ 21,232</u>
\$ —	\$ 143	\$ 131
—	366	576
—	57	58
—	1,044	943
—	42	37
—	292	289
410	1,015	842
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—	173	363
—	141	78
61	5,144	4,697
—	1,825	775
347	5,347	6,217
<u>—</u>	<u>644</u>	<u>637</u>
<u>818</u>	<u>16,256</u>	<u>15,721</u>
<u>\$ (232)</u>	<u>\$ 4,078</u>	<u>\$ 5,511</u>

(continued)



EXPENDABLE TRUST FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES, continued

Year ended June 30, 1998

With comparative totals for the year ended June 30, 1997

(In Thousands)

	Oakland Redevelopment Agency Projects	Parks, Recreation, and Cultural Trust	Pension Annuity
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 9,554	\$ —	\$ —
Operating transfers out	<u>(311)</u>	<u>—</u>	<u>(18,762)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,243</u>	<u>—</u>	<u>(18,762)</u>
EXCESS ((DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(753)	(65)	(4,391)
Fund balances (deficit) at beginning of year	<u>(1,149)</u>	<u>1,435</u>	<u>174,998</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (1,902)</u>	<u>\$ 1,370</u>	<u>\$170,607</u>

Other Expendable Trusts	Total	
	1998	1997
\$ —	\$ 9,554	\$ 10,039
<u>(2,000)</u>	<u>(21,073)</u>	<u>(19,425)</u>
<u>(2,000)</u>	<u>(11,519)</u>	<u>(9,386)</u>
(2,232)	(7,441)	(3,875)
<u>3,617</u>	<u>178,901</u>	<u>182,776</u>
<u>\$ 1,385</u>	<u>\$171,460</u>	<u>\$178,901</u>

(concluded)



AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended June 30, 1998
(In Thousands)

Deferred Employee Compensation Fund

	Balance June 30, 1997	Additions	Deductions	Balance June 30, 1998
ASSETS				
Restricted cash and investments with fiscal agent	<u>\$100,950</u>	<u>\$ 42,701</u>	<u>\$ 18,550</u>	<u>\$125,101</u>
LIABILITIES				
Obligations under deferred compensation plans	<u>\$100,950</u>	<u>\$ 42,701</u>	<u>\$ 18,550</u>	<u>\$125,101</u>

Housing Finance Revenue Bond Fund

	Balance June 30, 1997	Additions	Deductions	Balance June 30, 1998
ASSETS				
Restricted cash and investments with fiscal agents	<u>\$ 11,885</u>	<u>\$ 295</u>	<u>\$ —</u>	<u>\$12,180</u>
LIABILITIES				
Due to bond holders	<u>\$ 11,885</u>	<u>\$ 295</u>	<u>\$ —</u>	<u>\$12,180</u>

TOTAL AGENCY FUNDS

	Balance June 30, 1997	Additions	Deductions	Balance June 30, 1998
ASSETS				
Restricted cash and investments with fiscal agent	<u>\$112,835</u>	<u>\$42,996</u>	<u>\$ 18,550</u>	<u>\$137,281</u>
LIABILITIES				
Obligations under deferred compensation plans	<u>\$100,950</u>	<u>\$ 42,701</u>	<u>\$ 18,550</u>	<u>\$125,101</u>
Due to bond holders	<u>11,885</u>	<u>295</u>	<u>—</u>	<u>12,180</u>
TOTAL LIABILITIES	<u>\$112,835</u>	<u>\$42,996</u>	<u>\$ 18,550</u>	<u>\$137,281</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

The General Fixed Assets Account Group accounts for fixed assets other than those accounted for in the proprietary type funds. The City does not include infrastructure in its General Fixed Assets Account Group. Examples of such infrastructure would be roads, curbs and gutters, streets and sidewalks, and similar assets that are immovable and of value only to the City.



SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND TYPE

June 30, 1998

(In Thousands)

	Land	Facilities and Improvements	Furniture, Machinery and Equipment
General government	\$ —	\$ 22,806	\$ 8,049
Public safety	477	115,051	8,583
Public works	29,052	288,610	14,123
Life enrichment	25,743	112,275	1,895
Community and economic development	<u>13,239</u>	<u>16,665</u>	<u>726</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 68,511</u>	<u>\$ 555,407</u>	<u>\$ 33,376</u>

**SCHEDULE OF CHANGES IN GENERAL FIXED
ASSETS BY FUNCTION AND ACTIVITY**

Year ended June 30, 1998

(In Thousands)

	Balance July 1, 1997	Transfers/ Additions	Deletions
General government	\$ 26,835	\$ 4,020	\$ —
Public safety	123,865	575	329
Public works	314,893	34,954	—
Life enrichment	140,379	234	700
Community and economic development	21,827	8,803	—
Investment in joint venture (Note 15)	<u>4,696</u>	<u>—</u>	<u>4,696</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 632,495</u>	<u>\$ 48,586</u>	<u>\$ 5,725</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

**Construction
in Progress**

\$ —
—
18,062
—
—
\$18,062

Total

\$ 30,855
124,111
349,847
139,913
30,630
\$675,356

**Balance
June 30, 1998**

\$ 30,855
124,111
349,847
139,913
30,630
—
\$675,356



SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

June 30, 1998

(In Thousands)

Investment in general fixed assets acquired prior to July 1, 1987	\$405,372
Source of funding for general fixed assets acquired from July 1, 1987 through June 30, 1998:	
General fund	18,865
Special revenue funds	59,356
Capital projects funds	<u>191,763</u>
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$675,356</u>

