

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2003

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Respectfully submitted,

William E. Noland, Interim Director
Finance and Management Agency

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February 29, 2004

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in financial position for the fiscal year ended June 30, 2003, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

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

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

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

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in

conformity with GAAP and comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2003. The Independent Auditors Report is presented as the first component of the Financial Section of this report.

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

The Reporting Entity and Its Services

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

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

- Government-wide financial reporting;
- Additional long-term focus for governmental activities;
- Management's Discussion and Analysis (MD&A);
- Information on major funds; and
- Expanded budgetary reporting.

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

GAAP require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the Primary Government. The discretely presented component unit is reported in a separate column in the

government-wide financial statements to emphasize that it is legally separate from the City operations.

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

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

Profile of the Government

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

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

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

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be

carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 29, 2003, the City Council approved the City's fourth two-year budget for fiscal years 2003-04 and 2004-05.

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

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

Factors Affecting Financial Condition

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

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

- "...8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "...7th Most Creative City in America" (Carnegie Mellon);
- "...6th Best City to live in the U.S." (Money, Dec. 2002);
- "...leader among America's top ten technology cities." (Newsweek, April 30, 2001); and
- "...uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce)

These statements are testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8th as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Jerry Brown's leadership that enthusiastically supports and embraces sustainable economic development. Moreover, transportation systems such as interstate highways, railroad, trucking, shipping (4th largest port in the nation), air transportation, and public transit converge in the City

of Oakland to make it the hub of interstate and international commerce on the West Coast. Its strategic location and proximity to Silicon Valley and to highly acclaimed institutions of higher learning provide excellent synergy for collaborative research and innovation for improved business products and services.

While the region's economy has experienced a dramatic downturn, Oakland has experienced only a minor decrease in employment and retail sales. Many jobs have been lost in the region due to the reduction in technology and internet based companies. Oakland's retail sales decreased by a modest 2.2% due to the regional economy and a lack of consumer confidence. The Oakland real estate market was highlighted by brisk residential sales, especially for-sale residential units.

Oakland occupies 56 square miles of land with 19 miles of coastline to the west and magnificent rolling hills to the east. It is the eighth largest city in California with a population of 399,484. Its economy ranks in the top 20 economies in the United States and the 84th largest in the world. In 2002, Oakland's Gross Metropolitan Product (GMP) was estimated at \$105.5 billion, a 3.6% increase over 2001. Over the next decade, real GMP is expected to expand at an annual rate of 3.4%. Other factors evidencing the economic status of the City of Oakland, and the effects of sluggish economy are:

- Ranked 3rd in the nation in percentage of women-owned businesses;
- Per capita income in 2002 was \$25,380 for a total household income of over \$10.1 billion;
- Total retail sales decreased from \$36.5 billion in 2001 to \$35.4 billion in 2002; and
- Net employment of Oakland residents in 2002 was virtually flat (a 0.3% decrease compared to 2001).

Two primary engines that drive the economies of the City in particular and Northern California in general are the Port of Oakland and the Oakland International Airport. Both entities celebrated their 75th anniversaries in 2002 with pride and enthusiasm in meeting the challenges of the new century. Both are investing billions of dollars in major expansion programs in anticipation of the new challenges. Finally, both entities have significant impacts on the City's and the region's economies.

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

The Port of Oakland impacts the economies of the City of Oakland and Northern California to the extent that it:

- Supports some 1,000 direct and 44,000 indirect and induced jobs;
- Generates \$7 billion in annual business activity;

- Has 98% share of the Northern California container freight market;
- Welcomes 30 shipping lines connecting the U.S. with the rest of the world; and
- Acquired 12 of the world's largest cranes in 2002, each capable of moving 30 containers per hour.

And when the Port of Oakland's Vision 2000 maritime expansion program is completed, it will:

- Add approximately 9,000 new jobs in the region;
- Generate an additional \$2 billion in annual business activity; and
- Increase state and local tax revenues by an estimated \$62 million annually.

The second entity, the Oakland International Airport, is among the busiest airports in Northern California. Its accomplishments include:

- Serving 11.4 million passengers in 2002, a 6.3% increase over 2001;
- Handling 200 daily flights on 12 domestic and international carriers;
- Short-haul market grew at an annual rate of 6.8%;
- Air cargo grew at an annual rate of 12.5%;
- Share of Bay Area air cargo market increased from 28% to 45%; and
- Employs approximately 15,900 in the Oakland area.

During and after the \$1.6 billion Airport Development Program, it is anticipated that significant annual increases will occur in the following categories:

- 4,000 construction jobs will be created during the course of the project;
- Employment will increase from 15,900 to 18,600;
- Approximately 13.8 million passengers will be accommodated;
- An additional 1 million tons of air cargo will be handled;
- Direct and induced employment will generate \$600 million in personal income;
- \$2 billion in additional business revenue will be generated; and
- An additional \$76 million in state and local tax revenues will be realized.

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

The Community and Economic Development Agency (CEDA) is also working in coordination with the Oakland Commerce Corporation to develop and implement the new Retail Retention Program. This program will provide technical assistance to assist in the retention and expansion of the 50 top income and top employing retailers, the five retailers with the most growth and the five with the largest decline in sales, and key retailers within target industries to strengthen these industries.

In fiscal year 2002-03, CEDA initiated the Oakland C.A.R.E.S. (Creation, Attraction, Retention and Expansion Services) for Business Program. This program assists existing and new Oakland businesses to increase sales, reduce costs and add more value to their products and services. The

City also offers specialized technical assistance to targeted industry groups. These industry groups (Software/Multimedia, Telecommunications, Biotechnology, Transportation, and Food Processing) were chosen for their importance to the local economy and for their potential for growth.

During fiscal year 2002-03, the City of Oakland attracted 22 new businesses that initially created 516 new jobs. Its aggressive business retention efforts helped keep 409 companies from moving to other locations, thus saving 4,984 local jobs. Additionally, four local businesses expanded operations and added 33 new employees as a result of the City's business retention services. The City assisted 15 recycling companies, employing 150 workers, by providing site location assistance, technical assistance in loan packaging under the State Recycling Market Development Zone Loan Program and the Alameda County Recycling Board Revolving Loan Fund.

The City's One-Stop Small Business Center (OSSBC) is a focal point for lending and technical assistance efforts surrounding Oakland's Enhanced Enterprise Community and manages the City's contract with the Oakland Business Development Corporation (OBDC), a non-profit local development corporation. The OSSBC and OBDC originated 16 small business loans totaling \$610,000, counseled and referred more than 1,200 clients to the various business skills development training programs, and managed eight economic development loan funds with total capitalization of over \$50,000,000. Loan recipients included a neighborhood market, a bicycle parts and accessories retailer, a clothing store, a restaurant and an art supply store.

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. The Oakland area 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 businesses within its boundaries the opportunity to reduce their state business income taxes through a variety of tax credits. Most commercial and industrial areas of the City are within the Enterprise Zone. Incentives include: a Hiring Tax Credit, Sales and Use Tax Credit, Business Expense Deduction for Real Property, Net Operating Loss Carry-over, Net Interest Deduction for Lender, and Employer Tax Credit for hiring Low Income Employees.

Oakland/Berkeley Recycling Market Development Zone: The California Integrated Waste Management Board has designated the Oakland/Berkeley geographic area as a Recycling Market Development Zone (RMDZ) to foster end-use markets for recyclable materials. It includes the industrial areas of Oakland and West Berkeley, the Oakland Central Business District, and the Port of Oakland. Businesses in areas that use recyclable materials are eligible for program benefits such as loan and grant packaging, site selection assistance, permit processing assistance, employment referral and training coordination, low interest State RMDZ loans of up to \$2 million, Enterprise Zone Tax Credits, etc.

Small Business Incubator Program: The Incubator Program provides incentives-driven, hands-on technical support to Oakland based businesses. Qualified businesses can benefit from the program's affordable lease space, shared office and support services, networking opportunities, and personalized business management assistance services. Eligible businesses are admitted to the program on a first-come, first-served basis. Professional service, advanced technology, and light industrial businesses are preferred. This City supported program has launched the Communications Technology Cluster (CTC) for communications start-ups.

Workforce Development: Oakland has gained national recognition for its business-oriented services for job seekers and employers, driven by a dynamic partnership among for-profit, non-profit and public organizations. Oakland's One Stop Career Center and Business Services system is integrated within the City's economic development efforts and sustains itself through fee-for-service program income, which is unique in the workforce development arena. Oakland is also developing a state-of-the-art hiring tax credit service, which will enable local businesses to easily take advantage of its Enterprise Zone program. The Oakland Workforce Investment Board (WIB), which directs the City's federally funded employment and training services, is composed of majority business sector members, along with the City's leading public, education, labor and community-based organizations. Oakland also has a highly developed program accountability system, which was formed under the leadership of the Oakland City Council and incorporated within the oversight framework of the Oakland WIB. In the past year, Oakland's One Stop Career Center and youth service delivery systems served more than 11,000 clients and met or exceeded all of its mandated performance measures as verified by the State of California Employment Development Department.

Other Significant Accomplishments

Housing: The City continued its efforts to provide a range of housing opportunities and improve housing conditions for residents of all economic levels. A total of 60 affordable homeownership and rental units for working families were completed, with 474 additional units in the pipeline. Another 17 rental units for seniors and persons with disabilities were completed, and 325 other units are underway. These developments had major impacts on revitalization efforts by converting blighted properties along commercial corridors into attractive housing. In addition, City loan programs assisted 62 first-time homebuyers and provided financing for rehabilitation and repairs to 271 units.

Neighborhood Commercial Revitalization: The Neighborhood Commercial Revitalization (NCR) completed 50 projects under the Commercial Property Façade Improvement Program (CPFIP) representing approximately \$1,118,283. This represents \$632,984 in private investment and \$485,299 in public investment. The CPFIP received nearly 100 applications during fiscal year 2002-03. Of these, 42 projects are in various phases of the process from design development to construction. Other accomplishments for this period include:

- Merchants Association Assistance Program assisted more than 700 small businesses;
- More than \$18 million in streetscape improvement projects have been designed, completed, in construction, or are scheduled for construction in 2004;

- Assisted in planning and implementing more than a dozen events promoting neighborhood shopping districts throughout Oakland; and
- Compiled and updated economic data for 15 NCR areas, including demographic, land use/zoning, list of businesses, property ownership, sales and property tax and vacant property list

In addition to the above, NCR provided a total of \$100,000 to two community development corporations (CDC) to implement the California Main Street Program (CSMP) in the Eastlake and Fruitvale NCR areas. The Local Initiative Support Corporation and the two CDCs contributed \$100,000 to each program, leveraging NCR's contribution and funding each program \$150,000.

Lastly, four Business Improvement Districts (BID) were reestablished in four commercial districts including Rockridge, Montclair, Lakeshore/Lake Park and Fruitvale. These districts generate approximately \$600,000 for investment in promotions, enhanced maintenance and security in the respective districts. The Temescal district is currently in the preliminary stages of BID information. Once completed, BID establishment is expected in 2004.

Long-term Financial Planning

Mayor's 10K Project: As part of the Mayor's and City Council's 10K initiative, the Redevelopment Agency and Forest City Enterprises executed a second amendment to the Exclusive Negotiations Agreement to extend the time for completing a disposition and development agreement and the environmental impact report. The proposed project consists of at least 770 units of rental housing and 270 condominium units. Twenty percent of the rental housing units will be affordable to households earning 50 percent or less of the area's median income. The project will also include at least 14,500 square feet of retail and a public park.

Three other Redevelopment Agency projects with approximately 382 units were under construction in FY2002-03, including Landmark Place (92 units), Arioso (88 Units), and Housewives (202 units), and a fourth site is proposed for housing development at City Center T-10 block. Two private projects were completed in FY2002-03 with 282 units, Telegraph Lofts (53 units), and Sierra Lofts (229 units). Currently, the 10K program has 4,854 units in process, with 1,337 units completed, 400 units under construction, 1,525 units with planning approvals, and 1,592 units in planning. The Downtown Façade Improvement Program provided matching grants for 29 projects completed in FY2002-03, resulting in over \$1.7 million of exterior improvements on approximately 250,000 square feet of retail and office space.

Oakland Base Reuse Authority: During fiscal 2002-03, the Oakland Base Reuse Authority (OBRA) was a Joint Powers Authority (JPA) representing the City of Oakland and the County of Alameda. In fiscal year 2003-04, the Authority's assets and management were transferred to the Redevelopment Agency (ORA). OBRA is responsible for the planning and conversion of close military bases in Oakland to civilian uses. A five-member board governs OBRA: Mayor Jerry Brown and four City Council members serve as directors; President of the City Council, Ignacio de la Fuente is the Chairperson. OBRA's total operating budget for fiscal year 2003-04, with mid-year modifications, is \$13.4 million, which includes all staffing, administrative, professional services, insurance, operation of the OBRA Leasing Program, and payment toward key City/ORA services and staffing. OBRA has strategically built an operating reserve of \$19.8

million restricted to the future reuse and redevelopment of the former Army Base. These restricted funds will be transferred to the ORA to a restricted account established in accordance with the Economic Development Conveyance (EDC) Memorandum of Agreement (MOA) requirements, the State of Consent Agreement and the Environmental Services Cooperative Agreement with the Army. The MOA with the Army requires that any sale, lease or equivalent proceeds generated from the EDC property be restricted to specific redevelopment activities for a term of seven years following conveyance.

In August 2003, OBRA signed the documents to transfer 364 acres of EDC property at the Oakland Army Base under an Early Transfer Agreement at zero cost. As part of the agreement known as the Environmental Services Cooperative Agreement (ESCA), the Army has committed \$13 million in funding towards the environmental restoration requirements of the EDC property. Targeted remediation activities are underway. OBRA will continue to operate its Leasing Program until mid-2006, when the property will begin its redevelopment activities. The Leasing Program currently has an 84% occupancy rate and generates over \$8 million in gross revenues. Approximately 50 tenants occupy over 3.5 million square feet of warehouse and open space. The Leasing Program will continue to operate until mid-2006 when the property arrangements with the Port of Oakland (Port) become effective. It is anticipated that OBRA will continue to add at least \$5 million more to its operating revenues.

In mid-2006, redevelopment of the former Army Base will begin on 169 acres by the ORA and on 226 acres by the Port. The ORA, the City, the OBRA, and the Port have agreed to business terms that will result in the Port's purchase of the Knight Rail Yard for \$30 million (present discounted value of approximately \$13 million) from the ORA. Other agreements between the ORA and the Port include equally sharing (1) the remediation funding gap of \$11.2 million, (2) the homeless relocation, (3) the establishment of a Community Trust Fund of \$4 million, and (4) other financial and programmatic benefits.

The ORA will be responsible for the selection of and contracting with a Master Developer for the development of the City's property that is projected to be about three (3) million square feet of mixed-use commercial and industrial activities. The goal is to create 8,000 new jobs by 2010. The Port intends to expand its maritime facilities by 2020.

The Oakland Army Base is part of the 1,200 acre Oakland Army Base Redevelopment Area adopted by the ORA in July 2001.

Cash Management Policies and Practices

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

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

Risk Management

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

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

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

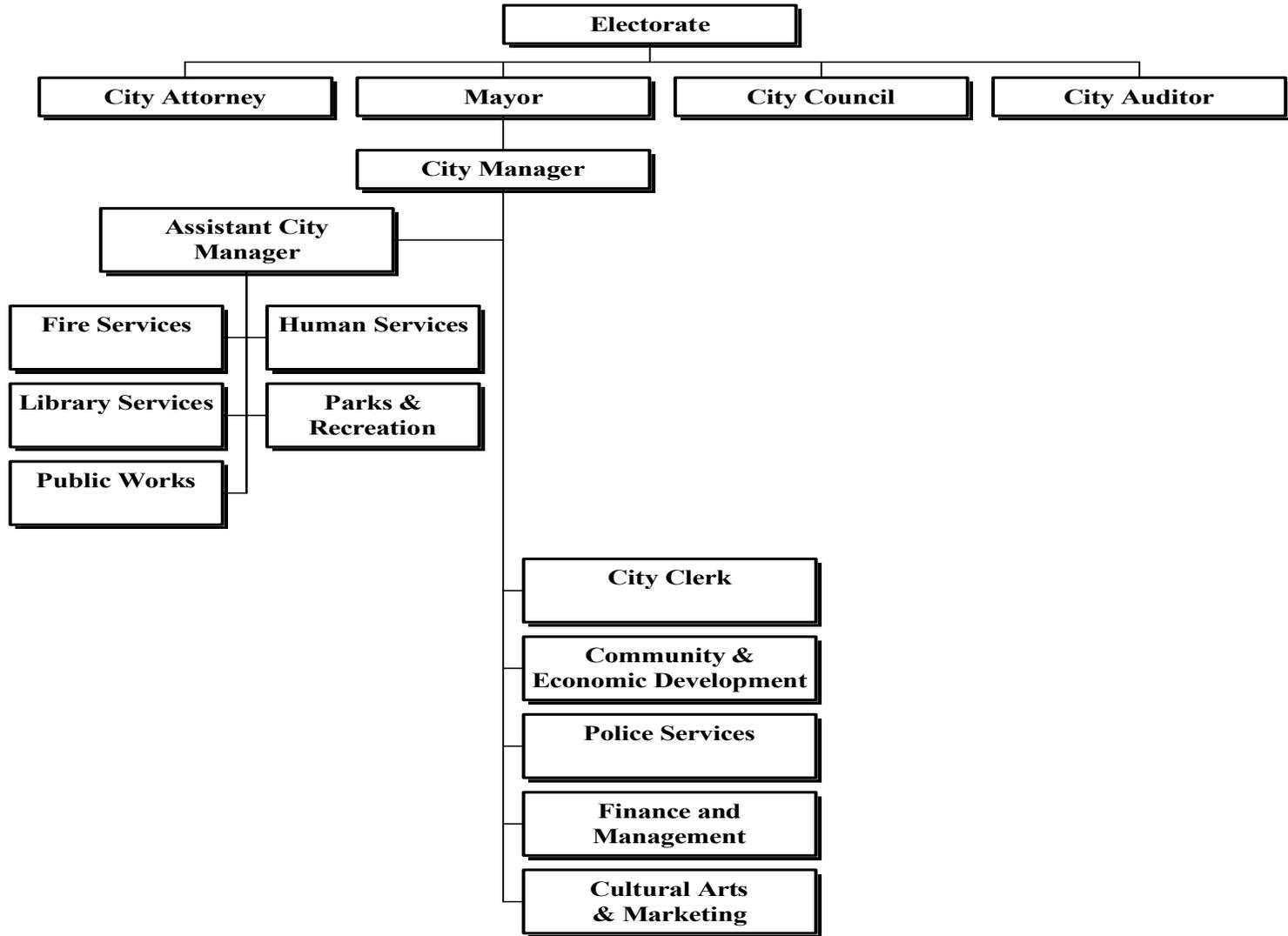
Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 14 of the last 15 years. The City's Fiscal Year 2002-03 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

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 valid for two years. The City of Oakland has received the Distinguished Budget Presentation Award for 11 consecutive years. We believe our third biennium budget representing fiscal years 2003-04 and 2004-05 continues to conform to program requirements, and we have submitted it to GFOA to determine its eligibility for another award.

City of Oakland Organization Chart



**DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2003**

MAYOR

Jerry Brown

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente, *President (District 5)*
Henry Chang, Jr., *Vice-Mayor (At Large)*

*District 1 – Jane Brunner
District 4 – Jean Quan*

*District 2 – Danny Wan
District 6 – Desley Brooks*

*District 3 – Nancy Nadel
District 7 – Larry Reid*

COUNCIL APPOINTED OFFICERS

Deborah A. Edgerly, *Interim City Manager*

Ceda Floyd, *City Clerk*

ELECTED OFFICERS

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

AGENCY & DEPARTMENT DIRECTORS

Claudette R. Ford
Public Works

Jim Ryugo
Parks & Recreation (Interim)

Carmen Martinez
Library Services

Gerald A. Simon
Fire Services

William E. Noland
Finance & Management (Interim)

Richard Word
Police Services

Dennis Power & Samee Roberts
Cultural Arts & Marketing

Andrea Youngdahl
Human Services

Dan Vanderpriem/Claudia Cappio
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Interim Director
Finance and Management Agency

Gregoria M. Torres
Acting Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Ace A. Tago, *Acting Assistant Controller*

FINANCIAL STATEMENT PREPARATION

CAFR Section Leaders

Ernie Calilung
Accountant III (GL Lead)

Mercy David
Accountant III

Accounting Team (GL & ORA)

Myrna Bangloy
Mercy David
Bruce Levitch
Theresa Woo

Ernie Calilung
George Emperador
Norma Torres
Rony Yambao

Esther Concepcion
Ming Emperador
David Warner

ADMINISTRATIVE SUPPORT

Novette G. Flores, *Administrative Assistant*

SPECIAL ASSISTANCE

Manuel Elepano
David Jones
Theo London

Ponce Flores
Katano Kasaine
Donna Treglown

Sharon Holman
Kathleen Larson
Neil Valle

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Manager's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

Risk Management



Macias, Gini & Company LLP
Certified Public Accountants and
Management Consultants

Mt. Diablo Plaza
2175 N. California Boulevard
Suite 620
Walnut Creek, CA 94596-3565

925•274•0190
925•274•3819 FAX
www.maciasgini.com

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Oakland Housing Finance Revenue Bond Agency Fund, which represents \$9 million (0.8%) of the assets of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the aggregate remaining fund information, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Technical Bulletin 2003-1, *Disclosure Requirements for Derivatives Not Presented at Fair Value on the Statement of Net Assets*, effective July 1, 2002. Also, as discussed in Note 2 to the basic financial statements, the City changed its accounting for the prepayment made to the Police and Fire Retirement System resulting from the issuance of the 1997 pension obligation bonds.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Offices located throughout California

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

Macias, Gini & Company LLP

Certified Public Accountants

Walnut Creek, California

February 27, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its liabilities by \$519.9 million as of June 30, 2003, compared to \$493.9 million at June 30, 2002, as restated. The total net assets includes \$106.0 million in net assets for business-type activities which is primarily invested in capital assets, and \$26.2 million represent governmental activities funding for continuing projects.
- The City's total net assets increased by \$25.9 million during the fiscal year compared to a restated net deficit of \$23.8 million for June 30, 2002. The majority of this increase was due primarily to increased general revenue collections (17%) and the reduction in long term debt interest expense of \$16.9 million or 23%.
- Governmental funds reported combined ending fund balances of \$626.9 million at June 30, 2003, compared to \$546.0 million as of June 30, 2002. The majority of this amount is reserved for funding ongoing projects of the City.
- At June 30, 2003, the unreserved fund balance for the general fund was \$38.8 million or 9.9% of total general fund expenditures of \$391.7 million compared to \$29.7 million or 7.7% for the previous fiscal year. The increase in unreserved fund balance in the general fund is the direct result of double digit increases in all major areas of general revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report also includes required and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

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

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

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

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.