STATISTICAL SECTION



TABLE 1

GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾*(In Thousands)*

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Property Tax	\$ 86,541	\$103,131	\$109,399	\$114,920	\$115,393	\$114,869	\$120,027	\$122,297	\$119,813	\$135,605
State Taxes										
Sales and Use	31,152	31,382	34,903	30,440	29,674	31,073	32,480	38,774	37,253	40,202
Motor Vehicle In-lieu	12,385	12,670	13,943	12,800	13,316	15,004	13,500	14,158	15,080	16,410
Cigarette	789	698	561	275	43	— ⁽¹⁾	—	—	—	—
Gas	4,883	4,873	4,522	4,794	4,530	4,710	6,831	6,935	7,056	7,209
Total	49,209	49,623	53,929	48,309	47,563	50,787	52,811	59,867	59,389	63,821
Local Taxes										
Business License	23,692	21,416	22,207	23,841	24,555	25,583	26,205	28,705	31,935	31,198
Utility Consumption	16,640	19,112	19,314	26,343	29,052	33,133	34,067	32,818	32,783	35,695
Real Estate Transfer	14,067	13,396	10,243	10,270	10,364	13,491	12,317	13,660	17,645	22,716
Transient Occupancy	12,437	5,547	5,556	5,384	4,894	5,554	5,430	6,241	7,321	8,466
Parking	—	—	—	—	3,000 ⁽²⁾	3,581	3,988	4,511	4,595	4,837
Franchise	3,961	4,155	4,928	5,617	7,411	6,605	7,592	7,876	8,579	8,776
Total	70,797	63,626	62,248	71,455	79,276	87,947	89,599	93,811	102,858	111,688
Total Taxes	206,547	216,380	225,576	234,684	242,232	253,603	262,437	275,975	282,060	311,114
Licenses and Permits	4,946	5,518	6,161	5,745	6,535	6,064	5,904	6,880	7,097	7,701
Fines and Penalties	8,572	10,008	9,854	7,138	7,579	8,495	9,722	8,875	10,218	12,494
Interest/Investment, net income	44,039	42,825	45,924	41,228	48,842	50,415	41,503	41,410	41,569	52,662
Charges for Services	17,127	18,114	22,479	26,135	24,330	24,494	26,658	28,373	33,449	34,483
Federal and State Grants and Subventions	34,902	51,484	42,506	89,383	73,449	84,945	77,674	82,114	77,659	85,346
Other	11,895	18,432	15,847	8,951	12,054	10,913	16,257	15,870	20,601	24,506
TOTAL	\$328,028	\$362,761	\$368,347	\$413,264	\$415,021	\$438,929	\$440,155	\$459,497	\$472,653	\$528,306

(1) The State cigarette tax is no longer distributed to the City. (after 1993)

(2) A parking tax was instituted to replace the parking stall fee which had been included in Charges for Services. (1993)

Source: City of Oakland, Budget and Finance Agency



TABLE 2

GOVERNMENTAL EXPENDITURES⁽¹⁾

(In Thousands)

	1989	1990 ⁽²⁾	1991 ⁽³⁾	1992 ⁽⁴⁾	1993 ⁽⁵⁾	1994 ⁽⁶⁾	1995 ⁽⁷⁾	1996 ⁽⁸⁾	1997 ⁽⁹⁾	1998
Elected and Appointed Officials:										
Mayor	\$ 622	\$ 725	\$ 951	\$ 1,828	\$ 7,429	\$ 7,378	\$ 857	\$ 954	\$ 864	\$ 893
Council	575	670	759	714	1,056	1,385	1,305	1,388	1,647	2,031
City Manager	1,782	2,377	1,695	6,707	11,639	10,562	2,784	3,647	2,973	2,790
City Attorney	3,212	3,977	4,591	5,076	5,480	5,192	4,939	4,468	5,692	4,460
City Auditor	531	641	562	548	629	716	596	615	713	902
City Clerk	770	1,071	900	967	1,156	965	920	1,355	2,093	2,014
Total	<u>7,492</u>	<u>9,461</u>	<u>9,458</u>	<u>15,840</u>	<u>27,389</u>	<u>26,198</u>	<u>11,401</u>	<u>12,427</u>	<u>13,982</u>	<u>13,090</u>
Personnel Resource Management										
Marketing & Public Information	—	—	—	431	670	1,208	1,243	9	—	—
Retirement & Risk Administration	323	439	442	542	931	511	774	764	895	941
Communication & Information Services	2,138	4,304	4,043	6,882	7,319	6,876	5,945	6,618	7,365	6,435
General Services	10,142	8,208	8,250	5,284	6,657	7,103	6,076	176	—	—
Total	<u>15,921</u>	<u>18,250</u>	<u>18,340</u>	<u>18,554</u>	<u>20,900</u>	<u>20,536</u>	<u>17,925</u>	<u>11,637</u>	<u>12,460</u>	<u>11,183</u>
Agencies:										
Budget and Finance	<u>10,094</u>	<u>10,271</u>	<u>9,058</u>	<u>7,539</u>	<u>6,963</u>	<u>6,844</u>	<u>6,521</u>	<u>8,240</u>	<u>8,938</u>	<u>12,166</u>
Police Services	67,203	84,516	93,966	96,130	102,958	101,835	87,953	89,524	97,721	105,248
Fire Services	<u>37,162</u>	<u>48,514</u>	<u>52,034</u>	<u>51,373</u>	<u>56,849</u>	<u>59,366</u>	<u>49,181</u>	<u>51,303</u>	<u>53,613</u>	<u>58,151</u>
Total Public Safety	<u>104,365</u>	<u>133,030</u>	<u>146,000</u>	<u>147,503</u>	<u>159,807</u>	<u>161,201</u>	<u>137,134</u>	<u>140,827</u>	<u>151,334</u>	<u>163,399</u>
Life Enrichment										
Parks & Recreation	13,777	19,191	17,446	25,576	20,827	23,506	22,176	24,525	24,783	24,526
Library	6,797	7,477	6,303	8,652	8,955	9,142	10,364	11,776	12,906	13,425
Museum	3,133	4,374	4,259	5,715	5,621	5,170	4,485	4,377	4,557	4,815
Aging	—	3,534	3,977	5,484	6,762	6,875	6,552	6,958	5,716	6,206
Health and Human Services	—	—	—	30	7,509	7,941	9,938	11,046	11,175	14,134
Social Services	5,157	—	—	—	—	—	—	—	—	—
Total	<u>28,864</u>	<u>34,576</u>	<u>31,985</u>	<u>45,457</u>	<u>49,674</u>	<u>52,634</u>	<u>53,515</u>	<u>58,682</u>	<u>59,137</u>	<u>63,106</u>
Community & Economic Development										
Public Works	47,280	31,692	42,408	44,846	36,852	42,369	43,154	47,162	47,618	46,768
Payment to unfunded pension	—	—	—	—	—	—	27,674	27,034	440,409	—
Other	24,583	14,866	14,745	16,700	8,694	7,130	20,515	41,524	23,363	30,906
Capital Outlay	10,530	31,745	52,047	48,901	47,416	65,573	45,894	58,584	85,054	82,702
Debt Service	55,921	45,814	45,441	46,532	43,570	62,260	67,667	68,250	85,365	107,831
Total	<u>138,314</u>	<u>124,117</u>	<u>154,641</u>	<u>156,979</u>	<u>136,532</u>	<u>177,332</u>	<u>204,904</u>	<u>242,554</u>	<u>681,809</u>	<u>268,207</u>
TOTAL EXPENDITURES⁽¹⁰⁾	<u>\$340,846</u>	<u>\$368,327</u>	<u>\$407,260</u>	<u>\$439,590</u>	<u>\$444,734</u>	<u>\$489,318</u>	<u>\$477,853</u>	<u>\$534,888</u>	<u>\$1,008,907</u>	<u>\$604,984</u>