Internal service funds are used to report activities that provide services and supplies for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, radio and communication equipment, facilities management, printing and reproduction, and central stores. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

Notes to the Basic Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

This is the second year that the City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements-and Management's Discussion and Analysis (MD&A) – for State and Local Governments*. As such, this year's MD&A provides a comparative analysis of government-wide data for two fiscal years.

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2003 by \$519.9 million compared to \$493.9 million as restated as of June 30, 2002.

The largest portion of the City's net assets (75%) reflects its \$387.7 million of net pension assets for the Police and Fire Retirement System and (21%) reflects an investment of \$106.0 million in business-type activities capital assets (e.g. land, buildings, machinery equipment, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although

the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Oakland's Net Assets
June 30, 2003
(In Thousands)

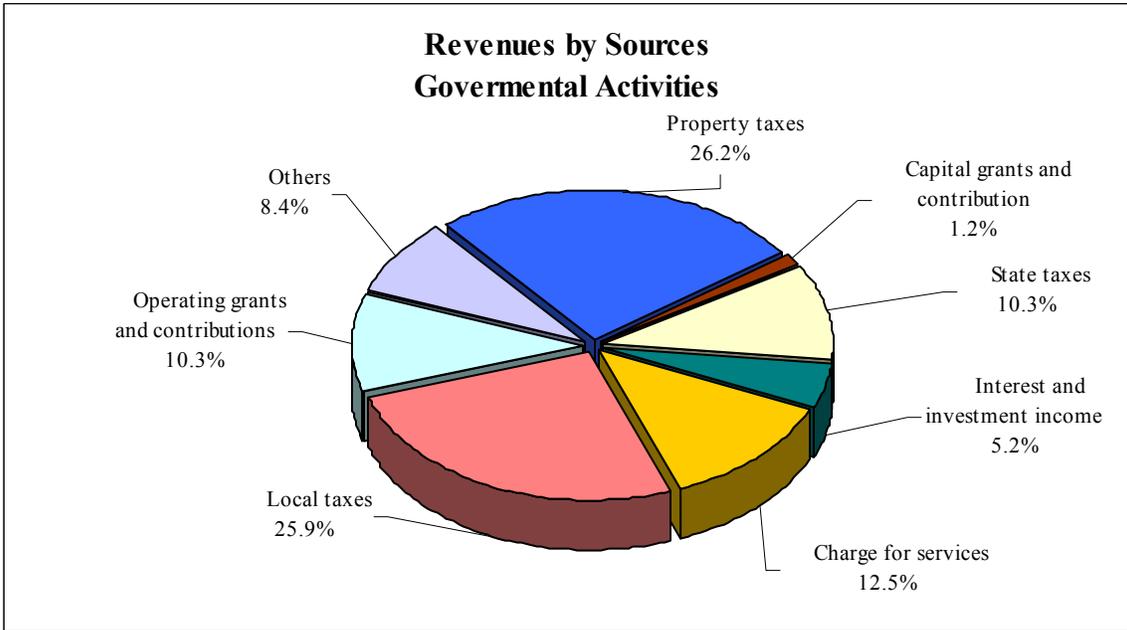
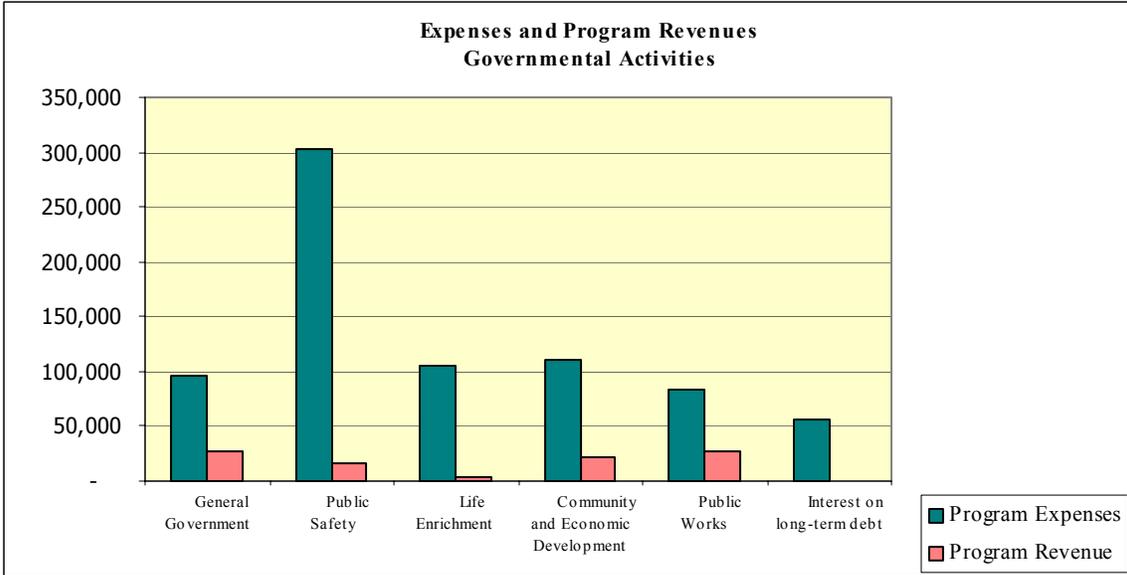
	Governmental Activities	Business-type Activities	2003 Total	2002 Total
Assets:				
Current and other assets	\$1,357,296	\$ (2,402)	\$1,354,894	\$1,262,573
Capital assets	<u>829,899</u>	<u>116,727</u>	<u>946,626</u>	<u>934,828</u>
TOTAL SSETS	<u>2,187,195</u>	<u>114,325</u>	<u>2,301,520</u>	<u>2,197,401</u>
Liabilities:				
Long-term liabilities outstanding	1,623,555	7,045	1,630,600	1,567,206
Other liabilities	<u>149,819</u>	<u>1,241</u>	<u>151,060</u>	<u>136,247</u>
TOTAL LIABILITIES	<u>1,773,374</u>	<u>8,286</u>	<u>1,781,660</u>	<u>1,703,453</u>
Net assets:				
Invested in capital assets, net of related debt	385,354	109,682	495,036	498,508
Restricted net assets:				
Debt service	70,562	—	70,562	458,012
Capital projects funds	95,743	—	95,743	74,918
Urban redevelopment and housing	238,187	—	238,187	64,778
Other purposes	24,861	—	24,861	24,861
Unrestricted	<u>(400,886)</u>	<u>(3,643)</u>	<u>(404,529)</u>	<u>(627,129)</u>
TOTAL NET ASSETS	<u>\$ 413,821</u>	<u>\$ 106,039</u>	<u>\$ 519,860</u>	<u>\$ 493,948</u>

The City's investment in capital assets of \$495.0 million decreased by \$3.5 million compared to the previous fiscal year. The City's restricted net assets totaling \$429.4 million represents resources that are subject to external restrictions on how they may be used. The remaining negative balance in unrestricted net assets of \$404.5 million is primarily attributed to (1) funds earmarked for restricted purposes for which corresponding assets have not been created, and (2) allowances for doubtful accounts in grants and notes and loans receivables.

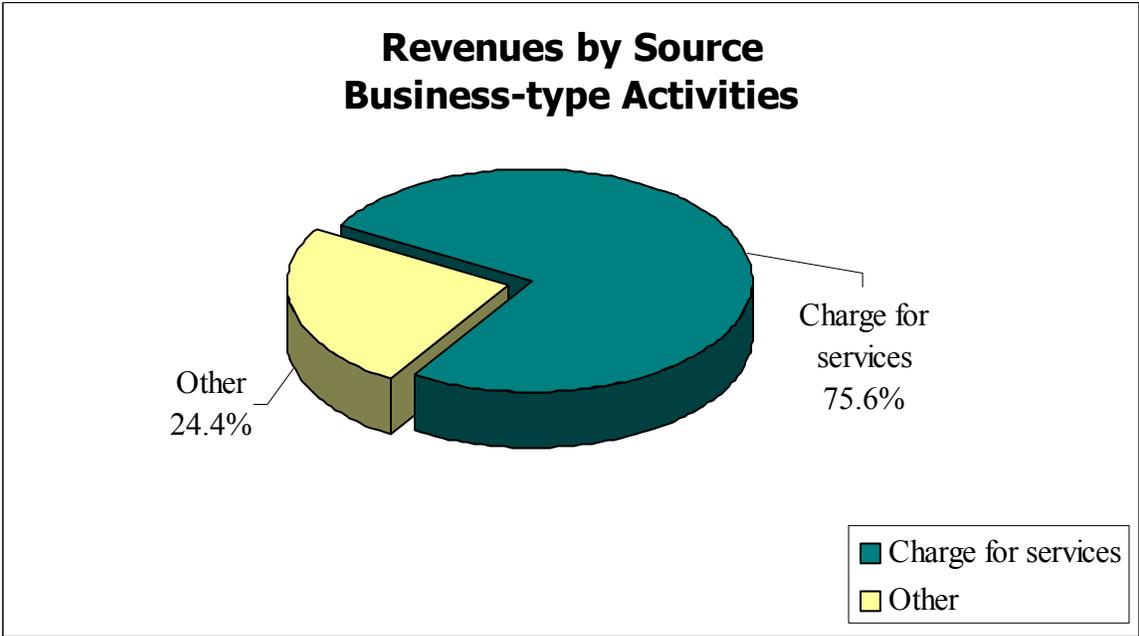
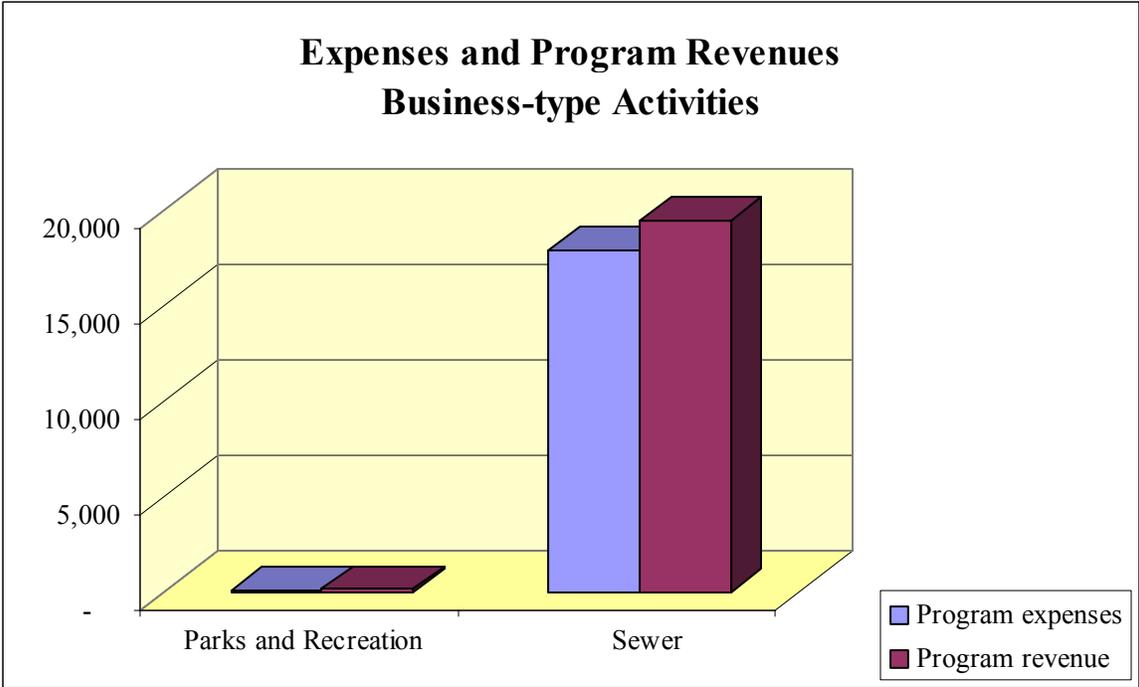
Governmental activities. The City's net assets increased by \$25.9 million compared to a restated net deficit of \$23.8 million for the prior fiscal year. The key elements of this increase are explained below.

Changes in Net Assets
June 30, 2003
(In Thousands)

	Governmental Activities	Business-type Activities	2003 Total	2002 Total
Revenues:				
Program revenues:				
Charges for services	\$ 96,287	\$ 19,486	\$ 115,773	\$ 107,647
Operating grants and contributions	79,784	19	79,803	63,254
Capital grants and contributions	9,262	—	9,262	10,553
General revenues:				
Property taxes	202,297	—	202,297	172,029
State taxes	79,444	—	79,444	68,603
Local taxes	199,720	—	199,720	160,729
Interest and investment income	40,043	199	40,242	36,473
Other	<u>64,414</u>	<u>6,082</u>	<u>70,496</u>	<u>68,774</u>
TOTAL REVENUES	<u>771,251</u>	<u>25,786</u>	<u>797,037</u>	<u>688,062</u>
Expenses:				
General government	95,671	—	95,671	80,170
Public safety	302,273	—	302,273	250,503
Life enrichment	105,133	—	105,133	99,223
Community & economic development	110,400	—	110,400	120,491
Public works	83,548	—	83,548	72,639
Interest on long-term debt	56,072	—	56,072	72,924
Sewer	—	17,960	17,960	15,848
Parks and recreation	<u>—</u>	<u>68</u>	<u>68</u>	<u>94</u>
TOTAL EXPENSES	<u>753,097</u>	<u>18,028</u>	<u>771,125</u>	<u>711,892</u>
Change in net assets before transfers	18,154	7,758	25,912	(23,830)
Transfers	<u>629</u>	<u>(629)</u>	<u>—</u>	<u>—</u>
Change in net assets	18,783	7,129	25,912	(23,830)
Net assets at beginning of year, as restated	<u>395,038</u>	<u>98,910</u>	<u>493,948</u>	<u>517,778</u>
NET ASSETS AT END OF YEAR	<u>\$413,821</u>	<u>\$ 106,039</u>	<u>\$ 519,860</u>	<u>\$ 493,948</u>



- The primary increase in net assets of \$25.9 million in governmental activities compared to a restated deficit in net assets of \$23.8 million as of June 30, 2002, is attributed to double digit increases in all major general revenues categories as a result of improved economic conditions and the downsizing of the City’s budgetary spending of \$28.5 million in anticipation of significant budget shortfall at the state level.



Business-type activities. Business-type activities contributed \$7.1 million to the City's net assets. Key elements of the contribution from Business-type activities are as follows:

- The increase is attributed to steady performance by both enterprise entities to the extent that their operating revenues exceeded operating expenses by 32% for the twelve months ended June 30, 2003, slightly below the 36% for the previous fiscal year. The 4% decline was due to a 13% increase in sewer expenditures as a result of a 6% increase in union contracts and higher maintenance costs for the City's gradually upgraded antiquated sewer system.

Financial Analysis of the Government's Funds

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

As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$660.4 million, an increase of \$80.8 million in comparison with the prior year. The majority of this amount is committed to fund ongoing approved projects, provide for future debt service and reserve the portion of fund balance that is invested in property held for resale.

The general fund is the City's chief operating fund. At June 30, 2003, its fund balance totaling \$253.1 million compared to \$225.7 million as of June 30, 2002, is comprised of \$38.8 million in unreserved/undesignated funds, \$214.3 million in reserved funds comprised of \$198.0 million for debt service, and \$16.3 million for outstanding encumbrances and approved projects.

The City's general fund balance increase of \$27.4 million compared to \$5.2 million for the previous fiscal year, is attributed to actual revenue collections exceeding budgeted revenues by \$42.9 million and general fund expenditures were \$21.1 million under the final approved appropriations. Double digit increases in program revenues: property taxes 21%; state taxes 16%; local taxes 26%; interest and investment income 10%; and other revenues 11%; all contributed to the increase in fund balance. These increases in revenues were offset by deficit spending of \$12.6 million due to police overtime costs and CEDA project cost overruns of \$2.5 million.

At June 30, 2003, the Federal/State Grant Fund ended with a negative fund balance of \$22.1 million compared to a negative fund balance of \$21.8 million for the previous fiscal year. The negative fund balance is due to City advances to pay for grant activities for which the City had recognized grants receivables but deferred revenues for billings to be reimbursed by the grantor agencies.

The Oakland Redevelopment Agency Capital Project Fund had a fund balance of \$222.9 million as of June 30, 2003, which represented an increase of 48% over the prior fiscal

year. The increase of \$72.6 million was primarily related to the net increase represented by: (1) a 17% (\$7.1 million) increase in property tax increment collections attributed to improved property valuations in the redevelopment project areas; (2) a one-time increase of 90% (\$3.2 million) from a gain on the sale of Agency land; and (3) an infusion of \$25.0 million in new capital project funds as a result of refunding certain Agency tax allocation bond issues. The combined fund balances of \$222.9 million is distributed as follows: 60% for the Central District Project area; 14% for the Low Moderate Housing Project area; 14% for the Coliseum Project area; and 11% for other Redevelopment Project areas.

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

The portion of net assets invested in capital assets, net of related debt amounted to \$109.7 million as of June 30, 2003, compared to \$103.2 for the previous fiscal year. During the fiscal year, the City invested an additional \$6.5 million in sewer system capital assets, net of depreciation. The majority of the \$6.5 million invested in the sewer system comprised of projects declared completed and placed in service.

City of Oakland
Summary of Revenues, Expenses and Changes in Fund Net Assets
Business-Type Activities – Enterprise Funds
June 30, 2003
(In Thousands)

	Operating Revenues	Operating Expenses	Operating Income	Net Non- Operating Revenues (Expenses)	Interfund Transfers	Changes in Net Assets
Sewer	\$ 19,364	\$ 17,442	\$ 1,922	\$ (499)	\$ (629)	\$ 794
Parks and Recreation	<u>6,204</u>	<u>68</u>	<u>6,136</u>	<u>199</u>	<u>—</u>	<u>6,335</u>
TOTAL	<u>\$ 25,568</u>	<u>\$ 17,510</u>	<u>\$ 8,058</u>	<u>\$ (300)</u>	<u>\$ (629)</u>	<u>\$ 7,129</u>

General Fund Budgetary Highlights

Differences between the original and the final amended expenditure budget totaling \$18.5 million were due primarily to continuing appropriations for various City agencies to cover multi-year projects, capital improvement projects, and other projects authorized by City policies and regulations.

Total general fund actual expenditures compared to the final amended expenditure budget showed savings of \$21.1 million for the year ended June 30, 2003, compared to \$15.8 million for the previous fiscal year. The majority of these savings were attributable to approved projects that are to be completed in the new fiscal year in the following agencies: (1) Parks and Recreation - \$2.8 million; (2) Office of Information Technology - \$2.4 million; (3) Public Works - \$4.5 million; and (4) Other Projects - \$20.6 million.

Significant negative variances, however, occurred in public safety (Police & Fire) totaling \$9.2 million that were due to personnel overtime costs.

Actual revenues compared to the final amended general fund budget exceeded projections by \$38.9 million, compared to \$29.6 million for previous fiscal year for an increase of 30%. The majority of this increase was due to improved collections in property taxes 18%, state taxes 16%, local taxes 24%, interest and investment income 10%, and other revenues 11%.

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75% of \$21.3 billion property valuation net of exemptions subject to taxation) was \$798.1 million. The total amount of debt applicable to the debt limit was \$167.4 million, net of certain assets in other non-major governmental funds, and other deductions allowed by law. The resulting legal debt margin was \$630.8 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2003, were as follows:

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

As of June 30, 2003, the City had total long-term obligations outstanding of \$1.63 billion compared to \$1.57 billion outstanding for the prior fiscal year, an increase of 4%. Of this amount, \$167.4 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.46 billion is comprised of various long term debt instruments listed below including accruals of year-end estimates for other long term liabilities.

Outstanding Debt June 30, 2003 (In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 167,350	\$ 133,295	\$ —	\$ —	\$ 167,350	\$ 133,295
Tax allocation bonds	246,660	220,490	—	—	246,660	220,490
Certificates of participation	63,631	67,346	—	—	63,631	67,346
Lease revenue bonds	382,645	399,675	—	—	382,645	399,675
Pension obligation bonds	442,592	435,686	—	—	442,592	435,686
Special assessment debt with government commitment	8,463	8,870	—	—	8,463	8,870
Sewer-notes payable	—	—	7,045	7,663	7,045	7,663
Less: Deferred amounts						
Bond issuance premiums	12,366	768	—	—	12,366	768
Bond refunding loss	(19,924)	(19,881)	—	—	(30,750)	(19,881)
Total bonds payable	1,303,783	1,246,249	7,045	7,663	1,310,828	1,253,912
Notes payable	49,448	52,283	—	—	49,448	52,283

Other long-term obligations	<u>270,324</u>	<u>266,907</u>	<u>—</u>	<u>—</u>	<u>270,324</u>	<u>266,907</u>
TOTAL OUTSTANDING DEBT	<u>\$1,623,555</u>	<u>\$1,565,439</u>	<u>\$ 7,045</u>	<u>\$ 7,663</u>	<u>\$1,630,600</u>	<u>\$1,573,102</u>

The City’s overall total long term obligations increased by \$57.5 million compared to fiscal year 2002. The increase is primarily attributable to bond refunding for the Oakland Redevelopment Agency and new bonds issued for Measure G as detailed below offset by scheduled principal payments. The notes payable and other long term obligations increased basically because of the additional amounts provided for compensated absences, workers’ compensation, and estimated claims payable for fiscal year 2003.