-
- (1) Reflects expenditures of the General, Special Revenue, Debt Service and Capital Projects Funds.
 - (2) Significant changes from the prior year were due to: Personnel Resource Management's development of the Human Resource Information System; Communication and Information Service's first full year as a new and expanded department; Police and Fire increases in salaries and benefits and new equipment acquired after the earthquake; the transfer of the Head Start program from Social Services to Parks and Recreation; the department of Aging being established from divisions of Social Services; reclassification of Public Works capital projects to capital outlay; Housing and Neighborhood Development's (formerly Community Development) expanded housing program to compensate for earthquake damaged low-income housing; and reclassification of pension annuities out of General Governmental Funds into Expendable Trust Funds.
 - (3) The significant change from the prior year was due to Public Works increasing street maintenance expenses incurred with the receipt of additional gas tax revenues.
 - (4) Significant changes from the prior year were due to: the addition of a Drugs and Crime program in the Mayor's Office; the establishment of Oakland Hills Fire recovery management in the City Manager's Office; public information staff in different departments being consolidated into Marketing and Public Information; the transfer of the Communications Division from General Services to Communication and Information Services; general obligation bond expenditures for expansion of parks and recreation facilities; and in the Other category, the decrease in state grants and federal and state subventions was offset by a one-time salary accrual not allocated to individual departments.
 - (5) Significant changes from the prior year were due to: Joint Training and Partnership Act grant expenditures being transferred from Economic Development and Employment to the Mayor's Office; the Community Restoration and Development Center for rebuilding after the Hills Fire being established under the City Manager; Risk Administration being consolidated with the Retirement Department; the Head Start program in Parks and Recreation and the Community Services Block Grant program in Housing and Neighborhood Development being transferred to the new Health and Human Services department; and the consolidation of Public Works' Developmental Services Division, Housing and Neighborhood Development's Code Compliance Division and the Office of City Planning into the new Planning and Building department; and the salary adjustment recorded in the Other category in the prior year was allocated to individual departments (see 4 above).
 - (6) Significant changes from the prior year were due to: the addition of Council member assistants to staff the new District Offices; the consolidation of all marketing and public information programs within the new Marketing and Public Information Department; the transfer of the Cultural & Arts Division from the Office of the City Manager to the Office of Parks and Recreation; the consolidation of all City planning and building functions, including those of the CRDC into the Office of Planning and Building; the implementation of three new programs—Contract Compliance, Recycling, and Comprehensive Clean-Up—by the Office of Public Works; additional loans made from Economic Development and Employment grant programs; Capital Outlay for City Hall repairs, purchase of a fireboat and other fire suppression equipment, installation of new traffic signals, and construction of a new fire station; and the City making its first [delayed] principal payments on various debt issues.
 - (7) Significant changes from prior years were due to: major staff reduction/reorganization within the City Manager's Office, completion of restoration/construction activities required prior to re-occupancy of City Hall after the 1989 earthquake and the reclassification of public safety unfunded pension liability costs from the Police Department.
 - (8) Significant changes from prior years were due to: the City's reorganization, hiring of new sworn personnel, additional staffing funded by the Enhanced Enterprise Community and Economic Development Initiative grants, the City Administration Building construction, Fire Underground District implementation, and cost of living adjustments.
 - (9) Significant changes from prior years were due to: functional transfers between Agencies, staffing increases, additional loans made by Housing and Neighborhood Development grant programs, payments to PFRS' unfunded liability and construction of the City's Administration Complex.
 - (10) Significant changes from prior year were due to functional transfers between agencies, addition of public safety staff, and reduction in annual funding of unfunded pension liability.

Source: City of Oakland, Budget and Finance Agency



TABLE 5

PROPERTY TAX RATES
Direct and Overlapping Governments

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
CITY OF OAKLAND										
General Fund	0.3485%	0.3485%	0.3485%	0.3485%	0.3484%	0.3485%	0.3485%	0.3485%	0.3485%	0.3485%
1981 Pension Liability ⁽¹⁾	0.1575	0.1575	0.1575	0.1575	0.1575	0.1575	0.1575	0.1575	0.1575	0.1575
Debt Service Fund ⁽¹⁾	—	—	—	0.0138	0.0163	0.0287	0.0295	0.0275	0.0153	0.0629
Total	0.5060	0.5060	0.5060	0.5198	0.5222	0.5347	0.5355	0.5335	0.5213	0.5689
OTHER GOVERNMENTS										
Alameda County	0.3086	0.3086	0.3086	0.3086	0.3086	0.3086	0.3086	0.3086	0.3086	0.3086
Education ⁽²⁾	0.2653	0.2437	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165
Education Debt ⁽¹⁾⁽³⁾	0.0487	0.0456	0.0403	0.0384	0.0368	0.0298	0.0238	0.0352	0.0304	0.0332
BART and AC Transit	0.0517	0.0517	0.0517	0.0517	0.0517	0.0517	0.0517	0.0517	0.0517	0.0517
BART Debt ⁽¹⁾	0.0372	0.0319	0.0250	0.0251	0.0258	0.0240	0.0235	0.0230	0.0225	0.0220
Other ⁽⁴⁾	0.0259	0.0475	0.0487	0.0487	0.0488	0.0487	0.0487	0.0487	0.0487	0.0505
East Bay Municipal Utility Debt ⁽⁵⁾	—	—	—	—	—	—	—	0.0108	0.0108	0.0096
East Bay Regional Parks District	—	—	0.0260	0.0260	0.0260	0.0260	0.0260	0.0260	0.0260	0.0242
East Bay Regional Parks District Debt ⁽¹⁾	—	0.0047	0.0032	0.0028	0.0074	0.0069	0.0066	0.0094	0.0080	0.0081
TOTAL	1.2434%	1.2397%	1.2260%	1.2376%	1.2438%	1.2469%	1.2409%	1.2634%	1.2445%	1.2933%

(1) Voter approved debt.

(2) The majority of the education levy is made up of the Peralta Community College District and the Oakland Unified School District.

(3) Bonds issued by the Oakland Unified School District and the Peralta Community College District.

(4) This category includes the Alameda County Flood Control District, Bay Area Air Quality Management District, Mosquito Abatement District, and the East Bay Municipal Utility District.

(5) Debt issued January 1995-96.

Source: County of Alameda, Office of the Auditor-Controller

TABLE 6

PRINCIPAL PROPERTY TAXPAYERS
June 30, 1998

Property Taxpayer	Type of Business	1998 Assessed Valuation	Tax Levy	Percentage of Total Assessed Valuation ⁽¹⁾
Shorenstein Rental Investors Three LP	Commercial Property Management	\$128,914,802	\$ 1,713,014	.741
Kaiser Foundation Health Plan, Inc.	Health	112,511,269	1,483,290	.647
Lake Merritt Plaza	Property Management	88,563,455	1,171,733	.509
Clorox Company	Manufacturing	78,119,798	1,036,326	.449
Union Pacific Railroad Company	Commercial Property	58,460,623	935,337	.336
Ordway Associates	Property Management	66,290,000	882,645	.381
Owens Illinois Glass Container, Inc.	Manufacturing	60,007,567	803,536	.345
Kaiser Center, Inc.	Property Management	91,429,951	782,985	.526
Webster Street Partners, Ltd.	Professional	46,440,000	626,118	.267
Samuel Merritt Hospital	Health	<u>182,145,688</u>	<u>502,535</u>	<u>1.047</u>
ASSESSED PROPERTY VALUATION - NET		<u>\$912,883,153</u>	<u>\$ 9,937,519</u>	<u>5.248</u>

PRINCIPAL COUNTY UNITARY TAXPAYERS
June 30, 1998

Unitary Taxpayer	1998 Assessed Valuation	Tax Levy ⁽²⁾	City of Oakland Portion ⁽³⁾
Pacific Bell	\$1,142,912,162	\$14,408,385	\$2,651,143
Pacific Gas & Electric Co.	1,021,528,986	13,094,714	2,409,427
A T & T Communications	118,189,157	1,484,556	273,158
GTE Mobilnet of California, L.P.	79,853,988	1,001,523	184,280
MCI Telecommunications Corporation	71,940,022	904,607	166,448
Bay Area Cellular Telephone Company	58,074,614	729,165	134,166
Sprint Spectrum, L.P. DBA	16,227,960	203,450	37,345
GST Telecom California, Inc.	14,418,230	180,768	33,261
Sprint Communications Company, L.P.	12,081,138	151,553	27,882
Bay Area Teleport, Inc.	11,891,406	149,082	27,431

(1) Based on total assessed value of \$17,390,605

(2) Unitary Tax Law requires the County to reallocate certain utility taxes among various cities within Alameda County. The reallocation is based upon properties held by the utility in other cities, whereas previously the total tax levy was distributed to the City of Oakland, since the utility was headquartered in Oakland.

(3) Portions are calculated by applying Oakland's county-wide unitary factor to the tax levy on the assessed valuation.

Source: County of Alameda, Office of the Treasurer and Tax Collector



TABLE 7

**SPECIAL ASSESSMENT BILLINGS
AND COLLECTIONS**

(In Thousands)

	1990	1991	1992	1993	1994	1995	1996	1997	1998
MEDHILL									
Initial Tax Levied and Collected	\$ 497	\$ 501	\$ 490	\$ 495	\$ 492	\$ 449	\$ 271	\$ 273	\$ 274
LIGHTING AND LANDSCAPING DISTRICT									
Initial Tax Levied	13,272	13,212	13,335	14,771	16,000	15,931	15,930	15,935	15,907
Adjustments	(82)	(2)	(199)	(8)	(35)	(9)	(12)	(40)	(15)
Net Tax Levied	\$13,190	\$13,210	\$13,136	\$14,763	\$15,965	\$15,922	\$15,918	\$15,895	\$15,892
TOTAL COLLECTED	\$12,347	\$12,272	\$12,139	\$13,704	\$14,818	\$14,865	\$14,938	\$14,903	\$14,987
TOTAL UNCOLLECTED	\$ 843	\$ 938	\$ 997	\$ 1,059	\$ 1,147	\$ 1,057	\$ 980	\$ 992	\$ 905
FIRE PREVENTION AND SUPPRESSION DISTRICT⁽¹⁾									
Initial Tax Levied	—	—	—	—	\$ 1,977	\$ 1,968	\$ 1,957	\$ 1,975	\$ —
Adjustment	—	—	—	—	—	2	2	(3)	—
Net Tax Levied	—	—	—	—	\$ 1,977	\$ 1,970	\$ 1,959	\$ 1,972	\$ —
TOTAL COLLECTED	—	—	—	—	\$ 1,859	\$ 1,855	\$ 1,850	\$ 1,862	\$ —
TOTAL UNCOLLECTED	—	—	—	—	\$ 118	\$ 115	\$ 109	\$ 110	\$ —
LIBRARY SERVICES RETENTION									
Initial Tax Levied	—	—	—	—	—	\$ 2,505	\$ 4,303	\$ 4,309	\$ 4,433
Adjustment	—	—	—	—	—	—	(3)	(7)	(3)
Net Tax Levied	—	—	—	—	—	\$ 2,505	\$ 4,300	\$ 4,302	\$ 4,430
TOTAL COLLECTED	—	—	—	—	—	\$ 2,326	\$ 4,006	\$ 4,045	\$ 4,183
TOTAL UNCOLLECTED	—	—	—	—	—	\$ 179	\$ 294	\$ 257	\$ 247
UTILITIES SPECIAL ASSESSMENT									
Initial Tax Levied	—	—	—	—	—	—	—	\$ 1,174	\$ 980
Adjustment	—	—	—	—	—	—	—	26	6
Net Tax Levied	—	—	—	—	—	—	—	\$ 1,200	\$ 986
TOTAL COLLECTED	—	—	—	—	—	—	—	\$ 1,109	\$ 911
TOTAL UNCOLLECTED	—	—	—	—	—	—	—	\$ 91	\$ 75
MISCELLANEOUS ASSESSMENTS									
Initial Tax Levied	—	—	—	—	—	—	—	—	\$ 287
Adjustment	—	—	—	—	—	—	—	—	—
Net Tax Levied	—	—	—	—	—	—	—	—	\$ 287
TOTAL COLLECTED	—	—	—	—	—	—	—	—	\$ 247
TOTAL UNCOLLECTED	—	—	—	—	—	—	—	—	\$ 40
MEDICAL HILL, LIGHTING AND LANDSCAPING DISTRICT, UTILITIES SPECIAL ASSESSMENTS AND FIRE PREVENTION AND SUPPRESSION DISTRICT									
Initial Tax Levied	\$13,769	\$13,713	\$13,825	\$15,266	\$18,469	\$20,853	\$22,461	\$23,666	\$21,881
Adjustments	(82)	(2)	(199)	(8)	(35)	(7)	(13)	(24)	(12)
Net Tax Levied	\$13,687	\$13,711	\$13,626	\$15,258	\$18,434	\$20,846	\$22,448	\$23,642	\$21,869
TOTAL COLLECTED	\$12,844	\$12,773	\$12,629	\$14,199	\$17,169	\$19,945	\$21,065	\$22,192	\$20,602
TOTAL UNCOLLECTED	\$ 843	\$ 938	\$ 997	\$ 1,059	\$ 1,265	\$ 1,351	\$ 1,383	\$ 1,450	\$ 1,267