On January 7, 2003, the Oakland Redevelopment Agency refunded outstanding Central District Redevelopment Project Area bonds for: (1) Subordinated Tax Allocation Refunding Bonds, Series 1992A; (2) Subordinated Tax Allocation Bonds, Series 1993A; and (3) Subordinated Tax Allocation Bonds, Series 1995A. Also included in the refunding was the Coliseum Redevelopment Project Area Tax Allocation Bonds series, 1989A. The refunding was to provide financing for the acquisition and construction in these two redevelopment areas, to retire the principal amounts outstanding on the old bond issues, to fund a debt service account, and to pay for bond issuance costs. The refunding yielded new project funds of approximately \$25 million.

On March 5, 2002, the electorate authorized through Measure G the issuance of \$59 million in general obligation bonds. The purpose of the bonds is to acquire, renovate, improve, construct, and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space & Science Center. On November 6, 2002, the City issued the first Measure G General Obligation Bonds, Series 2002A in the amount of \$38 million with interest rates ranging from 3.75% to 5.00%. The Oakland Zoo will expend 40% of the proceeds for architectural and structural improvements to its landmark building, enhancing visitor access, and increasing the educational facilities. The Chabot Science and Space Center will expend 20% of the proceeds on the acquisition and the construction of a new education facility and expanded observation deck space. The balance of the proceeds will be used for bond issuance costs and other projects authorized under Measure G.

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

Economic Factors and Next Year’s Budgets and Tax Rates

- The City of Oakland’s unemployment rate was 5.9% in January 2004, up from a revised 5.7% in December 2002. This compares with an unemployment rate of 6.1% for California and 5.6% for the nation during the same period.
- The increase in the Consumer Price Index for the Bay Area was 1.8% in 2003 compared to 1.6% in 2002.

- Oakland's vacancy rate for class A and B office space was 13.83% for the 2003 fourth quarter compared to 15.75% for the 2002 fourth quarter. While its vacancy rate dropped by 12% in 2003 due to the relocation of several industries in Oakland, its vacancy rate of 13.83% compared favorably against the City of San Francisco and the Silicon Valley whose 2002 fourth quarter vacancy rates were 20.60% and 17.63%, respectively.
- For the 2003 fourth quarter, the average rental rate range per square foot for the City ranged from \$1.05 to \$2.66 compared to \$2.25 for San Francisco and \$2.52 for the Silicon Valley.
- Increases in expenditures due to new union contracts, CalPers pension rates, and healthcare costs have been factored into the City's Fiscal Year 2003-04 budget without raising or imposing new taxes.

Requests for Information

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

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CITY OF OAKLAND
Statement of Net Assets
June 30, 2003
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	\$ 195,584	\$ 4,571	\$ 200,155	\$ 69,384
Receivables (net of allowance for uncollectibles of \$6,529 for the primary government and \$3,031 for the component unit)				
Accrued interest	1,087	-	1,087	4,802
Property taxes	15,780	-	15,780	-
Accounts receivable	53,837	1,495	55,332	47,668
Grants receivable	37,330	-	37,330	-
Due from component unit	12,465	-	12,465	-
Internal balances	8,468	(8,468)	-	-
Due from other governments	1,123	-	1,123	-
Due from pension trust fund	2,899	-	2,899	-
Notes and loans receivable (net of allowance for uncollectibles of \$61,174)	124,286	-	124,286	-
Restricted cash and investments	436,142	-	436,142	561,850
Inventories	1,020	-	1,020	-
Capital assets				
Land and other assets not being depreciated	77,782	2,263	80,045	529,382
Facilities, infrastructure, and equipment, net of depreciation	752,117	114,464	866,581	1,207,734
Total capital assets	829,899	116,727	946,626	1,737,116
Property held for resale	71,925	-	71,925	-
Unamortized bond issuance costs	7,087	-	7,087	-
Net Pension Assets	387,737	-	387,737	-
Other	526	-	526	58,849
TOTAL ASSETS	<u>2,187,195</u>	<u>114,325</u>	<u>2,301,520</u>	<u>2,479,669</u>
LIABILITIES				
Accounts payable and other current liabilities	115,399	1,041	116,440	43,247
Accrued interest payable	11,456	-	11,456	-
Due to primary government	-	-	-	12,465
Unearned revenue	17,399	200	17,599	7,837
Matured bonds and interest payable	661	-	661	36,305
Other	4,904	-	4,904	37,211
Noncurrent liabilities:				
Due within one year	125,725	684	126,409	15,675
Due in more than one year	1,497,830	6,361	1,504,191	1,607,879
TOTAL LIABILITIES	<u>1,773,374</u>	<u>8,286</u>	<u>1,781,660</u>	<u>1,760,619</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	385,354	109,682	495,036	533,365
Restricted net assets				
Debt Service	70,562	-	70,562	117,119
Capital project funds	95,743	-	95,743	-
Urban redevelopment and housing	238,187	-	238,187	-
Other purposes	24,861	-	24,861	-
Unrestricted net assets (deficit)	(400,886)	(3,643)	(404,529)	68,566
TOTAL NET ASSETS	<u>\$ 413,821</u>	<u>\$ 106,039</u>	<u>\$ 519,860</u>	<u>\$ 719,050</u>

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

CITY OF OAKLAND
Statement of Activities
For the Year Ended June 30, 2003
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Port of Oakland
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
General government	\$ 95,671	\$ 27,946	\$ 590	\$ -	\$ (67,135)	\$ -	\$ (67,135)	
Public safety	302,273	15,489	7,204	-	(279,580)	-	(279,580)	
Life enrichment	105,133	4,355	22,829	2,022	(75,927)	-	(75,927)	
Community and economic development	110,400	21,599	22,232	157	(66,412)	-	(66,412)	
Public works	83,548	26,898	26,929	7,083	(22,638)	-	(22,638)	
Interest on long-term debt	56,072	-	-	-	(56,072)	-	(56,072)	
TOTAL GOVERNMENTAL ACTIVITIES	753,097	96,287	79,784	9,262	(567,764)	-	(567,764)	
Business-type activities:								
Sewer	17,960	19,364	19	-	-	1,423	1,423	
Parks and recreation	68	122	-	-	-	54	54	
TOTAL BUSINESS-TYPE ACTIVITIES	18,028	19,486	19	-	-	1,477	1,477	
TOTAL PRIMARY GOVERNMENT	\$ 771,125	\$ 115,773	\$ 79,803	\$ 9,262	(567,764)	1,477	(566,287)	
COMPONENT UNIT								
Port of Oakland	\$ 239,718	\$ 245,912	\$ -	\$ 12,877				\$ 19,071
General revenues:								
					202,297	-	202,297	-
					79,444	-	79,444	-
					199,720	-	199,720	-
					40,043	199	40,242	6,939
					64,414	6,082	70,496	16,174
					629	(629)	-	-
					<u>586,547</u>	<u>5,652</u>	<u>592,199</u>	<u>23,113</u>
					18,783	7,129	25,912	42,184
					<u>395,038</u>	<u>98,910</u>	<u>493,948</u>	<u>676,866</u>
					<u>\$ 413,821</u>	<u>\$ 106,039</u>	<u>\$ 519,860</u>	<u>\$ 719,050</u>

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

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2003
(In Thousands)

	<u>General</u>	<u>Federal/State Grant Fund</u>	<u>Oakland Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmenta Funds</u>
ASSETS					
Cash and investments	\$ 38,566	\$ -	\$ 92,358	\$ 61,481	\$ 192,405
Receivables (net of allowance for uncollectibles of \$6,529)					
Accrued interest	87	234	388	378	1,087
Property taxes	7,125	688	3,209	4,758	15,780
Accounts receivable	51,391	229	60	2,018	53,698
Grants receivable	-	37,330	-	-	37,330
Due from component unit	11,377	-	-	1,088	12,465
Due from other funds	87,652	6,114	2,646	6,553	102,965
Due from other governments	-	-	1,123	-	1,123
Notes and loans receivable (net of allowance for uncollectibles of \$61,174)	15,034	40,516	61,651	7,085	124,286
Restricted cash and investments	196,035	9,250	57,290	157,903	420,478
Property held for resale	-	-	71,925	-	71,925
Other	35	24	-	467	526
TOTAL ASSETS	<u>\$ 407,302</u>	<u>\$ 94,385</u>	<u>\$ 290,650</u>	<u>\$ 241,731</u>	<u>\$ 1,034,068</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and accrued liabilities	\$ 92,433	\$ 8,125	\$ 5,034	\$ 7,468	\$ 113,060
Due to other funds	451	24,959	36,129	15,818	77,357
Deferred revenue	57,483	83,379	59,732	10,769	211,363
Matured bonds and interest payable	-	-	-	520	520
Other	3,817	-	330	757	4,904
TOTAL LIABILITIES	<u>154,184</u>	<u>116,463</u>	<u>101,225</u>	<u>35,332</u>	<u>407,204</u>
Fund balances					
Reserved:					
Encumbrances	3,227	11,098	-	7,812	22,137
Projects	13,032	77,846	115,509	120,633	327,020
Debt service	198,058	-	-	70,562	268,620
Property held for resale	-	-	71,925	-	71,925
Unreserved (deficit) reported in:					
General fund	38,801	-	-	-	38,801
Special revenue funds	-	(111,022)	-	2,784	(108,238)
Capital project funds	-	-	1,991	4,608	6,599
TOTAL FUND BALANCES	<u>253,118</u>	<u>(22,078)</u>	<u>189,425</u>	<u>206,399</u>	<u>626,864</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 407,302</u>	<u>\$ 94,385</u>	<u>\$ 290,650</u>	<u>\$ 241,731</u>	<u>\$ 1,034,068</u>

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

CITY OF OAKLAND
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets for Governmental Activities
June 30, 2003
(In Thousands)

Fund balances - total governmental funds \$ 626,864

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 799,503

Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets. 7,087

Net pension asset is recognized in statement of net assets as an asset, however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds. 387,737

Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. (12,508)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds. 193,964

Long term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. (1,596,001)

Internal service funds are used by the City to charge the costs of providing supplies and services such as printing, reproduction, and mailing services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets. 7,175

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 413,821

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

CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2003
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 114,742	\$ -	\$ 48,315	\$ 30,681	\$ 193,738
State:					
Sales and use	38,162	-	-	10,636	48,798
Motor vehicle in-lieu	24,259	-	-	-	24,259
Gas	-	2,866	-	3,521	6,387
Local:					
Business license	42,020	-	-	-	42,020
Utility consumption	46,581	-	-	-	46,581
Real estate transfer	42,088	-	-	-	42,088
Transient occupancy	10,863	-	-	-	10,863
Parking	8,242	-	-	-	8,242
Voter approved special tax	-	5,359	-	-	5,359
Franchise	10,824	-	-	-	10,824
Licenses and permits	13,074	-	-	24	13,098
Fines and penalties	18,543	693	-	1,409	20,645
Interest and investment income	16,996	2,487	11,260	9,876	40,619
Charges for services	51,708	414	7,677	5,525	65,324
Federal and state grants and subventions	1,794	66,108	-	4,581	72,483
Annuity income	15,851	-	-	-	15,851
Other	17,927	4,076	4,424	27,749	54,176
TOTAL REVENUES	<u>473,674</u>	<u>82,003</u>	<u>71,676</u>	<u>94,002</u>	<u>721,355</u>
EXPENDITURES					
Current:					
Elected and Appointed Officials:					
Mayor	1,329	-	-	115	1,444
Council	-	9	-	851	860
City Manager	7,517	95	-	2,861	10,473
City Attorney	7,621	47	-	2,413	10,081
City Auditor	1,055	-	-	44	1,099
City Clerk	1,723	-	-	126	1,849
Agencies/Departments:					
Personnel Resource Management	3,779	-	-	-	3,779
Retirement and Risk Administration	258	-	-	-	258
Information Technology	6,425	-	-	3,097	9,522
Financial Services	14,544	313	-	2,168	17,025
Police Services	157,745	7,216	-	1,305	166,266
Fire Services	80,823	536	-	6,795	88,154
Life Enrichment:					
Administration	629	31	-	-	660
Parks and Recreation	14,201	167	-	14,188	28,556
Library	9,846	6,729	-	521	17,096
Museum	6,862	-	-	699	7,561
Aging	3,086	3,973	-	1,465	8,524
Health and Human Services	1,352	17,023	-	841	19,216
Cultural Arts	1,550	63	-	140	1,753
Community and Economic Development	26,701	27,231	54,690	14,093	122,715
Public Works	23,261	3,739	-	24,458	51,458
Other	18,822	8,447	-	9,383	36,652
Capital outlay	1,275	12,919	-	12,862	27,056
Debt service:					
Principal repayment	1,193	1,512	9,713	37,938	50,356
Bond issuance costs	-	-	3,386	826	4,212
Interest charges	63	1,108	9,296	44,553	55,020
TOTAL EXPENDITURES	<u>391,660</u>	<u>91,158</u>	<u>77,085</u>	<u>181,742</u>	<u>741,645</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>82,014</u>	<u>(9,155)</u>	<u>(5,409)</u>	<u>(87,740)</u>	<u>(20,290)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of bonds and notes	-	8,895	155,317	38,553	202,765
Payment to refunded bond escrow agent	-	-	(110,826)	-	(110,826)
Property sale proceeds	8,426	-	-	143	8,569
Transfers in	6,679	-	-	72,465	79,144
Transfers out	(69,734)	-	-	(8,781)	(78,515)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(54,629)</u>	<u>8,895</u>	<u>44,491</u>	<u>102,380</u>	<u>101,137</u>
NET CHANGE IN FUND BALANCE	<u>27,385</u>	<u>(260)</u>	<u>39,082</u>	<u>14,640</u>	<u>80,847</u>
Fund balances - beginning	<u>225,733</u>	<u>(21,818)</u>	<u>150,343</u>	<u>191,759</u>	<u>546,017</u>
FUND BALANCES - ENDING	<u>\$ 253,118</u>	<u>\$ (22,078)</u>	<u>\$ 189,425</u>	<u>\$ 206,399</u>	<u>\$ 626,864</u>

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

CITY OF OAKLAND
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the
Statement of Activities of Governmental Activities
Year Ended June 30, 2003
(In Thousands)

Net change in fund balances - total governmental funds	\$ 80,847
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	4,321
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	8,559
Revenues that do not provide current financial resources are not reported as revenues in the funds. This represents the change in deferred amounts during the current period.	32,768
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(52,255)
Amortization of pension assets reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditures in the governmental funds.	(5,896)
Some expenditures reported in the governmental funds pertain to the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed, thereby reducing fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities.	11,492
Bond issuance costs are expended in governmental funds when paid, and are deferred and amortized over the life of the corresponding bonds for purposes of the statement of net assets. This is the amount by which current year bond issuance costs exceeded amortization expense in the current period.	3,647
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which bond proceeds exceeded principal retirement and payment to escrow agent in the current period.	
Principal payments	50,356
Payment to escrow agent for refunded debt	110,826
Issuance of bonds and notes	<u>(202,765)</u>
Difference	<u>(41,583)</u>
Amortization of bond premiums	581
Amortization of refunding loss	(2,434)
Additional accrued and accreted interest calculated on bonds and notes payable	(12,568)
The net loss of certain activities of internal service funds is reported with governmental activities.	
Operating loss	(8,054)
Interest income	358
Interest expense	(1,698)
Grants receivable	405
Other revenue	<u>293</u>
Total	<u>(8,696)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 18,783</u>

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

CITY OF OAKLAND
Statement of Net Assets
Proprietary Funds
June 30, 2003
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer Service</u>	<u>Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ -	\$ 4,571	\$ 4,571	\$ 3,179
Accounts receivables (net of uncollectibles of \$506 and \$355 for the enterprise funds and internal service funds, respectively):	1,467	28	1,495	139
Inventories	-	-	-	1,020
Restricted cash and investments	-	-	-	<u>15,664</u>
Total current assets	<u>1,467</u>	<u>4,599</u>	<u>6,066</u>	<u>20,002</u>
Noncurrent Assets:				
Capital assets:				
Land and other assets not being depreciated	2,045	218	2,263	310
Facilities and equipment, net of depreciation	<u>112,461</u>	<u>2,003</u>	<u>114,464</u>	<u>30,086</u>
Total noncurrent assets	<u>114,506</u>	<u>2,221</u>	<u>116,727</u>	<u>30,396</u>
TOTAL ASSETS	<u>115,973</u>	<u>6,820</u>	<u>122,793</u>	<u>50,398</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	1,041	-	1,041	1,287
Due to other funds	8,468	-	8,468	14,241
Deferred revenue	200	-	200	-
Bonds, notes and other payables, net	<u>684</u>	<u>-</u>	<u>684</u>	<u>5,384</u>
Total current liabilities	<u>10,393</u>	<u>-</u>	<u>10,393</u>	<u>20,912</u>
Noncurrent Liabilities:				
Bonds, notes and other payables, net	<u>6,361</u>	<u>-</u>	<u>6,361</u>	<u>22,311</u>
Total noncurrent liabilities	<u>6,361</u>	<u>-</u>	<u>6,361</u>	<u>22,311</u>
TOTAL LIABILITIES	<u>16,754</u>	<u>-</u>	<u>16,754</u>	<u>43,223</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	107,461	2,221	109,682	20,085
Unrestricted (deficit)	<u>(8,242)</u>	<u>4,599</u>	<u>(3,643)</u>	<u>(12,910)</u>
TOTAL NET ASSETS	<u>\$ 99,219</u>	<u>\$ 6,820</u>	<u>\$ 106,039</u>	<u>\$ 7,175</u>

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

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2003
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Government Activities</u>
	<u>Sewer Service</u>	<u>Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
OPERATING REVENUES				
Rental	\$ -	\$ 122	\$ 122	\$ -
Sewer charges	19,364	-	19,364	-
Charges for services	-	6,082	6,082	30,963
Other	-	-	-	1,202
TOTAL OPERATING REVENUES	<u>19,364</u>	<u>6,204</u>	<u>25,568</u>	<u>32,165</u>
OPERATING EXPENSES				
Personnel	8,950	-	8,950	14,500
Supplies	398	-	398	4,387
Depreciation and amortization	2,547	50	2,597	6,504
Contractual services and supplies	1,917	12	1,929	390
Repairs and maintenance	57	-	57	2,531
General and administrative	2,718	-	2,718	3,880
Rental	726	6	732	1,527
Other	129	-	129	6,500
TOTAL OPERATING EXPENSES	<u>17,442</u>	<u>68</u>	<u>17,510</u>	<u>40,219</u>
OPERATING INCOME (LOSS)	<u>1,922</u>	<u>6,136</u>	<u>8,058</u>	<u>(8,054)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	-	199	199	358
Interest expense	(518)	-	(518)	(1,698)
Federal and state grants	19	-	19	405
Other, net	-	-	-	293
TOTAL NONOPERATING REVENUES (EXPENSES), NET	<u>(499)</u>	<u>199</u>	<u>(300)</u>	<u>(642)</u>
INCOME (LOSS) BEFORE TRANSFERS	1,423	6,335	7,758	(8,696)
Transfers out	(629)	-	(629)	-
Change in Net Assets	794	6,335	7,129	(8,696)
Net Assets - Beginning	98,425	485	98,910	15,871
NET ASSETS - ENDING	<u>\$ 99,219</u>	<u>\$ 6,820</u>	<u>\$ 106,039</u>	<u>\$ 7,175</u>

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2003
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer</u>	<u>Parks and</u>	<u>Total</u>	<u>Internal</u>
	<u>Service</u>	<u>Recreation</u>		<u>Service</u>
				<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, including other funds and cash deposits	\$ 20,086	\$ 6,058	\$ 26,144	\$ 32,272
Cash received from tenants for rents	-	122	122	-
Cash paid to employees for services	(8,950)	-	(8,950)	(14,500)
Cash paid to suppliers for goods and services	(2,969)	(24)	(2,993)	(17,277)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>8,167</u>	<u>6,156</u>	<u>14,323</u>	<u>495</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating grants	19	-	19	405
Transfers out	(629)	-	(629)	797
NET CASH USED IN NONCAPITAL FINANCING ACTIVITIES	<u>(610)</u>	<u>-</u>	<u>(610)</u>	<u>1,202</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(6,421)	(2,043)	(8,464)	(8,114)
Repayment of long-term debt	(618)	-	(618)	(6,976)
Interest paid on long-term debt	(518)	-	(518)	(1,551)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(7,557)</u>	<u>(2,043)</u>	<u>(9,600)</u>	<u>(16,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	-	199	199	358
Other investing activities	-	-	-	293
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>199</u>	<u>199</u>	<u>651</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	4,312	4,312	(14,440)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	259	259	33,283
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 4,571</u>	<u>\$ 4,571</u>	<u>\$ 18,843</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	<u>\$ 1,922</u>	<u>\$ 6,136</u>	<u>\$ 8,058</u>	<u>\$ (8,054)</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	2,547	50	2,597	6,504
Changes in Assets and Liabilities:				
Receivables	522	(24)	498	107
Inventories	-	-	-	(109)
Accounts payable and accrued liabilities	(242)	(6)	(248)	(603)
Due to other funds	<u>3,418</u>	<u>-</u>	<u>3,418</u>	<u>2,650</u>
Total Adjustments	<u>6,245</u>	<u>20</u>	<u>6,265</u>	<u>8,549</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,167</u>	<u>\$ 6,156</u>	<u>\$ 14,323</u>	<u>\$ 495</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	\$ -	\$ 4,571	\$ 4,571	\$ 3,179
Restricted cash and investments	-	-	-	15,664
TOTAL	<u>\$ -</u>	<u>\$ 4,571</u>	<u>\$ 4,571</u>	<u>\$ 18,843</u>

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

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003
(In Thousands)

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and investments	\$ 59,815	\$ 587	\$ -
Receivables:			
Accrued interest and dividends	2,887	5	15
Investments and contributions	17,952	-	-
Mortgage loan receivable	-	-	2,065
Restricted:			
Cash and investments	610,273	-	6,820
Securities lending collateral	84,020		
Other	-	-	111
TOTAL ASSETS	<u>774,947</u>	<u>592</u>	<u>\$ 9,011</u>
LIABILITIES			
Liabilities:			
Accounts payable and accrued liabilities	64,154	162	\$ 202
Due to other funds	2,899	-	-
Securities lending liabilities	84,020	-	-
Due to bond holders	-	-	8,809
Other	-	7	-
TOTAL LIABILITIES	<u>151,073</u>	<u>169</u>	<u>\$ 9,011</u>
NET ASSETS HELD IN TRUST	<u>\$ 623,874</u>	<u>\$ 423</u>	

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

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CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2003
(In Thousands)

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Fund</u>
ADDITIONS:		
Contributions:		
Members	\$ 162	\$ -
TOTAL CONTRIBUTIONS	<u>162</u>	<u>-</u>
Trust receipts		<u>510</u>
Investment Income:		
Net increase in fair value of investments	3,546	-
Interest	17,849	49
Dividends	5,269	-
Securities Lending	<u>1,649</u>	<u>-</u>
TOTAL INVESTMENT INCOME	28,313	49
Less investment expenses:		
Investment expenses	(1,684)	-
Borrowers rebates and other agent fees on securities lending transactions	<u>(1,299)</u>	<u>-</u>
Total investment expense	<u>(2,983)</u>	<u>-</u>
NET INVESTMENT INCOME	<u>25,330</u>	<u>49</u>
TOTAL ADDITIONS, NET	<u>25,492</u>	<u>559</u>
DEDUCTIONS:		
Disbursements to members and beneficiaries:		
Retirement	42,199	-
Disability	24,281	-
Death	2,051	-
Retiree medical	<u>-</u>	<u>1,828</u>
TOTAL DISBURSEMENTS TO MEMBERS AND BENEFICIARIES	<u>68,531</u>	<u>1,828</u>
Administrative expenses	974	3
Interest expense - bonds	1	-
Reduction in obligation to City	(1,517)	-
Transfer to CALPERS	15,004	-
Police services	<u>-</u>	<u>554</u>
TOTAL DEDUCTIONS	<u>82,993</u>	<u>2,385</u>
Change in net assets	(57,501)	(1,826)
NET ASSETS - BEGINNING	<u>681,375</u>	<u>2,249</u>
NET ASSETS - ENDING	<u>\$ 623,874</u>	<u>\$ 423</u>

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

CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2003

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

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

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

Blended Component Units

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

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. It is reported in other governmental funds.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Discretely Presented Component Unit

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

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

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

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of January 1 on all taxable property located in the City, and result in a lien on real property. Property taxes are then due in two equal installments, the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2003.