(1) Fire Prevention and Suppression District Assessment expired in 1997.
Source: County of Alameda, Office of the Auditor-Controller

TABLE 8

COMPUTATION OF LEGAL DEBT MARGIN
June 30, 1998

Total assessed valuation (net of exemptions)	\$ 17,390,605,129
Less redevelopment tax increments	<u>1,747,931,927</u>
Basis of levy ⁽¹⁾	<u>\$ 15,642,673,202</u>
Debt limit:	
3.75 percent of valuation subject to taxation	\$ 586,600,245
Amount of debt applicable to debt limit	<u>136,135,000</u>
Legal debt margin	<u>\$ 722,735,245</u>

(1) County of Alameda, Office of the Auditor-Controller



TABLE 9

**PERCENTAGE OF NET GENERAL OBLIGATION
BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA**

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Total Assessed Value⁽¹⁾	\$12,370	\$13,465	\$14,579	\$15,670	\$16,047	\$16,906	\$17,578	\$18,173	\$18,468	\$ 19,058
Total Exemptions⁽¹⁾	<u>(1,041)</u>	<u>(1,047)</u>	<u>(1,131)</u>	<u>(1,208)</u>	<u>(1,151)</u>	<u>(1,262)</u>	<u>(1,554)</u>	<u>(1,598)</u>	<u>1,612</u>	<u>1,668</u>
Assessed Value⁽¹⁾	\$11,329	\$12,418	\$13,448	\$14,462	\$14,896	\$15,644	\$16,024	\$16,575	\$16,856	\$ 17,390
Net Bonded Debt⁽²⁾	—	—	\$12,000	\$12,000	\$62,000	\$60,520	\$74,025	\$71,465	\$138,315	\$136,135
Percentage of Net Bonded Debt to Assessed Value	—	—	0.089%	0.083%	0.416%	0.387%	0.462%	0.4312%	0.8206%	0.7828%
Population⁽³⁾	361,700	372,242	376,661	380,200	382,700	384,100	378,091	383,900	387,600	388,100
Net Bonded Debt per Capita	—	—	\$32	\$32	\$162	\$158	\$196	\$186	\$356	\$351

(1) Net of exemptions; in millions (see Table 4).

(2) All general obligation debt; in thousands.

(3) Estimated by State of California, Department of Finance; 1990 from the United States Census.

TABLE 10

**PERCENTAGE OF ANNUAL DEBT SERVICE
EXPENDITURES TO TOTAL GENERAL GOVERNMENTAL
EXPENDITURES**

(In Thousands)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Debt Service⁽¹⁾										
Principal	\$ 11,212	\$ 1,445	\$ 3,695	\$ 4,993	\$ 2,625	\$ 15,450	\$ 20,645	\$ 20,080	\$ 22,846	\$ 26,664
Interest ⁽²⁾	<u>44,709</u>	<u>44,369</u>	<u>41,746</u>	<u>41,539</u>	<u>39,031</u>	<u>42,602</u>	<u>47,022</u>	<u>48,170</u>	<u>62,519</u>	<u>81,167</u>
Total Debt Service	\$ 55,921	\$ 45,814	\$ 45,441	\$ 46,532	\$ 41,656	\$ 58,052	\$ 67,667	\$ 68,250	\$ 85,365	\$ 107,831
Total Expenditures	\$340,846	\$368,327	\$407,260	\$439,590	\$444,734	\$489,318	\$477,853	\$534,888	\$1,008,907	\$603,984
Percentage of Debt Service to Total Expenditures	16.41%	12.44%	11.16%	10.59%	9.37%	11.86%	14.16%	12.76%	8.37%	17.09%

(1) Includes general, special revenue, debt service, and capital projects funds; excludes special assessment debt with government commitment.

(2) Includes bond issuance costs where applicable.

Source: City of Oakland, Budget and Finance Agency



TABLE 11

DIRECT AND OVERLAPPING BONDED DEBT
June 30, 1998

	Percentage Applicable to City	City Share of Debt
DIRECT BONDED DEBT⁽¹⁾		
City of Oakland	100.	\$ 136,135,000
City of Oakland General Fund Obligations Lease Revenue Obligations	100.	666,633,025
City of Oakland 1915 Act Bond Obligations	100.	10,925,000
City of Oakland Pension Special Assessment Obligations	100.	<u>432,989,659</u>
Total Direct Bonded Debt		<u>\$1,246,682,684</u>
OVERLAPPING BONDED DEBT		
San Francisco Bay Area Rapid Transit District	8.152%	\$ 3,352,510
Alameda-Contra Costa Transit District Certificates of Participation	22.577	5,734,558
Alameda County Board of Education Public Facilities Corporation	20.099	1,704,395
Alameda County and Coliseum Authority General Fund Obligation	20.099	100,800,223
Alameda County Pension Obligations	20.099	114,299,634
East Bay Municipal Utility District	21.321	1,753,652
East Bay Municipal Utility District, Special District #1	53.378	24,876,817
East Bay Regional Park District	11.743	22,506,047
Chabot-Los Positas Community College District Certificates of Participation	2.758	195,404
Peralta Community College District	55.231	13,713,857
Oakland Unified School District	99.996	38,458,462
Oakland Unified School District Certificates of Participation	99.996	57,218,703
San Leandro Unified School District Certificates of Participation	19.333	3,512,806
Other Unified School Districts and Certificates of Participation	.016	643
City of Emeryville 1915 Act Bonds	10.417-18.790	<u>1,802,817</u>
Total Overlapping Bonded Debt		<u>\$ 389,930,528</u>
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT		\$1,636,613,212
Less: East Bay M.U.D. (100% self-supporting)		1,753,652
East Bay M.U.D., Special District #1 (100% self-supporting)		<u>24,876,817</u>
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		<u>\$1,609,982,743</u>

1997-98 ASSESSED VALUATION: \$15,642,202 after deducting \$1,747,931,927 redevelopment incremental valuation)

1997-98 POPULATION: 388,100

DEBT RATIOS		Per Capita	Ratio to Assessed Value
General Obligation Bonds	\$ 136,135,000		
Lease Revenue Bonds, Certificates of Participation and Pension Obligation	<u>1,099,622,684</u>		
Net Direct Debt	\$ 1,235,757,684	\$3,184	7.900%
Other Direct Debt	<u>10,925,000</u>		
Gross Direct Debt	<u>\$ 1,246,682,684</u>	\$3,212	7.970%
Total Gross Debt	\$ 1,636,613,212	\$4,217	10.463%
Total Net Debt	\$ 1,609,982,743	\$4,148	10.293%

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

Sources: City of Oakland, Budget and Finance Agency, California Municipal Statistics, Inc., San Francisco, CA, and County of Alameda, Office of the Auditor-Controller

TABLE 12

REVENUE BOND COVERAGE
(In Thousands)

PORT OF OAKLAND

	1989	1990 ⁽¹⁾	1991 ⁽¹⁾	1992 ⁽¹⁾	1993 ⁽¹⁾	1994 ⁽¹⁾	1995	1996	1997	1998
Net Revenue Available for Debt Service	\$41,995	\$45,574	\$40,146	\$ 54,276	\$ 68,624	\$59,325	\$61,960	\$68,508	\$70,797	\$73,744
Debt Service Requirements:										
Principal	\$ 2,963	\$5,007	\$5,275	\$ 5,170	\$ 5,510	\$ 1,135	\$ 7,765	\$ 8,040	\$10,640	\$12,630
Interest	<u>16,907</u>	<u>18,922</u>	<u>19,073</u>	<u>18,526</u>	<u>24,601</u>	<u>24,056</u>	<u>24,166</u>	<u>28,063</u>	<u>27,206</u>	<u>30,299</u>
TOTAL	\$19,870	\$23,929	\$24,348	\$23,696	\$30,111	\$25,191	\$31,931	\$36,103	\$37,846	\$ 42,929
Debt Service Coverage	211.35%	190.45%	164.88%	229.05%	227.90%	235.50%	194.04%	189.76%	187.06%	171.78%

(1) Debt service is that which is defined in the Port's Master Indenture dated 4/1/89 and in subsequent Supplemental Indentures.

Source: Port of Oakland.

OMERS REVENUE BOND⁽¹⁾

	1989	1990 ⁽¹⁾	1991 ⁽¹⁾	1992 ⁽¹⁾	1993 ⁽¹⁾	1994 ⁽¹⁾	1995	1996	1997	1998
Net Revenue Available for Debt Service	\$ 442	\$ (255)	\$(1,283)	\$(1,649)	\$ (752)	\$(1,363)	\$ 896	\$ (670)	\$ (620)	\$(230)
Debt Service Requirements:										
Principal	\$1,500	\$2,650	\$1,750	\$2,050	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Interest	<u>598</u>	<u>508</u>	<u>352</u>	<u>244</u>	<u>120</u>	<u>117</u>	<u>108</u>	<u>105</u>	<u>101</u>	<u>99</u>
TOTAL	\$2,098	\$3,158	\$2,102	\$2,294	\$ 170	\$ 167	\$ 158	\$ 155	\$ 151	\$ 149
Debt Service Coverage	21.07%	(8.08)%	(61.04)%	(71.88)%	(442.35)%	(816.17)%	567.09%	(432.26)%	(410.60)%	(154.44)%

(1) Includes the 1974 and 1976 OMERS Revenue Bonds (the 1974 bonds were paid off in 1992).

Source: City of Oakland, Budget and Finance Agency



TABLE 13

ECONOMIC INDICES

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Port Activity⁽¹⁾										
Imports ⁽²⁾	\$9,561	\$10,600	\$10,821	\$14,887	\$16,600	\$18,885	\$18,474	\$15,250	\$14,712	N/A
Exports ⁽²⁾	\$5,974	\$6,666	\$7,591	\$9,248	\$10,137	\$11,835	\$11,267	\$ 9,979	\$ 8,923	N/A
Revenue Tons	14,470,254	14,973,837	15,760,760	18,101,290	18,579,467	20,976,711	22,293,355	21,418,402	21,234,151	N/A
Containers	641,756	662,355	701,667	753,559	757,293	856,583	856,695	858,340	874,665	N/A
Airport Activity										
Freight ⁽³⁾	405,551	419,817	463,193	608,519	791,929	950,779	1,077,071	1,131,790	1,287,148	1,414,064
Air Mail ⁽³⁾	12,143	9,042	37,553	72,445	59,534	79,500	76,651	82,539	71,055	81,159
Building Permits Issued										
Authorized New Dwelling Units	301	565	326	205	165	N/A	290	180	176	233
Commercial Value ⁽⁴⁾	\$157,007	\$180,333	\$121,227	\$118,853	\$178,728	\$96,004	\$132,865	\$99,844	\$202,995	\$302,080
Residential Value ⁽⁴⁾	\$87,294	\$116,664	\$113,585	\$101,598	\$71,659	\$51,710	\$47,129	\$79,278	\$ 39,425	\$121,006
Taxable Retail Sales⁽⁵⁾										
	\$2,531	\$2,448	\$2,406	\$2,384	\$2,768	\$1,556	\$1,596	\$2,596	\$3,132	\$3,250
Commercial Bank Activity⁽⁶⁾										
Deposits	\$8,504	\$8,653	\$8,856	\$9,543	\$10,577	\$9,286	\$8,663	\$9,821	\$9,545	N/A
Number of banks	37	36	36	31	31	32	33	28	27	N/A
Number of branches	207	219	220	210	192	190	193	195	176	N/A

(1) Calendar year data.