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

The **Private Purpose Trust Fund** accounts for the operations of the Youth Opportunity Program, payment of retiree medical benefits, and certain gifts that are not related to Oakland Redevelopment Agency projects or parks, recreation and cultural activities.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The **Agency Fund** accounts for assets held in trust for other agencies that are due to bondholders.

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

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

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

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

Cash and Investments

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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

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

Due From/Due To Other Funds and Internal Balances

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

Interest Rate Swap Agreements

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. During the year, the City implemented the Technical Bulletin 2003-01, "Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets." Refer to Note 12 for additional information.

Inter-fund Transfers

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

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Bond Issuance Costs and Discounts/Premiums

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

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

Inventories

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

Capital Assets

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

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

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. The collection is not capitalized as part of the capital assets of the City.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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

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

Property Held for Resale

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

Net Pension Asset

In February 1997, the City issued pension obligation bonds, of which \$417,173,300 was used to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). For the fiscal year ended June 30, 2003, the City has elected to change its accounting treatment of the prepayment that was made to the PFRS in February 1997. At the time of implementing Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, the prepayment made by the governmental funds did not result in the recording of a pension asset. However, under the new reporting model established by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the City believes the recording of a prepaid asset (the net pension asset) is the preferred accounting treatment, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 15 for the accounting treatment of the net pension asset and Note 20 for the effect of the restatement.

Compensated Absences

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Retirement Plans

City employees participate in one of three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and California Public Employees' Retirement System (PERS). Employer contributions and member contributions made by the employer to the Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the provisions of the Plans. Refer to Note 15 for additional information.

Refunding of Debt

Gain or losses occurring from advance refunding completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities reported in the government-wide financial statements, they are deferred and amortized into expense if they occurred subsequent to June 30, 2001.

Fund Balances

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

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

Reserve for Projects – This fund balance is reserved for various capital projects and other miscellaneous projects, as authorized by City Council resolutions.

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

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Restricted Net Assets

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

Use of Estimates

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds, \$626,864, differ from net assets of governmental activities, \$413,821, reported in the statement of net assets. The difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet (in thousands).

	Total Governmental Funds	Long-term Assets, Liabilities	Internal Service Funds	Reclassifications and Eliminations	Statement of Net Assets Total
ASSETS					
Cash and investments	\$ 192,405	\$ —	\$ 3,179	\$ —	\$ 195,584
Receivables (net of allowance for uncollectibles):					
Accrued interest	1,087	—	—	—	1,087
Property taxes	15,780	—	—	—	15,780
Accounts receivable	53,698	—	139	—	53,837
Grants	37,330	—	—	—	37,330
Due from component unit	12,465	—	—	—	12,465
Due from other funds/ internal balances	102,965	—	—	(94,497)	8,468
Due from other governments	1,123	—	—	—	1,123
Due from pension trust fund	—	—	—	2,899	2,899
Notes and loans receivable, net	124,286	—	—	—	124,286
Restricted cash and investments	420,478	—	15,664	—	436,142
Inventories	—	—	1,020	—	1,020
Capital assets:					
Land and other assets not being depreciated	—	77,472	310	—	77,782
Facilities, infrastructure, and equipment, net of depreciation	—	722,031	30,086	—	752,117
Property held for resale	71,925	—	—	—	71,925
Unamortized bond issuance costs	—	7,087	—	—	7,087
Net pension assets	—	387,737	—	—	387,737
Other	526	—	—	—	526
TOTAL ASSETS	<u>\$1,034,068</u>	<u>\$1,194,327</u>	<u>\$ 50,398</u>	<u>\$ (91,598)</u>	<u>\$2,187,195</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

	<u>Total Governmental Funds</u>	<u>Long-term Assets, Liabilities</u>	<u>Internal Service Funds(6)</u>	<u>Reclassifications and Eliminations</u>	<u>Statement of Net Assets Total</u>
LIABILITIES AND FUND BALANCES/ NET ASSETS					
Liabilities					
Accounts payable and accrued liabilities	\$ 113,060	\$ 1,052	\$ 1,287	\$ —	\$ 115,399
Due to other funds	77,357	—	14,241	(91,598)	—
Accrued interest payable	—	11,456	—	—	11,456
Deferred/unearned revenue	211,363	(193,964)	—	—	17,399
Matured bonds and interest payable	520	141	—	—	661
Other	4,904	—	—	—	4,904
Liabilities due within one year	—	120,341	5,384	—	125,725
Liabilities due in more than one year	<u>—</u>	<u>1,475,519</u>	<u>22,311</u>	<u>—</u>	<u>1,497,830</u>
TOTAL LIABILITIES	407,204	1,414,545	43,223	(91,598)	1,773,374
Fund Balances/Net Assets					
Total fund balances/ net assets	<u>626,864</u>	<u>(220,218)</u>	<u>7,175</u>	<u>—</u>	<u>413,821</u>
TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS	<u>\$1,034,068</u>	<u>\$1,194,327</u>	<u>\$ 50,398</u>	<u>\$(91,598)</u>	<u>\$2,187,195</u>

- (1) When capital assets (land, buildings, equipment, and infrastructure) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole. The capital assets (except those reported in the internal service funds below) are as follows:

Cost of capital assets:	
Non-depreciable	\$ 77,472
Depreciable	1,036,750
Accumulated depreciation	<u>(314,719)</u>
TOTAL	<u>\$ 799,503</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(2) Bond issuance costs are recognized in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds in the statement of activities.	<u>\$ 7,087</u>
(3) Net pension asset recognized in statement of net assets but not on the balance sheet of governmental funds.	<u>\$ 387,737</u>
(4) Interest on long-term debt is not accrued in governmental funds; rather, it is recognized as an expenditure when paid.	<u>\$ (12,508)</u>
(5) Because the focus of governmental funds is on short term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus, are not included in the fund balance.	<u>\$ 193,964</u>
(6) Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Bond discounts, premiums, and refunding losses incurred on the issuance and refinancing of debt are included as other financing sources and uses in the governmental funds, and are deferred and amortized for purposes of the government-wide financial statements. All liabilities, both current and long-term, are reported in the statement of net assets, net of unamortized bond discounts, premiums, and refunding losses.	
Obligations due in one year	\$ (120,341)
Interest payable	<u>(141)</u>
Amount due in one year	<u>(120,482)</u>
Long term obligations	(1,483,077)
Unamortized bond premiums	(12,366)
Unamortized refund losses	<u>19,924</u>
AMOUNT DUE IN MORE THAN ONE YEAR	<u>(1,475,519)</u>
LONG TERM LIABILITIES	<u>\$(1,596,001)</u>
(7) Internal service funds are used by the City to charge the costs of providing supplies and services such as printing, reproduction, and mailing services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>\$ 7,175</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, \$80,847, differs from the change in net assets for governmental activities, \$18,783, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below (in thousands).

	<u>Total Governmental Funds</u>	<u>Long-term Revenues/ Expenses(1)</u>	<u>Capital- related Items(2)</u>	<u>Internal Service Funds(3)</u>	<u>Long-term Debt Transactions(4)</u>	<u>Statement of Activities Total</u>
REVENUES						
Taxes:						
Property	\$ 193,738	\$ 8,559	\$ —	\$ —	\$ —	\$ 202,297
State:						
Sales and use	48,798	—	—	—	—	48,798
Motor vehicle in-lieu	24,259	—	—	—	—	24,259
Gas	6,387	—	—	—	—	6,387
Local:						
Business license	42,020	—	—	—	—	42,020
Utility consumption	46,581	—	—	—	—	46,581
Real estate transfer	42,088	—	—	—	—	42,088
Transient occupancy	10,863	—	—	—	—	10,863
Parking	8,242	—	—	—	—	8,242
Voter approved special tax	5,359	—	—	—	—	5,359
Franchise	10,824	—	—	—	—	10,824
Licenses and permits	13,098	—	—	—	—	13,098
Fines and penalties	20,645	—	—	—	—	20,645
Interest and investment income	40,619	(576)	—	—	—	40,043
Charges for services	65,324	30,963	—	—	—	96,287
Federal and state grants and subventions	72,483	16,563	—	—	—	89,046
Annuity income	15,851	—	—	—	—	15,851
Other	<u>54,176</u>	<u>(14,182)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>39,994</u>
TOTAL REVENUES	<u>721,355</u>	<u>41,327</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>762,682</u>
EXPENDITURES:						
Current:						
General government	56,390	32,331	6,052	333	565	95,671
Public Safety	254,420	33,601	(5,553)	2,955	16,850	302,273
Life Enrichment	83,366	11,860	7,510	2,117	280	105,133
Community and Economic Development	122,715	(11,492)	2,551	387	(3,761)	110,400
Public Works	51,458	17,011	12,175	2,904	—	83,548
Other	36,652	(36,652)	—	—	—	—
Capital outlay	27,056	—	(27,056)	—	—	—
Debt service:						
Principal repayment	50,356	—	—	—	(50,356)	—
Bond issuance costs	4,212	—	—	—	(4,212)	—
Interest charges	<u>55,020</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,052</u>	<u>56,072</u>
TOTAL EXPENDITURES/ EXPENSES	<u>741,645</u>	<u>46,659</u>	<u>(4,321)</u>	<u>8,696</u>	<u>(39,582)</u>	<u>753,097</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

	<u>Total Governmental Funds</u>	<u>Long-term Revenues/ Expenses(1)</u>	<u>Capital- related Items(2)</u>	<u>Internal Service Funds(3)</u>	<u>Long-term Debt Transactions(4)</u>	<u>Statement of Activities Total</u>
OTHER FINANCING						
SOURCES (USES)/CHANGES						
IN NET ASSETS						
Issuance of bonds and notes	202,765	—	—	—	(202,765)	—
Payment to refunded bond escrow	(110,826)	—	—	—	110,826	—
Property sale proceeds	8,569	—	—	—	—	8,569
Net transfers (to)/from other funds	<u>629</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>629</u>
TOTAL OTHER FINANCING						
SOURCES (USES)/CHANGES						
IN NET ASSETS						
	<u>101,137</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(91,939)</u>	<u>9,198</u>
NET CHANGE FOR THE YEAR	<u>\$ 80,847</u>	<u>\$ (5,332)</u>	<u>\$ 4,321</u>	<u>\$ (8,696)</u>	<u>\$ (52,357)</u>	<u>\$ 18,783</u>

- (1) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered available revenues in the governmental funds. \$ 8,559
- Some revenues will not be collected within the City's stated accrual period established for the governmental funds. As a result, they are not considered available revenues in the governmental funds. This represents the change in deferred amounts during the current period. 32,768
- 41,327
- Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (52,255)
- Amortization of pension assets reported in the statement of activities does not require the use of current financial resources and therefore is not reported as expenditure in the governmental funds. (5,896)
- Some expenditures reported in the governmental funds require the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed which reduce fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities. 11,492
- \$ (5,332)

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

- (2) When capital assets that are used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, and the loss on disposal of capital assets.

Capital expenditures	\$ 40,579
Depreciation expense	<u>(36,258)</u>
Difference	<u>\$ 4,321</u>

- (3) Internal service funds are used by the City to charge the costs of providing supplies and services such as printing, reproduction, and mailing services, fleet and facilities management, and use of radio and communication equipment to individual funds.

Operating loss	\$ (8,054)
Interest income	358
Interest expense	(1,698)
Grants revenue	405
Other revenue	<u>293</u>
Total	<u>\$ (8,696)</u>

- (4) Bond issuance costs are expended in governmental funds when paid, and are deferred and amortized over the life of the corresponding bonds for purposes of the statement of net assets.

Bond issuance costs	\$ 4,212
Amortization of bond issuance costs	<u>(565)</u>
Difference	<u>3,647</u>

Repayment of bond principal and the payment to escrow in conjunction with the advance refunding of debt are reported as expenditures and other financing uses in governmental funds, and thus, have the effect of reducing fund balance because current financial resources have been used. For the government-wide statements, however, the principal payments and payment to escrow for refunded debt reduce the liabilities in the statement of net assets and do not result in expenses in the statement of activities. The City's debt was reduced

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

because principal payments were made to bond holders and payments were made to escrow for refunded debt.

Principal payments made	50,356
Payments to escrow for refunded debt	<u>110,826</u>
Total	<u>161,182</u>

Interest expense in the statement of activities differs from the amount reported in governmental funds due to additional accrued and accreted interest on bonds payable and the amortization of the refunding loss and bond premiums.

Accrued and accreted interest	(12,568)
Amortization of bond premiums	581
Amortization of refunding loss	<u>(2,434)</u>
Difference	<u>(14,421)</u>

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

(202,765)
\$ (52,357)

(4) 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 that may be invested in:

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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

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

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

The retirement systems' investment policies 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 City deposits and investments at fair value are as follows (in thousands):

	Primary Government			Total	Port
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Cash and investments	\$195,584	\$ 4,571	\$ 60,402	\$ 260,557	\$ 69,384
Restricted cash and investments	436,142	—	617,093	1,053,235	561,850
Invested securities lending collateral	—	—	84,020	84,020	—
TOTAL	<u>\$631,726*</u>	<u>\$ 4,571</u>	<u>\$ 761,515</u>	<u>\$1,397,812</u>	<u>\$631,234</u>

(continued)

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

	<u>Primary Government</u>			<u>Total</u>	<u>Port</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>		
Deposits	\$186,631	\$ 4,571	\$ 60,133	\$ 251,335	\$ 68,665
Investments	<u>445,095</u>	<u>—</u>	<u>701,382</u>	<u>1,146,477</u>	<u>562,569</u>
TOTAL	<u>\$631,726*</u>	<u>\$ 4,571</u>	<u>\$ 761,515</u>	<u>\$1,397,812</u>	<u>\$631,234</u>

*\$631,726 consists of all governmental funds and the internal service funds.

Deposits

At June 30, 2003, the carrying amount of the City's deposits was \$251,335,000 and the bank balance was \$243,838,000. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, \$300,000 was FDIC insured and \$243,538,000 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 credit 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 counter-party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments, with the securities held by the counter-party or by its trust department or agent but not in the City's name. There were no investments classified as Category 2 or 3 at June 30, 2003.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

At June 30, 2003, investments included the following (in thousands):

	<u>Category 1</u>
Subject to Custodial Credit Risk Categorization	
U.S. Treasury securities	\$ 3,000
Federal agency issues	203,227
Municipal bonds	2,625
Commercial paper	89,608
Corporate stocks and bonds	513,232
Medium term corporate notes	16,793
Long-term repurchase and investment agreements	12,509
 Investments made with securities lending cash collateral:	
Municipal bonds	7,560
Corporate stocks	73,143
International stocks and bonds	<u>3,317</u>
Total	<u>\$ 925,014</u>
 Investments Not Subject to Custodial Credit Risk Categorization	
Real estate mortgage loans/investments	\$ 11,631
Local Agency Investment Fund	78,687
Life Insurance Annuity Contracts	150,389
 Investments lent to broker-dealers with cash collateral:	
Government bonds	16,060
Corporate stocks and bonds	<u>64,596</u>
Total	<u>\$ 321,363</u>
 TOTAL INVESTMENTS	 \$1,246,377
Less: Port of Oakland investments in the City Treasury	<u>(99,900)</u>
 TOTAL PRIMARY GOVERNMENT INVESTMENTS	 <u>\$1,146,477</u>

As of June 30, 2003, the City's investment in LAIF is \$78,687 million. The total amount invested by all public agencies in LAIF at that date is \$55,587,336,494. Of that amount, 97.7% is invested in non-derivative financial products and 2.3% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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.

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

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

As of June 30, 2003, PFRS had securities on loan with a market value of approximately \$80,656,438 for cash collateral of \$84,019,828.

Derivatives

The City's investment policy permits investments in certain derivatives. There were no derivatives included in the investment pool during the year ended June 30, 2003.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Discretely Presented Component Unit

The Port's cash and investments are reported as follows at June 30, 2003 (in thousands):

Cash and investments:	
Cash and investments with the City	\$ 65,713
Cash on hand	3
Cash in bank accounts	<u>3,668</u>
TOTAL CASH AND INVESTMENTS	<u>69,384</u>
Restricted cash and investments:	
Unexpended bond proceeds restricted for construction	216,803
Unexpended bond proceeds and reserve deposits with fiscal agents	300,342
Deposits in escrow	10,140
Cash and investments with City:	
Passenger and customer facility charges	33,253
Other	933
Restricted deposits with fiscal agents for current debt service	<u>379</u>
TOTAL RESTRICTED CASH AND INVESTMENTS	<u>561,850</u>
TOTAL	<u>\$631,234</u>

The carrying amount of Port cash and investments is as follows at June 30, 2003 (in thousands):

Cash on hand and at bank	\$ 3,671
Government securities money market mutual funds	56,015
U.S. Treasury obligations	12,650
Guaranteed investment contracts	449,242
Cash and investments with the City of Oakland	99,900
Escrow in-lieu of retentions	<u>9,756</u>
TOTAL	<u>\$631,234</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.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Restricted Cash and Investments

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

Deposits and Investments

The carrying amount of Port deposits with banks and fiscal agents was \$3,671,000 at June 30, 2003. Bank balances of \$1,820,000 at June 30, 2003, are insured or collateralized with securities held by the pledging financial institution's trust departments in the Port's name. The difference between the carrying amount and the bank balance was primarily due to deposits in transit and outstanding checks.

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(5) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash. The amounts due from the Oakland Redevelopment Agency (Agency) are related to advances made by the City for projects, loans and services. The receivable amounts in the Agency relate to project advances made by the Agency for the City. The composition of inter-fund balances as of June 30, 2003, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Federal/State Grant Fund	\$ 24,959
	Oakland Redevelopment Agency	30,353
	Other Governmental Funds	6,732
	Sewer Service Fund	8,468
	Internal Service Funds	14,241
	Pension Trust Funds	2,335
Federal/State Grant Fund	Other Governmental Funds	3,006
	Oakland Redevelopment Agency	3,108
Oakland Redevelopment Agency	General Fund	311
	Other Governmental Funds	2,335
Other Governmental Funds	General Fund	140
	Oakland Redevelopment Agency	2,668
	Other Governmental Funds	<u>3,745</u>
TOTAL		<u>\$102,965</u>

INTERFUND TRANSFERS:

	<u>TRANSFERS IN</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	
TRANSFERS OUT			
General Fund	\$ —	\$ 69,734	\$ 69,734
Other Governmental Funds	6,079	2,702	8,781
Sewer Service Fund	<u>600</u>	<u>29</u>	<u>629</u>
TOTAL	<u>\$ 6,679</u>	<u>\$ 72,465</u>	<u>\$ 79,144</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The \$69.7 million general fund transfer out consists of transfers made to provide funding for the following:

\$ 8.0 million for the Kid's First Children's Program
14.5 million for special refunding revenue bonds
47.2 million for debt service payments

The \$8.8 million transfer out from other governmental funds consists of \$.7 million transfer to the JPFA reassessment district and \$7.5 million transfers from the capital fund for debt service payments for the Oakland Convention Center operations. Also, there is a \$.5 million transfer out for Agency debt service premiums and Agency development projects.

The \$.6 million transfer from the sewer service fund is to provide funds for City-wide lease payments.

(6) MEMORANDUMS OF UNDERSTANDING

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

Payments for Special Services are treated as a cost of Port operations and have priority over certain other expenditures of Port revenues. At June 30, 2003, \$10,665,000 in Special Services expenses has been accrued as a current liability by the Port and as a receivable by the City.

The Port's legal counsel advised the Port that payments to the City for General Services and Lake Merritt tideland trust purposes are payable only to the extent the Port determines annually that surplus monies are available. Subject to final approvals by the Port and the City, and subject to availability of surplus monies, the Port will reimburse the City annually for General Services and Lake Merritt tideland trust properties. At June 30, 2003, \$770,000 and \$1,030,000 have been accrued by the Port as a current liability and by Oakland as a receivable for General Services and Lake Merritt tideland trust properties, respectively.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

due to the City. Any additional amount due to the City will be recorded when an MOU has been executed.