(2) In millions; does not include domestic offshore trade/calendar year data

(3) In million pounds

(4) Construction costs for labor and materials; in thousands

(5) In millions

(6) Alameda County

Sources: Port of Oakland, Research Department
City of Oakland, Office of Public Works
California State Board of Equalization
Federal Reserve Bank

TABLE 14

DEMOGRAPHIC STATISTICS

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Population⁽¹⁾	361,700	372,242	376,661	380,200	382,700	384,100	378,091	383,900	387,600	388,100
Per Capita Income⁽²⁾	\$22,762	\$23,780	\$24,056	\$25,382	\$26,083	\$26,910	\$28,405	\$29,842	N/A	N/A
Median Age⁽¹⁾	33.5	32.7	32.9	33.1	33.4	33.5	33.7	32.7	35.1	N/A
Public School Enrollment⁽³⁾	49,408	50,200	51,000	52,788	51,234	51,748	50,805	52,452	53,273	53,564
Private School Enrollment⁽⁴⁾	N/A	N/A	8,700	9,396	9,076	9,494	9,485	9,232	9,328	9,242
Alameda County Unemployment Rate⁽⁵⁾	5.1%	4.1%	6.3%	7.1%	7.1%	6.8%	6.2%	5.1%	5.0%	4.2%

(1) Estimated by State of California, Department of Finance; 1990 from the United States Census

(2) U.S. Bureau of Economic Analysis, Regional Economic

(3) Oakland Unified School District

(4) Alameda County Office of Education

(5) State of California Employment Development Department



TABLE 15

MISCELLANEOUS STATISTICS
June 30, 1998

Date of Incorporation as a Town	March 27, 1852
Date of Incorporation as a City.....	May 25, 1854
Form of government	Council-Manager
Number of authorized full time employees	4,027
Elected Officials	10
Land area in square miles	53.8
Lake area in square miles	0.3
City of Oakland facilities and services	
Miles of streets.....	836
Number of street lights	33,790
Culture and Recreation	
Library branches	15
Library mobile units	1
Recreation centers.....	22
Parks	104
Park acreage.....	2,500
Golf courses	2
Swimming pools	5
Tennis courts.....	48
Playgrounds	12
Softball/baseball fields.....	47
Football and soccer fields	13
Headstart centers.....	21
Museums.....	2
Senior Centers.....	3
Fire Protection	
Number of stations.....	25
Number of firefighters	492
Number of civilians	70
Number of firefighters and civilians per thousand	1.44
Number of calls answered	49,270
Number of commercial inspections conducted.....	4,521

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Football and soccer fields	13
Headstart centers.....	21
Museums.....	2
Senior Centers.....	3
Fire Protection	
Number of stations.....	25
Number of firefighters	492
Number of civilians	70
Number of firefighters and civilians per thousand	1.44
Number of calls answered	49,270
Number of commercial inspections conducted.....	4,521

TABLE 15

Police Protection	
Number of stations and substations	4
Number of police officers and trainees.....	690
Number of civilians	395
Number of police officers and civilians per thousand	3.57
Number of patrol units.....	300
Sewerage System	
Miles of sanitary sewers	1,042
Miles of storm sewers.....	304
Amount of treatment in gallons daily average.....	75,000,000
Maximum daily capacity of treatment plant in gallons	415,000,000
Water System	
Number of fire hydrants.....	
Daily average consumption in gallons per family	250.0
Maximum daily capacity of plant in gallons	506,000,000
Harbor Facilities	
Miles of waterfront	19
Berthing length at wharfs.....	23,590 ft
Harbor area	680 acres
Aviation Facilities	
Airports operated	1
Paved airport runways	4
Total length of runways	24,520 ft
Area of airport.....	2,400 acres
Facilities and services not included in the reporting entity	
Education	
Oakland Unified School District	
Number of elementary schools	60
Number of elementary school instructors.....	1,439
Number of secondary schools.....	29
Number of secondary school instructors	979
Number of special education schools	4
Number of special education schools instructors	41
Area community colleges	5
Area universities and colleges	9
Hospitals	
Number of hospitals.....	12
Number of patient beds.....	1,535



GENERAL INFORMATION

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

With a population of 388,100, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built. Oakland is currently carrying out a \$350 million revitalization effort that links major historical landmarks with new developments to create a multi-faceted government center.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 104 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the "Necklace of Lights." Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

ALL-AMERICA CITY

Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community and merchant organizations in Oakland, an unusually large number for any city.

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

GOVERNMENT

The City operates with a Council/Manager form of government. The City Council is the legislative body of the City and is comprised of nine elected officials including the eight Council members and the Mayor. The Mayor and one Council member are elected 'at large' while seven Council members

represent specific districts. The Mayor and the City Council are elected to serve four-year terms. The City Manager, appointed by the City Council, is the chief executive officer of the City and is responsible for day-to-day administrative and fiscal operations.

Oakland is also the seat of Alameda County, which is one of California's largest counties.

COMMERCIAL SECTORS

Over the last 28 years, Oakland has made significant gains in diversifying its economic base. While manufacturing jobs have decreased, the economy now offers a healthy mix of trade, government, financial, medical, publishing and service-oriented occupations. It also has a growing skilled-crafts sector.

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

City departments and processes are being streamlined to better serve the needs of the business community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The Business Support Center links businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits and arrange for City services.

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

Industrial Oakland is well positioned to welcome a mix of advanced industries and value oriented retail. The Oakland trade area is an under-served market with a population of 2,257,800, 40.9% of which have an average annual income of \$50,000. Portions of Oakland are among the wealthiest untapped consumer markets in California. Oakland's effective buying income is \$5.3 billion and estimated annual retail sales are \$2.38 billion dollars. Also strategically positioned as the economic, transportation and civic center of the East Bay, Oakland's consumer market strength makes it ready for business.



DEMOGRAPHICS

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

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

With \$43 billion in buying power and nearly \$17 billion in retail sales, the Oakland Metropolitan Area (Alameda and Contra-Costa Counties) is one of the highest spending markets in the nation.

HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1,200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

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

Spain established a Presidio and Mission on the west side of the Bay in 1776 and Mission San Jose (south of Oakland) is what is now Fremont in 1797. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

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

Oakland was chartered as a city in 1854, and construction of shipping wharves began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharves and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing, and shipping companies based in

Oakland. Auto makers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city, and new highrise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards, and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

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

TRANSPORTATION

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

The Port of Oakland

The Port is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the fourth largest container port on the Pacific Coast, fourth largest in the United States and among the top 20 in the world. It is served by three railroad companies: Atchison, Topeka & Santa Fe, Southern Pacific and Union Pacific.