(7) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2003, is as follows (in thousands):

<u>Type of Loan</u>	<u>General Fund</u>	<u>Federal/State Grant Fund</u>	<u>Oakland Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds/ Governmental Activities</u>
Pass through loans	\$ 15,614	\$ 2,803	\$ —	\$ 692	\$ 19,109
Loans to Oakland Hotel Assoc. Ltd	12,038	—	—	—	12,038
Community Development Block Grant	—	69,956	—	—	69,956
Economic Development loans and other	1,932	6,759	—	13,231	21,922
Central District	—	—	4,311	—	4,311
Low and moderate housing	—	—	56,177	—	56,177
Nonmajor governmental funds	—	—	1,947	—	1,947
Less: Allowance for uncollectible accounts	<u>(14,550)</u>	<u>(39,002)</u>	<u>(784)</u>	<u>(6,838)</u>	<u>(61,174)</u>
TOTAL LOANS, NET	<u>\$ 15,034</u>	<u>\$ 40,516</u>	<u>\$ 61,651</u>	<u>\$ 7,085</u>	<u>\$ 124,286</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(8) CAPITAL ASSETS

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2003, is as follows (in thousands):

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 74,417	\$ 789	\$ —	\$ 75,206
Construction in progress	<u>11,891</u>	<u>2,067</u>	<u>(11,382)</u>	<u>2,576</u>
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>86,308</u>	<u>2,856</u>	<u>(11,382)</u>	<u>77,782</u>
Capital assets, being depreciated:				
Facilities and improvements	621,153	17,361	—	638,514
Furniture, machinery and equipment	138,851	14,250	—	153,101
Infrastructure	<u>309,520</u>	<u>25,608</u>	<u>—</u>	<u>335,128</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>1,069,524</u>	<u>57,219</u>	<u>—</u>	<u>1,126,743</u>
Less accumulated depreciation:				
Facilities and improvements	167,581	19,653	—	187,234
Furniture, machinery and equipment	77,709	13,013	—	90,722
Infrastructure	<u>86,574</u>	<u>10,096</u>	<u>—</u>	<u>96,670</u>
TOTAL ACCUMULATED DEPRECIATION	<u>331,864</u>	<u>42,762</u>	<u>—</u>	<u>374,626</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>737,660</u>	<u>14,457</u>	<u>—</u>	<u>752,117</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 823,968</u>	<u>\$ 17,313</u>	<u>\$(11,382)</u>	<u>\$ 829,899</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Business-type activities:				
Sewer fund:				
Capital assets, not being depreciated:				
Land	\$ 4	\$ —	\$ —	\$ 4
Construction in progress	<u>1,352</u>	<u>1,268</u>	<u>(579)</u>	<u>2,041</u>
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>1,356</u>	<u>1,268</u>	<u>(579)</u>	<u>2,045</u>
Capital assets, being depreciated:				
Facilities and improvements	—	305	—	305
Furniture, machinery and equipment	749	—	—	749
Sewers and storm drains	<u>161,886</u>	<u>5,427</u>	<u>—</u>	<u>167,313</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>162,635</u>	<u>5,732</u>	<u>—</u>	<u>168,367</u>
Less accumulated depreciation:				
Facilities and improvements	—	10	—	10
Furniture, machinery and equipment	610	87	—	697
Sewers and storm drains	<u>52,749</u>	<u>2,450</u>	<u>—</u>	<u>55,199</u>
TOTAL ACCUMULATED DEPRECIATION	<u>53,359</u>	<u>2,547</u>	<u>—</u>	<u>55,906</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>109,276</u>	<u>3,185</u>	<u>—</u>	<u>112,461</u>
SEWER FUND CAPITAL ASSETS, NET	<u>110,632</u>	<u>4,453</u>	<u>(579)</u>	<u>114,506</u>
Other proprietary funds:				
Capital assets, not being depreciated:				
Land	<u>218</u>	<u>—</u>	<u>—</u>	<u>218</u>
Capital assets, being depreciated:				
Facilities and improvements	—	2,043	—	2,043
Furniture, machinery and equipment	<u>434</u>	<u>—</u>	<u>—</u>	<u>434</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>434</u>	<u>2,043</u>	<u>—</u>	<u>2,477</u>
Less accumulated depreciation:				
Facilities and improvements	—	50	—	50
Furniture, machinery and equipment	<u>424</u>	<u>—</u>	<u>—</u>	<u>424</u>
TOTAL ACCUMULATED DEPRECIATION	<u>424</u>	<u>50</u>	<u>—</u>	<u>474</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>10</u>	<u>1,993</u>	<u>—</u>	<u>2,003</u>
OTHER PROPRIETARY FUND CAPITAL ASSETS, NET	<u>228</u>	<u>1,993</u>	<u>—</u>	<u>2,221</u>
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 110,860</u>	<u>\$ 6,446</u>	<u>\$ (579)</u>	<u>\$ 116,727</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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

Governmental activities:	
General Government	\$ 3,441
Public Safety:	
Police Services	1,013
Fire Services	1,927
Life Enrichment	11,799
Community and Economic Development	2,444
Public Works	15,634
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	<u>6,504</u>
TOTAL	<u>\$42,762</u>
Business-type activities:	
Sewer	\$ 2,547
Golf	<u>50</u>
TOTAL	<u>\$ 2,597</u>

Construction Commitments

The City has active construction projects as of June 30, 2003. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	<u>Spent to date</u>	<u>Remaining Commitment</u>
Infrastructure – streets	\$ 12,318	\$ 12,274
Infrastructure – parks	1,426	897
Facility improvements	8,148	9,160
Sewers and storm drains	<u>2,041</u>	<u>34,153</u>
TOTAL	<u>\$ 23,933</u>	<u>\$ 56,484</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Discretely Presented Component Unit

Capital assets activity for the Port for the year ended June 30, 2003, is as follows (in thousands):

	<u>Balance July 1, 2002</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2003</u>
Capital assets, not being depreciated:				
Land	\$ 214,917	\$ 15,082	\$ (3,176)	\$ 226,823
Construction in progress	<u>470,821</u>	<u>200,183</u>	<u>(368,445)</u>	<u>302,559</u>
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>685,738</u>	<u>215,265</u>	<u>(371,621)</u>	<u>529,382</u>
Capital assets, being depreciated:				
Facilities and improvements	466,371	279,534	(221,174)	524,731
Container cranes	124,596	38,939	(2,576)	160,959
Systems and structures	726,211	33,284	217,440	976,935
Other equipment	<u>35,145</u>	<u>1,572</u>	<u>(1,088)</u>	<u>35,629</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>1,352,323</u>	<u>353,329</u>	<u>(7,398)</u>	<u>1,698,254</u>
Less accumulated depreciation:				
Facilities and improvements	205,607	45,415	(25,960)	225,062
Container cranes	45,815	5,619	(2,576)	48,858
Systems and structures	165,270	5,053	25,605	195,928
Other equipment	<u>18,570</u>	<u>2,453</u>	<u>(351)</u>	<u>20,672</u>
TOTAL ACCUMULATED DEPRECIATION	<u>435,262</u>	<u>58,540</u>	<u>(3,282)</u>	<u>490,520</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>917,061</u>	<u>294,789</u>	<u>(4,116)</u>	<u>1,207,734</u>
TOTAL CAPITAL ASSETS, NET	<u>\$1,602,799</u>	<u>\$ 510,054</u>	<u>\$(375,737)</u>	<u>\$1,737,116</u>

The capital assets, net on lease at June 30, 2003, consist of the following (in thousands):

Land	\$ 91,374
Container cranes	160,959
Buildings and other facilities	<u>616,936</u>
Total	869,269
Less accumulated depreciation	<u>(142,785)</u>
Capital assets, net on lease	<u>\$ 726,484</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Leases

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

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

A summary of revenues from long-term leases for the year ended June 30 is as follows:

	2003
Minimum non-cancelable rentals, including preferential assignments	\$ 90,721
Contingent rentals in excess of minimums	8,262
Secondary use of facilities leased under preferential assignments	3,046
	\$102,029

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

2004	\$ 100,800
2005	97,429
2006	92,035
2007	91,886
2008	91,598
2009-2013	427,161
2014-2018	248,948
2019-2023	11,531
2024-2028	10,977
2029-2033	13,038
Thereafter	28,387
	\$1,213,790

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE

Accounts payable and accrued liabilities payable as of June 30, 2003, for the City's individual major funds, nonmajor funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	<u>Accounts Payable</u>	<u>Check Payable</u>	<u>Accrued Payroll/ Employee Benefits</u>	<u>Total</u>
Governmental funds:				
General	\$ 14,062	\$ 3,117	\$ 75,254	\$ 92,433
Federal/state grant fund	7,195	—	930	8,125
Oakland Redevelopment Agency	5,034	—	—	5,034
Other governmental funds	7,151	—	317	7,468
Governmental activities- Internal service funds	<u>1,172</u>	<u>—</u>	<u>115</u>	<u>1,287</u>
TOTAL	<u>\$ 34,614</u>	<u>\$ 3,117</u>	<u>\$ 76,616</u>	<u>\$ 114,347</u>
Business-type activities – Enterprise Funds:				
Sewer service	<u>\$ 293</u>	<u>\$ —</u>	<u>\$ 748</u>	<u>\$ 1,041</u>

Accrued liabilities for the pension trust funds at June 30, 2003, are as follows (in thousands):

Investment payable	\$42,711
Accrued investment management fees	416
Member benefits payable	6,023
Payable to PERS	<u>15,004</u>
TOTAL ACCRUED LIABILITIES	
AT JUNE 30, 2003	<u>\$64,154</u>

(10) PROPERTY HELD FOR RESALE

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

	<u>July 1, 2002</u>	<u>Purchases and Other Debits</u>	<u>Sales and Other Credits</u>	<u>June 30, 2003</u>
Property held for resale	\$ 66,775	\$ 7,854	\$ 2,704	\$ 71,925

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of 1.4%. Principal and interest were paid on June 30, 2003.

The short-term debt activity for the year ended June 30, 2003, is as follows (in thousands):

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax and Revenue Anticipation Notes	\$0	\$ 53,965	\$(53,965)	\$0

(12) LONG-TERM OBLIGATIONS

Long-term Obligations

The following is a summary of long-term obligations for the year ended June 30, 2003 (in thousands):

Governmental Activities			
<u>Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
General obligation bonds (A)	2032	4.25-8.50%	\$ 167,350
Tax allocation bonds (B)	2033	4.00-8.03%	246,660
Certificates of participation (C)	2015	2.25-6.45%	63,631
Lease revenue bonds (C)	2026	2.25-5.90%	382,645
Pension obligation bonds (D)	2022	5.63-7.31%	442,592
City guaranteed special assessment district bonds (D)	2024	3.70-6.70%	8,463
Notes payable (C) & (E)	2016	4.11-14.48%	49,448
Accrued vacation and sick leave (C)			32,798
Self-insurance liability for workers' compensation (C)			91,367
Estimated claims payable (C)			49,569
Contingent liability for authority debt (C)			<u>96,590</u>
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS			<u>1,631,113</u>

(continued)

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Governmental Activities

<u>Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
DEFERRED AMOUNTS:			
Bond issuance premiums			\$ 12,366
Bond refunding loss			<u>(19,924)</u>
GOVERNMENTAL ACTIVITIES TOTAL			
LONG-TERM OBLIGATIONS, NET			<u>\$1,623,555</u>

Debt service payments are made from the following sources:

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

Business-Type Activities

<u>Entity and Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
Sewer fund – notes payable	2014	3.0-3.5%	<u>\$ 7,045</u>
BUSINESS-TYPE ACTIVITIES – TOTAL LONG-TERM OBLIGATIONS			<u>\$ 7,045</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Component Unit - Port of Oakland

<u>Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
Parity bonds	2032	2.75-8.00%	\$ 1,427,827
Notes and loans	2029	1.25-6.80%	<u>197,879</u>
			1,625,706
Self-insurance liability for workers' compensation			<u>3,000</u>
Total			1,628,706
Unamortized bond discount and premium, net			796
Deferred loss on refunding			<u>(5,948)</u>
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			<u>\$ 1,623,554</u>

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2003, the City's debt limit (3.75% of valuation subject to taxation) was \$798,115,131. The total amount of debt applicable to the debt limit was \$167,350,000, net of certain assets in other non-major governmental funds, and other deductions allowed by law. The resulting legal debt margin was \$630,765,131.

Interest Rate Swaps

Objective of the interest rate swap. As a means to lowering its borrowing costs, the City of Oakland entered into a Forward Swap (Swap) in connection with its \$187,500,000 Oakland Joint Powers Financing Authority (the Authority) Lease Revenue Bonds, 1998 Series A1/A2. The intent of the interest rate swap was to effectively change the Authority's variable interest rate on the bonds to a synthetic fixed rate of 5.6775% through the end of the swap agreement in 2021. On April 25, 2000, the Swap was assigned to Goldman Sachs Mitsui Marine Derivative Products, U.S., L.P (Goldman) in the notional amount of \$170,000,000. On March 21, 2003, the Authority amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate (the "65% of LIBOR Rate"). This amendment resulted in the City receiving approximately \$5,975,000 from Goldman reflecting the change in market value.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Furthermore, the funds received and the change in the Swap index will result in lower cost of borrowing when used in combination with the Bonds, and will enhance the relationship between risk and return with respect to the City's overall bond program. As of June 30, 2003, the notional amount to be amortized was \$137,500,000 and the amount of outstanding bonds was \$161,500,000. A third party bond insurer insures the interest and principal payments on the bonds.

Terms. The bonds mature on July 31, 2021 and are subject to mandatory tender on August 1, 2008. The swap agreement terminates on July 31, 2021 and has a notional amount as of June 30, 2003 of \$137,500,000. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through 2021. The Swap was entered into at the same time the Bonds were issued (January 1997). Under the Swap, the Authority pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The Authority then pays the bondholder a tax-exempt variable rate of interest. The Authority's payments to the counterparty under the swap agreement are insured by the third party bond insurer.

Fair Value. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$35,188,854 as of June 30, 2003. As the coupons on the Bonds adjust as LIBOR adjusts, the Bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk. As of June 30, 2003, the Authority was not exposed to credit risk because the Swap had a negative fair value. However, should interest rates change and the fair value of the Swap become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair value. The Swap counterparty was rated AAA by Moody's Investors Service, and AA+ by Standard & Poor's as of June 30, 2003. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard & Poor's the swap agreement provides the counterparty, the Authority, the bond insurer for the Bonds and a third party collateral agent are to execute a collateral agreement establishing the type of collateral, the amount of collateral, the collateral agent, and the terms of the collateral agreement within 30 days of such a downgrade.

Basis Risk. The swap agreement provides that the payment received by the Authority shall be at 65% of LIBOR rate (total not to exceed 12%), the equivalent of the interest rate on the Bonds. This arrangement mitigates the Authority's exposure to basis risk.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Termination Risk. The Authority may terminate the Swap if the counterparty fails to perform under the terms of the contract. The Authority also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the Authority and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's. The counterparty may terminate the Swap if both the Authority and the bond insurer fail to perform under the terms of the contract. The counterparty also may terminate the Swap upon the occurrence of the following events: 1) the bond insurer falls below "A3" by Moody's Investors Service or "A-" by Standard & Poor's; and 2) the Authority falls below "BAA3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If the Swap is terminated, the variable rate Bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the Swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the Swap's fair value.

Swap Payments and Associated Debt. Under rates as of June 30, 2003, debt service requirements of the variable-rate Bonds and net swap payments, *assuming current interest rates remain the same* through the July 2021 termination date of the Swap and the mandatory tender date on the Bonds, are as follows (in thousands):

Calendar Year	Principal	Interest	Interest Rate Swap, Net	Total
2004	\$ 9,200,000	\$ 3,422,250	\$ 4,712,813	\$ 17,335,063
2005	9,000,000	3,215,250	4,397,483	16,612,733
2006	8,900,000	3,012,750	4,089,008	16,001,758
2007	8,700,000	2,812,500	3,783,960	15,296,460
2008	8,500,000	2,616,750	3,485,768	14,602,518
2009	8,300,000	2,425,500	3,194,430	13,919,930
2010	8,100,000	2,238,750	2,909,948	13,248,698
2011	7,900,000	2,056,500	2,632,320	12,588,820
2012	7,700,000	1,878,750	2,361,548	11,940,298
2013	7,500,000	1,705,500	2,097,630	11,303,130
2014	7,300,000	1,536,750	1,840,568	10,677,318
2015	7,100,000	1,372,500	1,590,360	10,062,860
2016	6,800,000	1,212,750	1,347,008	9,359,758
2017	6,700,000	1,059,750	1,113,938	8,873,688
2018	6,500,000	909,000	884,295	8,293,295
2019	6,500,000	762,750	661,503	7,924,253
2020	6,400,000	616,500	438,720	7,455,220
2021	<u>21,000,000</u>	<u>472,500</u>	<u>219,360</u>	<u>21,691,860</u>
TOTALS	<u>\$ 187,500,000</u>	<u>\$ 33,327,000</u>	<u>\$ 41,760,660</u>	<u>\$ 227,187,660</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2003, are as follows (in thousands):

Governmental Activities					
	<u>Restated Balance at July 1, 2002</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities Retirements and Net Decreases</u>	<u>Balance at June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Bonds Payable					
G.O. bonds	\$ 133,295	\$ 38,000	\$ 3,945	\$ 167,350	\$ 4,170
Tax allocation bonds	220,490	143,690	117,520	246,660	11,105
Certificates of participation	67,346	280	3,995	63,631	4,195
Lease revenue bonds	399,675	—	17,030	382,645	17,250
Pension obligation bonds	435,686	17,431	10,525	442,592	20,025
City guaranteed special assessment district bonds	8,870	—	407	8,463	588
Less deferred amounts:					
Bond issuance premiums	768	12,179	581	12,366	1,113
Bond refunding loss	<u>(19,881)</u>	<u>(2,477)</u>	<u>(2,434)</u>	<u>(19,924)</u>	<u>(2,544)</u>
TOTAL BONDS PAYABLE	<u>1,246,249</u>	<u>209,103</u>	<u>151,569</u>	<u>1,303,783</u>	<u>55,902</u>
Notes payable	<u>52,283</u>	<u>8,895</u>	<u>11,730</u>	<u>49,448</u>	<u>7,109</u>
Other Long Term Liabilities					
Accrued vacation and sick leave	31,923	875	—	32,798	27,135
Self-insurance workers' compensation	90,694	15,598	14,925	91,367	17,690
Contingent liability for authority debt	99,048	—	2,458	96,590	2,640
Estimated claims payable	<u>45,242</u>	<u>13,395</u>	<u>9,068</u>	<u>49,569</u>	<u>15,249</u>
TOTAL OTHER LONG TERM LIABILITIES	<u>266,907</u>	<u>29,868</u>	<u>26,451</u>	<u>270,324</u>	<u>62,714</u>
TOTAL GOVERNMENTAL ACTIVITIES – LONG TERM OBLIGATIONS	<u>\$1,565,439</u>	<u>\$ 247,866</u>	<u>\$ 189,750</u>	<u>\$1,623,555</u>	<u>\$ 125,725</u>

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2003, \$27.7 million of notes payable related to the internal service funds are included in the above amounts.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Business-Type Activities

	<u>Balance at July 1, 2002</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities Retirements and Net Decreases</u>	<u>Balance at June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Sewer fund – notes payable	<u>\$ 7,663</u>	<u>\$ —</u>	<u>\$618</u>	<u>\$7,045</u>	<u>\$684</u>

Component Unit - Port of Oakland

	<u>Balance at July 1, 2002</u>	<u>Additional Obligations, Interest Accretion and Net Increases</u>	<u>Current Maturities Retirements and Net Decreases</u>	<u>Balance at June 30, 2003</u>	<u>Amounts Due Within One Year</u>
Parity bonds	\$ 833,572	\$741,150	\$146,895	\$1,427,827	\$ 9,241
Notes and loans	232,990	80,353	115,464	197,879	2,903
Self-insurance workers' compensation	<u>3,000</u>	<u>1,018</u>	<u>1,018</u>	<u>3,000</u>	<u>3,000</u>
TOTAL	1,069,562	822,521	263,377	1,628,706	15,144
Unamortized bond discount premium, net	(9,572)	11,181	813	796	895
Deferred loss on refunding	<u>(3,265)</u>	<u>(2,997)</u>	<u>(314)</u>	<u>(5,948)</u>	<u>(364)</u>
TOTAL DEBT	<u>\$1,056,725</u>	<u>\$830,705</u>	<u>\$263,876</u>	<u>\$1,623,554</u>	<u>\$15,675</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Repayment Schedule

The annual requirements to amortize all long-term debt as of June 30, 2003, are as follows (in thousands):

	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2028	2029-2033	2034-2038	Total
Government-type												
Activities:												
General obligation bonds:												
Principal	\$ 4,170	\$ 4,980	\$ 5,165	\$ 5,365	\$ 5,650	\$ 33,600	\$ 42,820	\$ 45,150	\$ 11,330	\$ 9,120	\$ —	\$ 167,350
Interest	9,533	8,903	8,645	8,375	8,094	35,449	24,910	11,982	3,881	1,169	—	120,941
Tax allocation bonds:												
Principal	11,105	9,830	10,325	10,920	11,165	64,290	77,700	38,805	4,810	6,250	1,460	246,660
Interest	14,067	13,396	12,876	12,301	11,674	48,196	27,127	5,670	2,681	1,238	38	149,264
Certificates of participation:												
Principal	4,195	4,585	4,325	4,731	5,300	28,595	11,900	—	—	—	—	63,631
Interest	1,898	1,718	3,068	3,007	1,909	5,715	734	—	—	—	—	18,049
Lease revenue bonds:												
Principal	17,250	19,480	19,770	20,185	20,530	110,385	81,595	66,465	26,985	—	—	382,645
Interest	20,159	19,230	18,213	17,171	16,228	63,867	34,667	16,318	3,215	—	—	209,068
Pension obligation bonds:												
Principal	20,025	22,420	25,020	27,850	30,920	154,134	90,175	72,048	—	—	—	442,592
Interest	12,954	11,534	9,928	8,118	6,091	60,573	130,426	182,181	—	—	—	421,805
City guaranteed special assessment bonds:												
Principal	588	530	285	285	305	1,770	1,665	2,080	955	—	—	8,463
Interest	439	411	390	377	361	1,542	1,075	562	58	—	—	5,215
Notes payable:												
Principal	7,109	7,185	5,529	6,094	3,215	20,316	—	—	—	—	—	49,448
Interest	1,673	1,336	1,055	1,147	421	3,827	—	—	—	—	—	9,459
TOTAL PRINCIPAL	\$ 64,442	\$ 69,010	\$ 70,419	\$ 75,430	\$ 77,085	\$413,090	\$305,855	\$224,548	\$ 44,080	\$ 15,370	\$ 1,460	\$1,360,789
TOTAL INTEREST	\$ 60,723	\$ 56,528	\$ 54,175	\$ 50,496	\$ 44,778	\$219,169	\$218,939	\$216,713	\$ 9,835	\$ 2,407	\$ 38	\$ 933,801

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

	2004	2005	2006	2007	2008	2009-2013	2014-2018	2019-2023	2024-2028	Total
Business-type										
Activities:										
Sewer Notes										
Principal	\$ 684	\$ 707	\$ 730	\$ 755	\$ 780	\$3,098	\$ 291	\$—	\$—	\$7,045
Interest	231	223	185	160	135	246	9	—	—	1,189

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2003, are as follows (in thousands):

Fiscal year ending	Principal	Interest	Total
2004	\$ 12,144	\$ 78,652	\$ 90,796
2005	11,233	79,566	90,799
2006	167,719	79,379	247,098
2007	22,389	78,932	101,321
2008	30,695	78,509	109,204
2009-2013	223,569	352,552	576,121
2014-2018	289,926	273,012	562,938
2019-2023	279,797	192,792	472,589
2024-2028	312,941	115,429	428,370
2029-2033	<u>275,293</u>	<u>32,435</u>	<u>307,728</u>
SUBTOTAL	1,625,706	1,361,258	2,986,964
Unamortized bond (discount) premium, net	796	—	796
Current maturities of long term debt and amortization	(12,675)	—	(12,675)
Deferred loss on refunding	<u>(5,948)</u>	<u>—</u>	<u>(5,948)</u>
TOTAL	<u>\$1,607,879</u>	<u>\$1,361,258</u>	<u>\$2,969,137</u>

Net interest costs of \$19,711,000 were capitalized in fiscal 2003, following the capitalization of interest revenue of \$13,128,000. Total capitalized interest expense amounted to \$32,839,000 for fiscal 2003.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

General Obligation Bonds, Series 2002A (Measure G)

On March 5, 2002, the electorate authorized the issuance of \$59 million in general obligation bonds. The purpose of the bonds is to acquire, renovate, improve, construct and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo and the Chabot Space & Science Center.

The City issued the first series of Measure G bonds on November 6, 2002, in the amount of \$38,000,000 with interest rates ranging from 3.75% to 5.00%. The Oakland Zoo will expend 40% of proceeds of the authorized bonds on the acquisition and construction of new exhibit areas, including but not limited to the New Children's Zoo and the Wild California Exhibit. The Oakland Museum of California will expend 40% of the proceeds of the authorized bonds on architectural and structural improvements to its landmark building, enhancing visitor access, and increasing the educational facilities. The Chabot Science and Space Center will expend 20% of the proceeds of the authorized bonds on the acquisition and construction of a new education facility and expanded observation deck space.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2003, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to \$69.1 million.

Authorized and Unissued Debt

The net amount of authorized and unissued governmental activities – general obligation bonds as of June 30, 2003, was \$21 million (Measure G). These bonds were authorized by the voters in a City election on March 5, 2002. The bonds are to be issued by the City to acquire, renovate, improve, construct, and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center.

Also, the City had \$198 million (Measure DD) General Obligation Bonds. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Current Year Refunding

On January 1, 2003, the Agency issued \$120,605,000 in Central District Subordinated Tax Allocation Bonds, Series 2003 (Series 2003 Bonds). The net proceeds, which included a premium of \$11,627,992, were used for the following purposes: (1) \$104,268,746 (after payment of \$2,970,211 for the underwriter's discount and costs of issuance) were used to advance refund the Agency's Central District Redevelopment Project Area Tax Allocation Bonds, Series 1989A, the Subordinated Tax Allocation Refunding Bonds, Series 1992A, the Subordinated Tax Allocation Bonds, Series 1993A, and the Subordinated Tax Allocation Bonds, Series 1995A; and (2) \$24,994,034 were deposited to the project fund for certain capital projects. Proceeds in the amount of \$104,268,746 and residual cash balances of \$6,557,617 related to the old debt were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old debt. As a result, the debt listed above is considered defeased and the liabilities have been removed from the financial statements. Cumulatively, the defeased bonds had an outstanding balance of \$90,968,436 at June 30, 2003.

Although the refunding resulted in the recognition of a deferred accounting loss of \$2,372,326 for the fiscal year ended June 30, 2003, the Agency in effect reduced its aggregate debt service payments by approximately \$12,719,958 over the next 19 years and obtained a net economic gain (difference between the present values of the old and new debt service payments) to \$6,795,060.

On January 9, 2003, the Agency issued \$23,085,000 in Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2003 (Coliseum Bonds) to finance the acquisition and construction of certain redevelopment projects. The total project area currently includes 8,156 parcels of commercial, industrial, airport, recreational, institutional, low and medium-high density residential, and vacant land uses in an area totaling approximately 6,764 acres. The Agency currently plans to use the Coliseum Bond proceeds for improvements to various transportation and infrastructure projects, as well as the construction of a mixed-use development project and the repayment of certain obligations to the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The debt issued and outstanding at June 30, 2003, follows (in thousands):

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at June 30, 2003</u>
Housing Mortgage Programs			
Housing Revenue Bonds Series D, 1991	\$ 65,500	2010-2024	\$ 5,645
City of Oakland Insured Refunding Revenue Bonds (Children's Hospital Medical Center of Northern California), 1994 Series A	19,490	05/01/09	10,420
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	64,425	01/01/39	63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/39	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,410
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1988	23,000	07/01/08	10,670
City of Oakland Insured Health Facility Revenue Bonds (East Oakland Health Center Project), Series 1990	2,500	10/01/20	2,120
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	5,670
City of Oakland Variable Economic Development Revenue Bond 1997 Series A (Allen Temple Family Life Center Project)	5,000	08/01/04	4,600
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	19,800
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc.)	5,800	07/01/33	<u>5,800</u>
TOTAL			<u>\$ 145,280</u>

Long-term Debt

In August 2002, the Port of Oakland issued the 2002 Series L and M Revenue Bonds (the 2002 Bonds) in the aggregate amount of \$620 million (Series L interest rates range from 5.0% to 5.5%, maturing on November 1, 2033 and Series M interest rates range from 3.0% to 5.25%, maturing on November 1, 2020). The 2002 Bonds were issued to finance and refinance certain capital projects included in the Port's Capital Improvement Program (CIP), including the refunding of certain commercial paper notes previously issued by the Port to finance a portion of these projects.

In October 2002, the Port issued the 2002 Series N Refunding Revenue Bonds (the 2002 Series N Bonds) in the amount of \$121.2 million (interest rates range from 3.5% to 5.0%, maturing on November 1, 2023). Proceeds from the 2002 Series N Bonds, together with other available monies, were applied to refund all of the 1992 Series E bonds outstanding with an aggregate principal amount of \$135.3 million plus interest on November 1, 2002, to satisfy the Reserve Fund Requirements with respect to the 2002 Series N Bonds, and to finance costs of issuance of the 2002 Series N Bonds.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The Board of the Port of Oakland previously authorized and issued the Port of Oakland Special Facilities Bonds, 1992 Series A (Mitsui O.S.K. Lines, Ltd. Project), in an original aggregate amount of \$53.3 million of which \$46.5 million was outstanding as of June 30, 2002. Excess bond proceeds plus accumulated interest of \$9.2 million were on deposit with the fiscal agent at June 30, 2002. On July 1, 2002, \$9.2 million of these funds were used to call a portion of the bonds, reducing the principal outstanding to \$37.3 million.

(13) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2003 and 2002, are as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Workers' Compensation		
Unpaid claims, beginning of fiscal year	\$ 90,694	\$ 55,497
Current year claims and changes in estimates	15,598	49,342
Claim payments	<u>(14,925)</u>	<u>(14,145)</u>
Unpaid claims, end of fiscal year (see Note 12)	<u>\$ 91,367</u>	<u>\$ 90,694</u>
General Liability		
Unpaid claims, beginning of fiscal year	\$ 45,242	\$ 62,144
Current year claims and changes in estimates	13,395	(5,328)
Claims payments	<u>(9,068)</u>	<u>(11,574)</u>
Unpaid claims, end of fiscal year (Note 12)	<u>\$ 49,569</u>	<u>\$ 45,242</u>

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

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.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The City is self-insured for its general liability, workers' compensation, malpractice liability, general, and auto liability and has excess reinsurance with the California State Association of Counties – Excess Insurance Authority as described below.

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a \$25,000 deductible to be paid by the City. For the past 10 years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2003, the amount of liability determined to be probable of occurrence is approximately \$49,569,000. Of this amount, claims and litigation approximating \$15,249,000 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The 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 changes in financial position.

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. Of the \$91,367,000 in reserves, approximately \$17,690,000 is estimated to be due within one year.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

Insurance Coverage

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

Type of Coverage	Self-Insurance Retention	Insurance Authority/Purchase Insurance
General Liability	up to \$2,000,000	\$2,000,000 to \$20,000,000 per occurrence
Automobile Liability	up to \$2,000,000	\$2,000,000 to \$20,000,000 per occurrence
Public Officials Errors and Omissions	up to \$2,000,000	\$2,000,000 to \$20,000,000 per occurrence/annual aggregate
Products & Completed Operations	up to \$2,000,000	\$2,000,000 to \$20,000,000 per occurrence/annual Aggregate
Employment Practices Liability	up to \$2,000,000	\$2,000,000 to \$20,000,000 per occurrence/annual Aggregate
Workers' Compensation	unlimited	

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 \$1 million per accident. Effective February 7, 1997, the Port carries commercial insurance for claims in excess of \$1 million. The statutory limit on the Port's commercial insurance policy is \$25 million.

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, including allocated loss adjustment expenses. Changes in the reported liability resulted from the following (in thousands):

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

	<u>2003</u>	<u>2002</u>
Workers' compensation liability at beginning of fiscal year	\$ 3,000	\$ 3,000
Current year claims and changes in estimates	1,018	1,056
Claim payments	<u>(1,018)</u>	<u>(1,056)</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 \$250,000 in the aggregate up to a maximum of \$200,000,000. For the harbor area, coverage is provided in excess of \$200,000 per occurrence up to \$151,000,000. Liabilities are recorded as accrued expense when it is determined that a loss to the Port is probable and the amount is estimable.

(14) JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the Oakland-Alameda County Coliseum Complex (Coliseum Complex) pursuant to the Mark-Roos Local Bond Pooling Act of 1985. The Oakland-Alameda County Coliseum Financing Corporation (the Corporation) is reported as a blended component unit of the Authority. The eight-member Board of Commissioners of the Authority consists of two council members from the City, two members of the Board of Supervisors from the County, two appointees of the City Council, and two appointees of the Board of Supervisors. The Board of Directors of the Corporation consists of the City Manager and the County Administrator.

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

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. Certain revenues collected from Raiders football operations consisting of revenues from the sale of seat rights, as well as annual seat maintenance fees, a

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

portion of net parking and concession revenues and concessionaires' initial fees may be used toward meeting this liability. In the event that such football revenues are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate \$11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$22 million annually in the event of default by the County.

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

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

Under the Warriors Agreements, the Arena Bonds are limited obligations of the Authority, payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to \$7,428,000 annually from premium seating revenues, and other payments from Arena operations. If the revenues received from the Warriors and from Arena operations are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to \$9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City could have to pay up to \$19,000,000 annually in the event of default by the County.

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

On September 27, 1997, the City of Oakland, the County of Alameda, and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively, "Raider Management") for

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

breach of contract, declaratory relief and interference with prospective economic advantage. The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium, (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement, and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs. Raider management has filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. In a series of decisions, the court has ruled that (1) the Raiders Management cannot rescind or terminate its lease; and (2) the East Bay Entities do not have claims for damages. Raider Management increased their claim against the East Bay Entities to \$1.1 billion for damages related to claims of fraudulent inducement. Prior to the trial, Raider Management agreed to arbitrate all breach of contract claims. At the conclusion of the trial, the jury found no liability on the fraud claims, but did award the Raiders damages of \$35 million for negligent misrepresentation. This judgment has been entered only against Coliseum, Inc. Attorneys for the East Bay Entities, on behalf of Coliseum, Inc., will file certain post-trial motions that could impact the judgment. Coliseum, Inc. has not decided whether to appeal the judgment.

In November 1998, the Authority brought an arbitration proceeding against the Golden State Warriors (the Warriors) to collect: (1) past due rents for use of the arena; (2) past due amounts of revenue sharing required by the License Agreement; and (3) facility use fees collected by the Warriors for the Authority. The arbitration demand also sought damages for the Warriors breach of the License Agreement for failure to sell seat rights in the new Arena, a major source of revenue to the Authority. The arbitrator found on October 6, 1999, that the Warriors owed more than \$17 million to the Authority, net of some \$720,000 in offsets granted to the Warriors. A second phase of the arbitration was decided in July 2000, when the arbitrator decided that the Warriors breached the License Agreement by failing to sell seat rights in the new Arena. However, the arbitrator awarded no damages to the Authority because he determined the damages could not be quantified. On March 22, 2001, the Superior Court confirmed the arbitrator's awards and entered a judgment against the Warriors for the full amount of the award. The Warriors appealed the judgment. Subsequent to June 30, 2002, the Warriors lost the appeal and the judgment was settled in favor of the Authority for the above-mentioned \$17 million plus interest. A subsequent arbitration proceeding resulted in an award in favor of the Authority of approximately \$3 million. In addition, additional arbitration claims had been filed by the Warriors and the Authority and the Warriors had made various other claims that had not yet been filed with an arbitrator. On September 25, 2003, the Authority approved a settlement that reconciled the various claims for back payments by both parties and settled outstanding claims. This settlement resulted in a net payment of approximately \$5 million from the Authority to the Warriors.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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

<u>For the period ending June 30,</u>	<u>Stadium Debt</u>		<u>Arena Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 5,280	\$ 7,623	\$ 2,400	\$ 8,249
2005	5,600	7,276	2,500	8,097
2006	6,100	6,949	2,700	7,938
2007	5,500	6,606	3,000	7,766
2008	5,800	6,289	3,100	7,575
2009-2013	35,400	26,319	19,300	34,592
2014-2018	45,400	18,938	27,200	27,473
2019-2023	57,200	10,167	38,200	17,449
2024-2026	<u>26,900</u>	<u>1,105</u>	<u>30,100</u>	<u>3,982</u>
TOTAL	<u>\$193,180</u>	<u>\$91,272</u>	<u>\$128,500</u>	<u>\$123,121</u>

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

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2003, the City made contributions of approximately \$10,500,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the \$20.5 million appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute \$10,000,000 for the 2003-04 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a contingent liability to fund the Authority deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of \$96,590,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(15) PENSION PLANS

The City has three defined benefit retirement plans: Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS) and California Public Employees' Retirement System (PERS). PFRS and OMERS are closed plans that cover employees hired prior to July 1976 and September 1970, respectively. These two plans are considered part of the City's reporting entity and are included in the City's basic financial statements as pension trust funds. City employees hired subsequent to the plans' closure dates are covered by PERS, which is administered by the State of California.

Member and employer contributions are recognized in the period in which the contributions are due pursuant to formal commitments, as well as contractual or statutory requirements, and benefits and refunds are recognized when due and payable, in accordance with the terms of the plans.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

Investments representing 5% or more of the fair value of the OMERS net assets for pension benefits as of June 30, 2003, are as follows:

Stocks	Shares	Market Value
Southern Company	16,000	\$ 498,560
Conoco Phillips	8,000	438,400
Hawaiian Electric Industries, Inc.	10,000	458,500
Idacorp, Inc.	20,000	<u>525,000</u>
		<u>\$1,920,460</u>

No investments in any one non-federal organization represented 5% or more of PFRS net assets for pension benefits as of June 30, 2003.

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2002	July 01, 2001	June 30, 2002

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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.

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
General wage increase:			
Inflation rate	3.5%	4.5%	3.5%
Average salary increases	4.0%	3.0%	3.8%
Investment rate of return	8.0%	8.0%	8.25%
Cost-of-living adjustments	—	—	2.0%

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>	<u>Total</u>
Employees covered as of June 30, 2003				
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not currently receiving them	1,425	102	1,851	3,378
Current employees—vested	4	1	2,609	2,614

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). The June 30, 2003, stand alone financial statements are available by contacting the City Manager's Office, One Frank Ogawa Plaza, Oakland, California 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from the PFRS upon termination of employment with the City.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30, 2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits. The City issued pension obligation bonds in February 1997 to fund the PFRS through 2011. Bond proceeds in the amount of \$417,173,300 were contributed in fiscal 1997 and, as a result, no employer contributions are required through fiscal year 2011.

For the year ended June 30, 2003, employee contributions to PFRS totaling \$155,004 were made in accordance with actuarially determined contribution requirements.

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

The City's annual pension cost and prepaid asset, computed in accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers", for fiscal year ended June 30, 2003, were as follows:

Pension asset, beginning of year		<u>\$ 393,633,000*</u>
Interest on pension asset	\$ 31,490,640	
Adjustment to the annual required contribution	<u>(37,386,460)</u>	<u>(5,895,820)</u>
Pension asset, end of year		<u>\$ 387,737,180</u>

*See Note 2 for an explanation of the change in accounting treatment of the net pension assets and Note 20 for the effect of the restatement.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2003 and each of the two preceding years:

Fiscal Year Ended June 30,	Annual Pension Cost	Percentage (%) Contributed	Net Pension Assets
2001	\$5,054,715	—	\$ 399,092,093
2002	5,459,093	—	393,633,000
2003	5,895,820	—	387,737,180

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

Oakland Municipal Employees Retirement System

OMERS provides death, disability and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2003, stand alone financial statements are available by contacting by the City Manager's Office, One Frank Ogawa Plaza, Oakland, California 94612.

Employee contributions to OMERS totaling \$6,774 were made during 2003 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. Because of the Retirement System's current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the 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.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

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 0.00% for non-safety employees and 18.446% 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 2002-03, the City's annual pension cost of \$37,047,540 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (average is 3.8%), and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends June 30, 2011.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2001	\$24.0	100%	0
2002	26.9	100	0
2003	37.0	100	0

The Retirement System had 22 active members transfer to PERS during 2003. As part of the transfer, \$15,004,000 of assets were designated for transfer to PERS to cover the liabilities that were assumed, of which \$15,004,000 were still payable at June 30, 2003.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(16) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The City has three programs in place to partially pay health insurance premiums for certain classes of retirees from City employment.

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. Approximately \$1,725,132 was paid on behalf of 531 retirees under this program for the year ended June 30, 2003.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

The City has committed funding in the amount of \$87,062,000 to a number of capital improvement projects for fiscal years 2003-04 to 2004-05.

Discretely Presented Component Unit

The Port anticipates spending \$935 million through June 2007 for its capital improvement program. The most significant projects include expansion and improvements of the Airport's terminal, parking, roadway and security; construction of a shoreline park, the modernization of wharves and terminals, 50-foot deepening of the channel, and roadway improvements.

As of June 30, 2003, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	\$ 58,332
Aviation	83,918
Commercial real estate	<u>33</u>
	<u>\$142,283</u>

Other Commitments

Primary Government

As of June 30, 2003, the Agency has entered into contractual commitments of \$6,015,941 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.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal year 2003-04, the Agency included in its Adopted Budget an ERAF shift of \$2,780,864.

At June 30, 2003, the Agency was committed to fund \$4,350,185 in loans and had issued \$1,648,600 in letters of credit in connection with several low and moderate-income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City.

Discretely Presented Component Unit

The Port is required to comply with a number of federal, state and local laws and regulations designed to protect human health, safety and the environment. In conforming to these laws and the implementing regulations, the Port has instituted a number of compliance programs and procedures.

It is the Port's intent that its environmental compliance programs be compliant with regulatory and legal requirements while effectively managing financial resources. The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination.

As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues for a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods, current estimates of environmental liabilities could materially change, causing expense to the Port.

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

A summary of the environmental liability accounts, included within the basic financial statements at June 30, 2003, is as follows (in thousands):

Environmental remediation	\$ 8,149
Miscellaneous compliance	<u>1,176</u>
Total environmental liabilities	<u><u>\$ 9,325</u></u>

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(18) DEFICIT FUND BALANCES/NET ASSETS

As of June 30, 2003, the following funds reported deficits in fund balance/net assets (in thousands):

Federal/State Grant Funds	\$ (22,078)
Special Revenue - ORA Projects	(6,853)

The City's federal/state deficit is expected to be funded through more timely drawdown of federal/state funds. The ORA projects deficit is expected to be funded by reimbursements from the Agency.

Internal Service:	
Facilities	\$ (8,222)
Central Stores	(4,573)

The City's facilities and central stores deficits are expected to be funded through increased user charges for the costs incurred in each fund.

(19) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 30, 2003, the City issued tax and revenue anticipation notes payable of \$76,325,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately .92%. Principal and interest are due and payable on July 29, 2004.

Long-term Debt

On August 6, 2003, the City issued \$71.5 million of General Obligation Bonds, Series 2003A, Measure DD. The bonds have interest rates of 2.5% to 5.0% and mature on January 15, 2033. These bonds constitute a portion of the total authorized amount of \$198 million of bonds approved on Measure DD at the November 5, 2002 election, and were issued to acquire, rehabilitate, and construct improvements to recreation facilities at Lake Merritt, the Oakland Estuary, creeks, and Lake Merritt Channel. The City plans to issue bonds over a ten-year period.

CITY OF OAKLAND
Notes to Basic Financial Statements, continued
June 30, 2003

(20) RESTATEMENT OF NET ASSETS

The City's beginning net assets for the governmental activities reported on the Statement of Activities have been restated to adjust certain assets and liabilities to recognize activities and balances not previously reported.