The Port handles at least 97 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break bulk, heavy-lift and other specialized cargo. The Port has 680 acres of harbor facilities, 29 container cranes, and an additional of storage for general cargo and special commodities. It is well on its way to building a "super-intermodal" facility--a hub of cargo transport activity with container ship docks, truck arteries and three railroads converging into the only facility of its kind on the West Coast.

Oakland International Airport

The Oakland International Airport is the fastest growing airport in the Bay Area. Over 8.3 million passengers are served annually. Two terminals, with 22 gates, provide the airport with the capacity for eight to ten million passengers per year. One of its two state-of-the-art terminals was designed specifically for the convenience of the West Coast corridor traveler. The other is an international arrivals facility for passengers traveling to Europe and Mexico. The airport has connecting flights to more than 150 cities worldwide.



North Field is the nation's 13th busiest general aviation airport. It is the home base for over 380 aircraft, about 70 percent of which are business-related.

Air Cargo Service

More than 70 percent of the Bay Area's cargo flights are handled by Oakland International Airport. Cargo tonnage for the twelve month period ending June 1998 exceeded 1.3 billion pounds, with seven all-cargo carriers currently using the airport. In September 1995, Federal Express opened an 11,000 square foot international import clearance facility at the airport. United Parcel Service (UPS) has daily flights; its regional distribution center is at the nearby Oakland Airport Business Park. The United States Postal Service's regional distribution center for the Greater Bay Area is also located in Oakland.

Mass Transit

Local bus service is offered by AC Transit. AC Transit is the public bus system serving the 13 cities and adjacent unincorporated communities in 390 square miles along the eastern shores of San Francisco, Oakland and San Pablo Bays. AC Transit serves a population of approximately 1.4 million using 148 routes in the East Bay, 146 of which connect with Bay Area Rapid Transit District (BART). AC Transit buses also serve the Oakland Airport, the newly constructed Amtrak Station, the ferry terminal, downtown San Francisco and other major Bay Area attractions.

The BART is an 81-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 17 Bay Area cities and 39 stations. Plans for extending BART services include a new station at the San Francisco Airport. Travel between Oakland and San Francisco averages only 20 minutes of BART. People in the Bay Area ride BART because it is a safe, reliable, economical, and energy-efficient means of transportation.

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

EDUCATION

Over 170 public and private schools provide elementary, middle, special and secondary education. There are two community colleges and four four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses are offered in Oakland by other nine Bay Area colleges, including U.C. Berkeley. A wide array of nonprofit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

HEALTH CARE

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

PUBLIC SAFETY

Oakland uses a variety of aggressive and innovative approaches to increase public safety and lessen the levels of violence. These efforts are paying off, especially as more and more business owners and residents become involved. Recent statistics indicate that overall crime in Oakland continues to decrease. Residential and business burglaries dropped by 29 percent and 6.5 percent respectively. Strong arm robbery dropped by 12.6 percent while homicides decreased by 6.7 percent. Only armed robberies and auto thefts increased, by 8.7 percent and 0.1 percent respectively.

PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens and many other leisure activities are available at more than 140 parks, playgrounds, community centers and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Six outdoor pools offer seasonal lap and recreational swimming, instruction and showers. The Parks and Recreation Department operates more than 50 tennis courts. It also operates Oakland's Feather River Camp, a family camp located in the Plumas National Forest. Instruction in sailing, wind surfing, and kayaking are available at Lake Merritt. Over 100 boats are available for rent, including paddleboats, kayaks, rowboats, canoes and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths. The Oakland City Stables, managed by the Wildcat Canyon Ranch Program, provides horse riding lessons, year-round after school programs, an alternate education site for the school district, and summer internships for a number of Oakland Youth. The program serves 1,500 Oakland youth annually.

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

ARTS AND ATTRACTIONS

Oakland is a city of art and has one of the largest artists communities in the West. It is the site of performing arts, festivals, concerts, gallery exhibitions and events for every season. The annual Festival at the Lake features arts and crafts, music, theater, food and games for all ages. The urban fair is a three-day event and draws hundreds of thousands from the region. The City's recently renovated Alice Arts Center is a multi-cultural and multi-disciplinary performing arts complex, which presents local, regional and national theater, dance and music productions.

The Oakland East Bay Symphony features programs which showcase the work of California composers as well as offering a fine classical repertoire. Over its 29-year history, the Oakland Ballet



has grown in reputation by leaps and bounds. Both traditional and experimental music and dance are performed year-round throughout the City by a variety of chamber groups and ensembles. Both the Symphony and the Ballet use the fabulous art deco Paramount Theater. This 1931 movie palace, authentically restored in 1973 and since utilized as Oakland's premier live performance facility, also hosts an impressive variety of popular attractions, including Broadway shows, R & B concerts, gospel performers, comedy, and special engagements such as the Black Film Makers annual award ceremony.

The Oakland Museum of California is known as one of the finest regional museums in the country. Together with rotating national art exhibits, it houses an outstanding permanent collection of California fine art and photography. One of the museum's main attractions is a dramatic, mixed-media tour of the State of California and its colorful history, from the Gold Rush to Hollywood eras, through Haight Ashbury to the Silicon Valley.

The Western Aerospace Museum, located at the Airport's North Field, showcases aviation history through special exhibits, multi-media presentations, hands-on displays incorporating 13 planes, photographs, replicas and other artifacts and classes for students of all ages.

SPORTS

Oakland is a magnet for sports fans of all types. The Oakland Coliseum, celebrating its 30th anniversary, is home to the Athletics, the Golden State Warriors and the Oakland Raiders, making Oakland the only city in California with three major league franchises, and the only city in the U.S. with three major league sports franchises located within one complex. In the last two decades, Oakland's professional sports teams have won six world championships in three major sports. Of those, the Oakland Athletics have won six American League Championships and four World Series titles. In December 1995, the City welcomed its newest sports activity site, a 75,000 square foot world competition ice skating arena.

The City's fine sports reputation has made it a natural home for key events such as the 1987 All Star Game, the 1988, 1989 and 1990 World Series, 1989 Masters Rowing Regatta, the 1991 Summer Police Games, the World Figure Skating Championships in 1992, and the Olympic Boxing Team Trials of 1996.

MEDIA

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. Its neighborhoods distribute 50 newsletters. In addition to media and cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.