City's Statement of Governmental Activities

Total net assets at June 30, 2002, as previously reported	\$ 7,600
Restatement of prepayment made to Police and Fire Retirement System due to change in accounting treatment	393,633
Adjustment to accreted interest related to Central District Refunding Bonds, Series 1989A	<u>(6,195)</u>
Total net assets at July 1, 2002, as restated	<u>\$ 395,038</u>

CITY OF OAKLAND
Required Supplementary Information
(unaudited)
June 30 2003

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

Actuarial Valuation Date July 1,	Actuarial Value of Plan Assets ⁽¹⁾ (a)	Accrued Actuarial Liability (AAL) (b)	Funded Ratio (%) (a/b)	Actuarial Surplus (AS) (a-b)	Covered Payroll (c)	AS as a Percentage (%) of Covered Payroll [(a-b)/c]
1994	\$16.2	\$12.0	\$135	\$4.2	\$.119	3,529
1995 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
1996	16.9	11.8	143	5.1	.124	4,113
1997 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
1998	18.8	10.8	174	8.0	.137	5,839
1999	18.2	9.6	190	8.6	.150	5,733
2000 ^(a)	N/A	N/A	N/A	N/A	N/A	N/A
2001 ^(a)	N/A	N/A	N/A	N/A	N/A	N/A
2002 ^(a)	N/A	N/A	N/A	N/A	N/A	N/A

Note: (a) Based on GASB 25, paragraph 33, footnote 17.
The City is using this aggregate actuarial cost method; therefore, City is not required to present a schedule of funding progress as indicated in footnote 15.

⁽¹⁾At market.

⁽²⁾Actuarial valuation conducted biennially.

CITY OF OAKLAND
Required Supplementary Information
(unaudited)
June 30 2003

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

Actuarial Valuation Date July 1,	Actuarial Value of Plan Assets ⁽¹⁾ (a)	Accrued Actuarial Liability (AAL) (b)	Funded Ratio (%) (a/b)	(Unfunded)/ Overfunded AAL (UAAL)/OAAL (a-b)	Covered Payroll (c)	(UAAL)/OAAL as a Percentage (%) of Covered [(a-b)/c]
1994	\$304.3	\$947.4	32.1	\$(643.1)	\$20.1	(3,200)
1995 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
1996	359.2	983.2	36.5	(624.0)	19.6	(3,184)
1997 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
1998	861.4	805.5	106.9	55.9	19.0	294.2
1999 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A
2000 ^(a)	N/A	N/A	N/A	N/A	N/A	N/A
2001 ^(a)	N/A	N/A	N/A	N/A	N/A	N/A
2002 ^(a)	N/A	N/A	N/A	N/A	N/A	N/A

Note: (a) Based on GASB 25, paragraph 33, footnote 17.
The City is using this aggregate actuarial cost method; therefore, City is not required to present a schedule of funding progress as indicated in footnote 15.

(1)At market.

(2)Actuarial valuation conducted biennially.

PERS ACTUARIAL VALUATION

CITY OF OAKLAND
Required Supplementary Information
(unaudited)
June 30 2003

SCHEDULE OF FUNDING PROGRESS

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll (trend information started in FY2000).

PUBLIC SAFETY RETIREMENT PLAN (POLICE AND FIRE)

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2000	\$350,686,715	\$311,693,503	\$ 38,993,212	88.9%	\$ 83,864,688	46.5%
2001	432,051,707	363,660,265	68,391,442	84.2%	92,125,191	74.2%
2002	563,199,567	373,263,858	189,935,709	66.3%	104,070,500	182.5%

MISCELLANEOUS RETIREMENT PLAN

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Overfunded Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	OAL as a % of Payroll [(a-b)/c]
2000	\$832,180,373	\$1,040,841,333	\$(208,660,960)	125.1%	\$165,920,318	(125.8%)
2001	883,320,455	1,059,605,539	(176,285,084)	120.0%	171,872,368	(102.6%)
2002	952,399,380	1,003,318,723	(50,919,343)	105.3%	197,383,330	(25.8%)

CITY OF OAKLAND
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2003
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Taxes:				
Property	\$102,959	\$ 102,961	\$ 114,742	\$ 11,781
State:				
Sales and use	41,235	41,235	38,162	(3,073)
Motor vehicle in-lieu	7,043	7,043	24,259	17,216
Local:				
Business license	43,876	43,876	42,020	(1,856)
Utility consumption	49,954	49,954	46,581	(3,373)
Real estate transfer	32,500	32,500	42,088	9,588
Transient occupancy	10,262	10,262	10,863	601
Parking	6,641	6,641	8,242	1,601
Franchise	10,903	11,003	10,824	(179)
Licenses and permits	11,697	11,801	13,074	1,273
Fines and penalties	19,451	20,094	18,543	(1,551)
Interest and investment income	4,000	4,000	16,467	12,467
Charges for services	54,613	54,657	51,708	(2,949)
Federal and state grants and subventions	2,089	2,148	1,794	(354)
Other	36,439	36,554	33,778	(2,776)
TOTAL REVENUES	<u>433,662</u>	<u>434,729</u>	<u>473,145</u>	<u>38,416</u>
EXPENDITURES				
Current:				
Elected and Appointed Officials-				
Mayor	1,150	1,187	1,329	(142)
Council	2,468	2,641	-	2,641
City Manager	7,564	7,840	7,517	323
City Attorney	6,217	7,045	7,621	(576)
City Auditor	993	1,020	1,055	(35)
City Clerk	1,618	1,608	1,723	(115)
Agencies/Departments:				
Personnel Resource Management	3,047	3,281	3,779	(498)
Retirement and Risk Administration	219	220	258	(38)
Information Technology	7,814	8,804	6,425	2,379
Financial Services	13,709	14,999	14,544	455
Police Services	137,356	145,111	157,745	(12,634)
Fire Services	78,397	84,250	80,823	3,427
Life Enrichment:				
Administration	705	697	629	68
Parks and Recreation	13,648	17,012	14,201	2,811
Library	9,902	10,700	9,846	854
Museum	5,885	5,936	6,862	(926)
Aging	2,641	3,277	3,086	191
Health and Human Services	1,255	1,331	1,352	(21)
Cultural Arts	1,395	1,785	1,550	235
Community and Economic Development	21,624	24,169	26,701	(2,532)
Public Works	24,516	27,722	23,261	4,461
Other	52,015	39,391	18,822	20,569
Capital outlay	-	2,197	1,275	922
Debt service:				
Principal repayment	-	-	1,193	(1,193)
Interest charges	214	584	63	521
TOTAL EXPENDITURES	<u>394,352</u>	<u>412,807</u>	<u>391,660</u>	<u>21,147</u>
EXCESS OF REVENUES OVER EXPENDITURES	39,310	21,922	81,485	59,563
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	1,645	1,645	-	(1,645)
Property sale proceeds	4,412	4,449	8,426	3,977
Transfers in	15,387	15,387	62,843	47,456
Transfers out	61,331	61,331	(125,898)	(187,229)
TOTAL OTHER FINANCING USES, NET	<u>82,775</u>	<u>82,812</u>	<u>(54,629)</u>	<u>(137,441)</u>
NET CHANGE IN FUND BALANCE	122,085	104,734	26,856	(77,878)
Fund balances - beginning	50,261	10,462	235,044	224,582
FUND BALANCES - ENDING	<u>\$172,346</u>	<u>\$ 115,196</u>	<u>\$ 261,900</u>	<u>\$146,704</u>

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

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2003

(1) BUDGETARY DATA

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

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

On June 29, 2001, the City Council approved the City's third two-year budget for fiscal years 2001-02 and 2002-03. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2002-03 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Manager.

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

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

General Fund budgetary comparisons are not presented at the detail object level in this financial report due to their excessive length. A separate publication presenting this information is available from the Finance and Management Agency, Accounting Division, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353, Oakland, CA 94612-2093.

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2003

Budgetary Basis of Accounting

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

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

Major Funds

- Federal and State Grants
- Oakland Redevelopment Agency

Nonmajor Funds

- Special Revenue
 - ORA Projects
 - Parks and Recreation and Cultural
- Capital Projects Funds
 - Parks and Recreation
 - Municipal Capital Improvement
 - Emergency Services

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

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2003

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

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

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

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

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately \$9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2003, was \$528,602.

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

	General Fund
Net change in fund balance - GAAP basis	\$ 27,385
Amortization of debt service deposit agreement	<u>(529)</u>
Net change in fund balance - budgetary basis	<u>\$ 26,856</u>

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2003

The General Fund Balance on a Budgetary Basis reconciled to that on a GAAP basis as of June 30, 2003, is as follows (in thousands):

	General Fund
Fund Balance, June 30, 2003 - GAAP Basis	\$253,118
Unamortized debt service deposit agreement	<u>8,782</u>
Fund Balance, June 30, 2003 - Budgetary Basis	<u>\$261,900</u>

General Fund Budgetary Basis Fund Balance at June 30, 2003, is composed of the following (in thousands):

	General Fund
Reserved:	
Encumbrances	\$ 3,227
Projects	13,032
Debt service	198,058
Unreserved reported in:	
General fund	<u>47,583</u>
TOTAL FUND BALANCES	<u>\$261,900</u>

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2003
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 41,842	\$ 12,218	\$ 7,421	\$ 61,481
Receivables, net:				
Accrued Interest and dividends	269	65	44	378
Property taxes	2,996	1,740	22	4,758
Accounts receivable	2,016	-	2	2,018
Due from other funds	5,454	67	1,032	6,553
Due from component unit	1,088	-	-	1,088
Notes and loans receivable, net	7,085	-	-	7,085
Restricted cash and investments	-	57,724	100,179	157,903
Other	-	460	7	467
TOTAL ASSETS	<u>\$ 60,750</u>	<u>\$ 72,274</u>	<u>\$ 108,707</u>	<u>\$ 241,731</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 2,681	\$ 33	\$ 4,754	\$ 7,468
Due to other funds	12,907	463	2,448	15,818
Deferred revenue	9,531	1,216	22	10,769
Matured bonds and interest payable	-	-	520	520
Other	145	-	612	757
TOTAL LIABILITIES	<u>25,264</u>	<u>1,712</u>	<u>8,356</u>	<u>35,332</u>
Fund Balances				
Reserved:				
Encumbrance	4,180	-	3,632	7,812
Projects	28,522	-	92,111	120,633
Debt service	-	70,562	-	70,562
Unreserved:				
Special revenue funds	2,784	-	-	2,784
Capital project funds	-	-	4,608	4,608
TOTAL FUND BALANCES	<u>35,486</u>	<u>70,562</u>	<u>100,351</u>	<u>206,399</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,750</u>	<u>\$ 72,274</u>	<u>\$ 108,707</u>	<u>\$ 241,731</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2003
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental
REVENUES				
Taxes:				
Property	\$ 19,315	\$ 11,366	\$ -	\$ 30,681
State:				
Sales and use	10,636	-	-	10,636
Gas	3,521	-	-	3,521
Licenses and permits	24	-	-	24
Fines and penalties	1,318	91	-	1,409
Interest and investment income	1,322	3,818	4,736	9,876
Charges for services	5,101	-	424	5,525
Federal and state grants and subventions	4,451	-	130	4,581
Other	15,313	1,069	11,367	27,749
TOTAL REVENUES	<u>61,001</u>	<u>16,344</u>	<u>16,657</u>	<u>94,002</u>
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	87	-	28	115
Council	610	-	241	851
City Manager	1,161	-	1,700	2,861
City Attorney	2,191	-	222	2,413
City Auditor	44	-	-	44
City Clerk	47	-	79	126
Agencies/Departments:				
Information Technology	27	-	3,070	3,097
Financial Services	823	805	540	2,168
Police Services	1,124	-	181	1,305
Fire Services	3,045	-	3,750	6,795
Life Enrichment:				
Parks and Recreation	13,799	-	389	14,188
Library	424	-	97	521
Museum	273	-	426	699
Aging	1,465	-	-	1,465
Health and Human Services	841	-	-	841
Cultural Arts	-	-	140	140
Community and Economic Development	13,821	-	272	14,093
Public Works	18,954	-	5,504	24,458
Other	7,043	-	2,340	9,383
Capital outlay	165	-	12,697	12,862
Debt service:				
Principal repayment	-	37,650	288	37,938
Bond issuance cost	-	-	826	826
Interest charges	-	44,537	16	44,553
TOTAL EXPENDITURES	<u>65,944</u>	<u>82,992</u>	<u>32,806</u>	<u>181,742</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(4,943)</u>	<u>(66,648)</u>	<u>(16,149)</u>	<u>(87,740)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	38,553	38,553
Property sale proceeds	143	-	-	143
Transfers in	8,083	64,382	-	72,465
Transfers out	(543)	(715)	(7,523)	(8,781)
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,683</u>	<u>63,667</u>	<u>31,030</u>	<u>102,380</u>
NET CHANGE IN FUND BALANCE	2,740	(2,981)	14,881	14,640
Fund balances - beginning, as restated	32,746	73,543	85,470	191,759
FUND BALANCES - ENDING	<u>\$ 35,486</u>	<u>\$ 70,562</u>	<u>\$ 100,351</u>	<u>\$ 206,399</u>

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue
June 30, 2003
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessmt District	Assessment Districts	Other Special Revenue	ORA Projects	Parks and Recreation and Cultural	Total
ASSETS								
Cash and Investments	\$ 17,655	\$ 6,793	\$ 3,513	\$ 1,064	\$ 11,127	\$ -	\$ 1,690	\$ 41,842
Receivables, net:								
Accrued interest and dividends	111	43	27	6	72	-	10	269
Property taxes	-	-	2,581	16	396	-	3	2,996
Accounts receivable	1,415	752	(33)	(115)	(1)	(2)	-	2,016
Due from other funds	2,853	-	-	-	-	2,601	-	5,454
Due from component unit	-	-	1,088	-	-	-	-	1,088
Notes and loans receivable, net	-	-	-	-	7,085	-	-	7,085
TOTAL ASSETS	<u>\$ 22,034</u>	<u>\$ 7,588</u>	<u>\$ 7,176</u>	<u>\$ 971</u>	<u>\$ 18,679</u>	<u>\$ 2,599</u>	<u>\$ 1,703</u>	<u>\$ 60,750</u>
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued liabilities	\$ 222	\$ 172	\$ 397	\$ -	\$ 1,305	\$ 516	\$ 69	\$ 2,681
Due to other funds	-	2,866	-	-	1,105	8,936	-	12,907
Deferred revenues	-	-	2,119	-	7,412	-	-	9,531
Other	(3)	-	-	-	(2)	-	150	145
TOTAL LIABILITIES	<u>219</u>	<u>3,038</u>	<u>2,516</u>	<u>-</u>	<u>9,820</u>	<u>9,452</u>	<u>219</u>	<u>25,264</u>
Fund Balances (Deficit)								
Reserved:								
Encumbrance	2,158	148	68	-	1,599	-	207	4,180
Projects	13,844	1,248	75	154	13,201	-	-	28,522
Unreserved (deficit)	5,813	3,154	4,517	817	(5,941)	(6,853)	1,277	2,784
TOTAL FUND BALANCES (DEFICIT)	<u>21,815</u>	<u>4,550</u>	<u>4,660</u>	<u>971</u>	<u>8,859</u>	<u>(6,853)</u>	<u>1,484</u>	<u>35,486</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 22,034</u>	<u>\$ 7,588</u>	<u>\$ 7,176</u>	<u>\$ 971</u>	<u>\$ 18,679</u>	<u>\$ 2,599</u>	<u>\$ 1,703</u>	<u>\$ 60,750</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue
Year Ended June 30, 2003
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks and Recreation and Cultural	Total
REVENUES								
Taxes:								
Property	\$ -	\$ -	\$ 17,684	\$ 137	\$ 1,494	\$ -	\$ -	\$ 19,315
State:								
Sales and use	10,636	-	-	-	-	-	-	10,636
Gas	-	3,521	-	-	-	-	-	3,521
Licenses and permits	-	-	24	-	-	-	-	24
Fines and penalties	1,292	-	-	-	26	-	-	1,318
Interest and investment income	479	268	72	38	431	(13)	47	1,322
Charges for services	210	-	13	3	4,875	-	-	5,101
Federal and state grants and subventions	375	-	-	-	4,063	-	13	4,451
Other	23	-	3	24	4,091	11,107	65	15,313
TOTAL REVENUES	13,015	3,789	17,796	202	14,980	11,094	125	61,001
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	-	87	-	87
Council	-	-	5	-	18	587	-	610
City Manager	-	-	68	-	816	277	-	1,161
City Attorney	-	-	95	-	483	1,613	-	2,191
City Auditor	-	-	-	-	-	44	-	44
City Clerk	-	-	-	-	-	47	-	47
Agencies/Departments:								
Information Technology	-	-	27	-	-	-	-	27
Financial Services	-	-	228	-	45	550	-	823
Police Services	-	4	4	-	604	512	-	1,124
Fire Services	-	64	-	10	2,924	-	47	3,045
Life Enrichment:								
Parks and Recreation	-	-	13,630	-	162	(1)	8	13,799
Library	-	-	1	-	255	-	168	424
Museum	-	-	264	-	-	-	9	273
Aging	1,099	-	-	-	366	-	-	1,465
Health and Human Services	2	-	-	-	839	-	-	841
Community and Economic Development	-	-	-	-	6,368	7,484	(31)	13,821
Public Works	4,466	9,783	3,991	-	314	399	1	18,954
Other	-	-	-	-	7,042	(1)	2	7,043
Capital outlay	85	-	-	-	-	80	-	165
TOTAL EXPENDITURES	5,652	9,851	18,313	10	20,236	11,678	204	65,944
EXCESS (DEFICIENCY) OF REVENUES								
OVER (UNDER) EXPENDITURES	7,363	(6,062)	(517)	192	(5,256)	(584)	(79)	(4,943)
OTHER FINANCING SOURCES (USES)								
Property sale proceeds	-	-	-	-	167	(25)	1	143
Transfers in	-	-	-	-	8,083	-	-	8,083
Transfers out	-	-	-	-	-	(543)	-	(543)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	8,250	(568)	1	7,683
NET CHANGE IN FUND BALANCES (DEFICIT)	7,363	(6,062)	(517)	192	2,994	(1,152)	(78)	2,740
Fund balances (deficit) - beginning	14,452	10,612	5,177	779	5,865	(5,701)	1,562	32,746
FUND BALANCES (DEFICIT) - ENDING	\$ 21,815	\$ 4,550	\$ 4,660	\$ 971	\$ 8,859	\$ (6,853)	\$ 1,484	\$ 35,486

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, continued
Special Revenue
For the Year Ended June 30, 2003
(In Thousands)

	Traffic Safety and Control				State Gas Tax				Landscaping and Lighting District Assessment			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Taxes:												
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,669	\$ 17,333	\$ 17,684	\$ 351
State:												
Sales and use	6,160	6,871	10,636	3,765	-	-	-	-	-	-	-	-
Gas	-	-	-	-	7,071	7,610	3,521	(4,089)	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	20	8	24	16
Fines and penalties	270	278	1,292	1,014	-	-	-	-	-	-	-	-
Interest and investment income	200	200	479	279	355	188	268	80	30	-	72	72
Charges for services	195	200	210	10	-	-	-	-	26	4	13	9
Federal and state grants and subventions	1,600	1,975	375	(1,600)	-	-	-	-	-	-	-	-
Other	8	43	23	(20)	-	-	-	-	3,396	15	3	(12)
TOTAL REVENUES	8,433	9,567	13,015	3,448	7,426	7,798	3,789	(4,009)	18,141	17,360	17,796	436
EXPENDITURES												
Current:												
Elected and Appointed Officials-												
Council	-	-	-	-	-	-	-	-	-	-	5	(5)
City Manager	-	-	-	-	-	13	-	13	68	68	68	-
City Attorney	-	-	-	-	-	-	-	-	95	95	95	-
Agencies/Departments:												
Information Technology	-	-	-	-	-	-	-	-	26	26	27	(1)
Financial Services	-	-	-	-	-	-	-	-	134	97	228	(131)
Police Services	-	-	-	-	-	-	4	(4)	-	-	4	(4)
Fire Services	-	-	-	-	-	131	64	67	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	-	-	-	-	-	-	13,707	13,657	13,630	27
Library	-	-	-	-	-	-	-	-	-	-	1	(1)
Museum	-	-	-	-	-	-	-	-	281	280	264	16
Aging	875	1,374	1,099	275	-	-	-	-	-	-	-	-
Health and Human Services	2	-	2	(2)	-	-	-	-	-	-	-	-
Community and Economic Development	37	2,936	-	2,936	-	2	-	2	-	-	-	-
Public Works	12,345	14,634	4,466	10,168	8,033	11,646	9,783	1,863	5,439	4,901	3,991	910
Other	2	335	-	335	-	-	-	-	-	726	-	726
Capital outlay	7,368	4,699	85	4,614	-	-	-	-	-	80	-	80
TOTAL EXPENDITURES	20,629	23,978	5,652	18,326	8,033	11,792	9,851	1,941	19,750	19,930	18,313	1,617
EXCESS (DEFICIENCY) OF REVENUES												
OVER (UNDER) EXPENDITURES	(12,196)	(14,411)	7,363	21,774	(607)	(3,994)	(6,062)	(2,068)	(1,609)	(2,570)	(517)	2,053
OTHER FINANCING SOURCES (USES)												
Property sale proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	3,328	-	(3,328)	-	3,039	-	(3,039)	-	2,682	-	(2,682)
Transfers out	-	-	-	-	-	-	-	-	(101)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	3,328	-	(3,328)	-	3,039	-	(3,039)	(101)	2,682	-	(2,682)
NET CHANGE IN FUND BALANCE	(12,196)	(11,083)	7,363	18,446	(607)	(955)	(6,062)	(5,107)	(1,710)	112	(517)	(629)
Fund balances -beginning	-	-	14,452	14,452	-	10,612	10,612	-	-	-	5,177	5,177

FUND BALANCES - ENDING

\$(12,196)

\$(11,083)

\$21,815

\$ 32,898

\$ (607)

\$ 9,657

\$ 4,550

\$(5,107)

\$(1,710)

\$ 112

\$ 4,660

\$ 4,548

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Special Revenue
For the Year Ended June 30, 2003
(In Thousands)

	Assessment Districts				Other Special Revenue			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Taxes:								
Voter-approved special tax	\$ 17	\$ -	\$ 137	\$ 137	\$ 2,091	\$ 2,138	\$ 1,494	\$ (644)
Licenses and permits	8	-	-	-	-	-	-	-
Fines and penalties	-	-	-	-	35	35	26	(9)
Interest and investment income	15	-	38	38	911	-	431	431
Charges for services	-	-	3	3	5,026	5,957	4,875	(1,082)
Federal and state grants and subventions	-	-	-	-	11,681	2,555	4,063	1,508
Other	37	-	24	24	3,850	1,969	4,091	2,122
TOTAL REVENUES	<u>77</u>	<u>-</u>	<u>202</u>	<u>202</u>	<u>23,594</u>	<u>12,654</u>	<u>14,980</u>	<u>2,326</u>
EXPENDITURES								
Current:								
Elected and Appointed Officials-								
Council	-	-	-	-	-	-	18	(18)
City Manager	-	-	-	-	1,025	625	816	(191)
City Attorney	-	-	-	-	464	483	483	-
Agencies/Departments:								
Financial Services	-	-	-	-	164	18	45	(27)
Police Services	-	-	-	-	1,119	1,498	604	894
Fire Services	32	10	10	-	3,188	4,957	2,924	2,033
Life Enrichment:								
Administration	-	-	-	-	73	-	-	-
Parks and Recreation	127	-	-	-	261	188	162	26
Library	-	-	-	-	341	172	255	(83)
Museum	-	-	-	-	1	-	-	-
Aging	-	-	-	-	507	520	366	154
Health and Human Services	-	-	-	-	1,133	1,069	839	230
Community and Economic Development	-	-	-	-	15,320	10,042	6,368	3,674
Public Works	71	-	-	-	1,474	1,320	314	1,006
Other	-	-	-	-	28,111	14,108	7,042	7,066
TOTAL EXPENDITURES	<u>230</u>	<u>10</u>	<u>10</u>	<u>-</u>	<u>53,181</u>	<u>35,000</u>	<u>20,236</u>	<u>14,764</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(153)	(10)	192	202	(29,587)	(22,346)	(5,256)	17,090
OTHER FINANCING SOURCES								
Property sale proceeds	-	-	-	-	-	-	167	167
Transfers in	3,604	-	-	-	-	7,837	8,083	246
Transfers out	-	-	-	-	7,452	1,140	-	(1,140)
TOTAL OTHER FINANCING SOURCES	<u>3,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,452</u>	<u>8,977</u>	<u>8,250</u>	<u>(727)</u>
NET CHANGE IN FUND BALANCE	3,451	(10)	192	202	(22,135)	(13,369)	2,994	16,363
Fund balances - beginning	-	-	779	779	-	-	5,865	5,865
FUND BALANCES - ENDING	<u>\$ 3,451</u>	<u>\$ (10)</u>	<u>\$ 971</u>	<u>\$ 981</u>	<u>\$ (22,135)</u>	<u>\$ (13,369)</u>	<u>\$ 8,859</u>	<u>\$ 22,228</u>

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service
June 30, 2003
(In Thousands)

	<u>General Obligation Bonds</u>	<u>Lease Financing</u>	<u>Civic Improvement</u>	<u>JPFA Fund</u>	<u>Other Assessment Bonds</u>	<u>Special Revenue Bonds</u>	<u>Total</u>
ASSETS							
Cash and investments	\$ 6,748	\$ 311	\$ -	\$ 6	\$ 1,760	\$ 3,393	\$ 12,218
Receivables, net:							
Accrued interest and dividends	38	2	-	(1)	11	15	65
Property taxes	919	-	-	-	821	-	1,740
Due from other funds	-	-	67	-	-	-	67
Restricted cash and investments	3,621	9,008	26,326	-	938	17,831	57,724
Other	-	-	-	-	-	460	460
TOTAL ASSETS	<u>\$ 11,326</u>	<u>\$ 9,321</u>	<u>\$ 26,393</u>	<u>\$ 5</u>	<u>\$ 3,530</u>	<u>\$ 21,699</u>	<u>\$ 72,274</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 29	\$ 33
Due to other funds	-	-	463	-	-	-	463
Deferred revenue	414	-	-	-	802	-	1,216
TOTAL LIABILITIES	<u>418</u>	<u>-</u>	<u>463</u>	<u>-</u>	<u>802</u>	<u>29</u>	<u>1,712</u>
Fund Balances							
Resevered for debt service	10,908	9,321	25,930	5	2,728	21,670	70,562
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,326</u>	<u>\$ 9,321</u>	<u>\$ 26,393</u>	<u>\$ 5</u>	<u>\$ 3,530</u>	<u>\$ 21,699</u>	<u>\$ 72,274</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Debt Service
Year Ended June 30, 2003
(In Thousands)

	<u>General Obligation Bonds</u>	<u>Lease Financing</u>	<u>Civic Improvement</u>	<u>JPFA Fund</u>	<u>Other Assessment Bonds</u>	<u>Special Revenue Bonds</u>
REVENUES						
Property taxes	\$ 11,366	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties	91	-	-	-	-	-
Interest and investment income	252	556	1,879	8	97	1,026
Other	-	-	-	-	1,069	-
TOTAL REVENUES	<u>11,709</u>	<u>556</u>	<u>1,879</u>	<u>8</u>	<u>1,166</u>	<u>1,026</u>
EXPENDITURES						
Current:						
Agencies/Departments:						
Financial Services	22	73	158	3	40	509
Debt Service:						
Principal repayment	3,945	9,643	1,700	1,930	407	20,025
Interest charges	7,471	7,660	462	5,620	464	22,860
TOTAL EXPENDITURES	<u>11,438</u>	<u>17,376</u>	<u>2,320</u>	<u>7,553</u>	<u>911</u>	<u>43,394</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>271</u>	<u>(16,820)</u>	<u>(441)</u>	<u>(7,545)</u>	<u>255</u>	<u>(42,368)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	301	16,842	(4)	7,550	715	38,978
Transfers out	-	-	-	-	(715)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>301</u>	<u>16,842</u>	<u>(4)</u>	<u>7,550</u>	<u>-</u>	<u>38,978</u>
NET CHANGE IN FUND BALANCE	572	22	(445)	5	255	(3,390)
Fund balances - beginning	10,336	9,299	26,375	-	2,473	25,060
FUND BALANCES - ENDING	<u>\$ 10,908</u>	<u>\$ 9,321</u>	<u>\$ 25,930</u>	<u>\$ 5</u>	<u>\$ 2,728</u>	<u>\$ 21,670</u>

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Total

\$ 11,366
91
3,818
1,069
16,344

805

37,650
44,537
82,992

(66,648)

64,382
(715)
63,667

(2,981)
73,543
\$ 70,562

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, continued
Debt Service Funds
For the Year Ended June 30, 2003
(In Thousands)

	General Obligation Bonds				Lease Financing				Civic Improvement		
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual
REVENUES											
Taxes:											
Property	\$ 10,544	\$ 11,443	\$ 11,366	\$ (77)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	91	91	-	-	-	-	-	-	-
Interest and investment income	-	-	252	252	-	-	556	556	-	-	1,879
Other	-	-	-	-	18,488	18,488	-	(18,488)	-	-	-
TOTAL REVENUES	<u>10,544</u>	<u>11,443</u>	<u>11,709</u>	<u>266</u>	<u>18,488</u>	<u>18,488</u>	<u>556</u>	<u>(17,932)</u>	<u>-</u>	<u>-</u>	<u>1,879</u>
EXPENDITURES											
Current:											
Agencies/Departments:											
Financial Services	28	28	22	6	-	-	-	-	160	160	158
Other	10,540	24	-	24	-	-	-	-	3,212	-	-
Debt service:											
Principal repayment	-	-	-	-	-	-	9,643	(9,643)	-	-	1,700
Bond issuance cost	-	-	3,945	(3,945)	-	-	73	(73)	-	-	-
Interest charges	-	11,416	7,471	3,945	22,290	22,290	7,660	14,630	-	3,246	462
TOTAL EXPENDITURES	<u>10,568</u>	<u>11,468</u>	<u>11,438</u>	<u>30</u>	<u>22,290</u>	<u>22,290</u>	<u>17,376</u>	<u>4,914</u>	<u>3,372</u>	<u>3,406</u>	<u>2,320</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(24)</u>	<u>(25)</u>	<u>271</u>	<u>296</u>	<u>(3,802)</u>	<u>(3,802)</u>	<u>(16,820)</u>	<u>(13,018)</u>	<u>(3,372)</u>	<u>(3,406)</u>	<u>(441)</u>
OTHER FINANCING SOURCES (USES)											
Transfers in	-	-	301	301	3,802	3,802	16,842	13,040	3,372	3,406	(4)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>301</u>	<u>301</u>	<u>3,802</u>	<u>3,802</u>	<u>16,842</u>	<u>13,040</u>	<u>3,372</u>	<u>3,406</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCE	<u>(24)</u>	<u>(25)</u>	<u>572</u>	<u>597</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>(445)</u>
Fund balances - beginning	-	-	10,336	10,336	-	-	9,299	9,299	-	-	26,375
FUND BALANCES - ENDING	<u>\$ (24)</u>	<u>\$ (25)</u>	<u>\$ 10,908</u>	<u>\$ 10,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,321</u>	<u>\$ 9,321</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,930</u>

=====

Variance
Positive
(Negative)

\$ -
-
1,879
-
1,879

2
-
(1,700)
-
2,784
1,086

2,965
(3,410)
(3,410)
(445)
26,375
\$ 25,930

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2003
(In Thousands)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Fines and penalties	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ 2	\$ -	\$ (2)	\$ -	\$ -	\$ -	\$ -
Interest and investment income	-	-	8	8	-	-	97	97	-	-	1,026	1,026
Pension annuity distribution	-	-	-	-	-	-	-	-	574	782	-	(782)
Other	-	26	-	(26)	1,012	1,025	1,069	44	1,248	1,248	-	(1,248)
TOTAL REVENUES	<u>-</u>	<u>26</u>	<u>8</u>	<u>(18)</u>	<u>1,016</u>	<u>1,027</u>	<u>1,166</u>	<u>139</u>	<u>1,822</u>	<u>2,030</u>	<u>1,026</u>	<u>(1,004)</u>
EXPENDITURES												
Current:												
Agencies/Departments:												
Financial Services	32	32	3	29	25	25	40	(15)	749	634	509	125
Other	7,128	-	-	-	997	-	-	-	56,160	-	-	-
Debt service:												
Principal repayment	-	-	1,930	(1,930)	-	-	-	-	-	-	20,025	(20,025)
Bond issuance cost	-	-	-	-	-	-	407	(407)	-	-	-	-
Interest charges	-	7,551	5,620	1,931	-	979	464	515	-	57,828	22,860	34,968
TOTAL EXPENDITURES	<u>7,160</u>	<u>7,583</u>	<u>7,553</u>	<u>30</u>	<u>1,022</u>	<u>1,004</u>	<u>911</u>	<u>93</u>	<u>56,909</u>	<u>58,462</u>	<u>43,394</u>	<u>15,068</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,160)</u>	<u>(7,557)</u>	<u>(7,545)</u>	<u>12</u>	<u>(6)</u>	<u>23</u>	<u>255</u>	<u>232</u>	<u>(55,087)</u>	<u>(56,432)</u>	<u>(42,368)</u>	<u>14,064</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	7,308	7,135	7,550	415	713	695	715	20	55,087	56,432	38,978	(17,454)
Transfers out	-	-	-	-	(735)	723	(715)	(1,438)	-	-	-	-
Payment to refund bond escrow agent	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,308</u>	<u>7,135</u>	<u>7,550</u>	<u>415</u>	<u>(22)</u>	<u>1,418</u>	<u>-</u>	<u>(1,418)</u>	<u>55,087</u>	<u>56,432</u>	<u>38,978</u>	<u>(17,454)</u>
NET CHANGE IN FUND BALANCE	<u>148</u>	<u>(422)</u>	<u>5</u>	<u>427</u>	<u>(28)</u>	<u>1,441</u>	<u>255</u>	<u>(1,186)</u>	<u>-</u>	<u>-</u>	<u>(3,390)</u>	<u>(3,390)</u>
Fund balances - beginning	-	-	-	-	-	-	2,473	2,473	-	-	25,060	25,060
FUND BALANCES - ENDING	<u>\$ 148</u>	<u>\$ (422)</u>	<u>\$ 5</u>	<u>\$ 427</u>	<u>\$ (28)</u>	<u>\$ 1,441</u>	<u>\$ 2,728</u>	<u>\$ 1,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,670</u>	<u>\$ 21,670</u>

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Fund - Capital Projects
June 30, 2003
(In Thousands)

	<u>Parks and Recreation</u>	<u>Municipal Capital Improvement</u>	<u>Emergency Services</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 1,949	\$ 5,472	\$ -	\$ 7,421
Receivables, net:				
Accrued interest and dividends	12	32	-	44
Property taxes	-	22	-	22
Accounts receivable	-	2	-	2
Due from other funds	-	1,032	-	1,032
Restricted cash and investments	9,295	80,032	10,852	100,179
Other	-	3	4	7
TOTAL ASSETS	<u>\$11,256</u>	<u>\$ 86,595</u>	<u>\$ 10,856</u>	<u>\$ 108,707</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 611	\$ 3,683	\$ 460	\$ 4,754
Due to other funds	-	-	2,448	2,448
Deferred revenue	-	22	-	22
Matured bonds and interest payable	-	520	-	520
Other	-	612	-	612
TOTAL LIABILITIES	<u>611</u>	<u>4,837</u>	<u>2,908</u>	<u>8,356</u>
Fund balances				
Reserved:				
Encumbrance	8	3,198	426	3,632
Projects	8,035	70,040	14,036	92,111
Unreserved for capital projects	2,602	8,520	(6,514)	4,608
TOTAL FUND BALANCES	<u>10,645</u>	<u>81,758</u>	<u>7,948</u>	<u>100,351</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$11,256</u>	<u>\$ 86,595</u>	<u>\$ 10,856</u>	<u>\$ 108,707</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Fund - Capital Projects
Year Ended June 30, 2003
(In Thousands)

	Parks and Recreation	Municipal Capital Improvement	Emergency Services	Total
REVENUES				
Interest and investment income	\$ 769	\$ 3,887	\$ 80	\$ 4,736
Charges for services	-	424	-	424
Federal and state grants and subventions	25	105	-	130
Other	-	11,326	41	11,367
TOTAL REVENUES	<u>794</u>	<u>15,742</u>	<u>121</u>	<u>16,657</u>
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	-	28	-	28
Council	-	241	-	241
City Manager	-	1,700	-	1,700
City Attorney	14	208	-	222
City Clerk	-	79	-	79
Agencies/departments:				
Information Technology	-	3,070	-	3,070
Financial Services	-	540	-	540
Police Services	-	133	48	181
Fire Services	-	3,427	323	3,750
Life Enrichment:				
Parks and Recreation	105	273	11	389
Library	-	77	20	97
Museum	-	426	-	426
Cultural Arts	4	136	-	140
Community and Economic Development	-	272	-	272
Public Works	1,218	3,389	897	5,504
Other	2,267	73	-	2,340
Capital outlay	1,515	11,084	98	12,697
Debt service				
Principal repayment	-	288	-	288
Bond issuance costs	-	826	-	826
Interest charges	-	16	-	16
TOTAL EXPENDITURES	<u>5,123</u>	<u>26,286</u>	<u>1,397</u>	<u>32,806</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(4,329)</u>	<u>(10,544)</u>	<u>(1,276)</u>	<u>(16,149)</u>
OTHER FINANCING USES				
Issuance of refunding bonds	-	38,553	-	38,553
Transfers out	-	(7,222)	(301)	(7,523)
TOTAL OTHER FINANCING USES	<u>-</u>	<u>31,331</u>	<u>(301)</u>	<u>31,030</u>
NET CHANGE IN FUND BALANCE	<u>(4,329)</u>	<u>20,787</u>	<u>(1,577)</u>	<u>14,881</u>
Fund balances - beginning, as restated	14,974	60,971	9,525	85,470
FUND BALANCES - ENDING	<u>\$ 10,645</u>	<u>\$ 81,758</u>	<u>\$ 7,948</u>	<u>\$ 100,351</u>

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Project Funds
For the Year Ended June 30, 2003
(In Thousands)

	Parks and Recreation				Municipal Improvement Capital				Emergency Services			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Interest and investment income	\$ -	\$ -	\$ 769	\$ 769	\$ -	\$ -	\$ 3,887	\$ 3,887	\$ 116	\$ 53	\$ 80	\$ 27
Charges for services	-	-	-	-	-	-	424	424	-	-	-	-
Federal and state grants and subventions	-	25	25	-	2	-	105	105	-	-	-	-
Other	-	-	-	-	9,045	17,230	11,326	(5,904)	196	-	41	41
TOTAL REVENUES	-	25	794	769	9,047	17,230	15,742	(1,488)	312	53	121	68
EXPENDITURES												
Current:												
Elected and Appointed Officials-												
Mayor	-	-	-	-	16	216	28	188	-	-	-	-
Council	-	-	-	-	(5)	1,701	241	1,460	3	4	-	4
City Manager	-	-	-	-	367	4,196	1,700	2,496	78	80	-	80
City Attorney	14	-	14	(14)	87	216	208	8	-	-	-	-
City Clerk	-	-	-	-	(5)	154	79	75	-	-	-	-
Agencies/Departments:												
Personnel Resource Management	-	-	-	-	(165)	-	-	-	-	-	-	-
Information Technology	-	-	-	-	175	10,678	3,070	7,608	(63)	-	-	-
Financial Services	179	-	-	-	418	1,018	540	478	335	-	-	-
Police Services	-	-	-	-	543	247	133	114	101	95	48	47
Fire Services	-	-	-	-	1	8,857	3,427	5,430	253	82	323	(241)
Life Enrichment:												
Administration	-	-	(32)	32	-	-	-	-	-	-	-	-
Parks and Recreation	114	-	137	(137)	46	1,274	273	1,001	27	26	11	15
Library	-	-	-	-	137	210	77	133	63	145	20	125
Museum	-	-	-	-	(1)	1,285	426	859	-	-	-	-
Aging	-	-	-	-	-	53	-	53	-	-	-	-
Cultural Arts	-	-	4	(4)	1,238	577	136	441	-	-	-	-
Community and Economic Development	-	-	-	-	390	731	272	459	9	-	-	-
Public Works	1,263	-	1,218	(1,218)	24,664	10,028	3,389	6,639	10,884	10,285	897	9,388
Other	-	-	2,267	(2,267)	7,798	-	73	(73)	-	-	-	-
Capital outlay	470	-	1,515	(1,515)	8,421	58,697	11,084	47,613	1,651	248	98	150
Debt service:												
Principal Repayment	-	-	-	-	-	-	288	(288)	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	826	(826)	-	-	-	-
Interest Charges	-	-	-	-	-	578	16	562	-	-	-	-
TOTAL EXPENDITURES	2,040	-	5,123	(5,123)	44,125	100,716	26,286	74,430	13,341	10,965	1,397	9,568
DEFICIENCY OF REVENUES												
UNDER EXPENDITURES	(2,040)	25	(4,329)	(4,354)	(35,078)	(83,486)	(10,544)	72,942	(13,029)	(10,912)	(1,276)	9,636
OTHER FINANCING SOURCES (USES)												
Issuance of refunding bonds	-	-	-	-	-	38,000	38,553	553	-	-	-	-
Transfers in	7,308	238	-	(238)	-	18,067	-	(18,067)	24	117	-	(117)
Transfers out	-	-	-	-	(6,102)	7,222	(7,222)	(14,444)	-	-	(301)	(301)
TOTAL OTHER FINANCING SOURCES (USES)	7,308	238	-	(238)	(6,102)	63,289	31,331	(31,958)	24	117	(301)	(418)
NET CHANGE IN FUND BALANCE	5,268	263	(4,329)	(4,592)	(41,180)	(20,197)	20,787	40,984	(13,005)	(10,795)	(1,577)	9,218
Fund balances - beginning	-	-	14,974	14,974	-	77,131	60,971	(16,160)	-	-	9,525	9,525
FUND BALANCES - ENDING	\$ 5,268	\$ 263	\$ 10,645	\$ 10,382	\$ (41,180)	\$ 56,934	\$ 81,758	\$ 24,824	\$ (13,005)	\$ (10,795)	\$ 7,948	\$ 18,743

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CITY OF OAKLAND
Combining Statement of Net Assets
Internal Service Funds
June 30, 2003
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and Investments	\$ -	\$ 2,989	\$ -	\$ 190	\$ -	\$ 3,179
Inventories	-	-	-	-	1,020	1,020
Accounts receivable	51	98	(3)	1	(8)	139
Total Current assets	<u>51</u>	<u>3,087</u>	<u>(3)</u>	<u>191</u>	<u>1,012</u>	<u>4,338</u>
Restricted assets:						
Restricted cash and investments	15,655	-	-	9	-	15,664
Total Restricted assets:	<u>15,655</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>15,664</u>
Noncurrent assets:						
Capital assets:						
Land and other assets not being depreciated	-	-	310	-	-	310
Facilities and equipment, net of depreciation	28,966	1,089	22	9	-	30,086
Total noncurrent assets	<u>28,966</u>	<u>1,089</u>	<u>332</u>	<u>9</u>	<u>-</u>	<u>30,396</u>
TOTAL ASSETS	<u>44,672</u>	<u>4,176</u>	<u>329</u>	<u>209</u>	<u>1,012</u>	<u>50,398</u>
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	549	34	711	12	(19)	1,287
Due to other funds	797	-	7,840	-	5,604	14,241
Notes payable	5,384	-	-	-	-	5,384
Total current liabilities:	<u>6,730</u>	<u>34</u>	<u>8,551</u>	<u>12</u>	<u>5,585</u>	<u>20,912</u>
Noncurrent liabilities:						
Notes payable	22,311	-	-	-	-	22,311
Total noncurrent liabilities:	<u>22,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,311</u>
TOTAL LIABILITIES	<u>29,041</u>	<u>34</u>	<u>8,551</u>	<u>12</u>	<u>5,585</u>	<u>43,223</u>
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	16,329	2,112	960	147	537	20,085
Unrestricted (deficit)	(698)	2,030	(9,182)	50	(5,110)	(12,910)
TOTAL NET ASSETS (DEFICIT)	<u>\$ 15,631</u>	<u>\$ 4,142</u>	<u>\$ (8,222)</u>	<u>\$ 197</u>	<u>\$ (4,573)</u>	<u>\$ 7,175</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2003
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Total</u>
OPERATING REVENUES						
Charges for services	\$ 11,678	\$ 1,441	\$ 15,131	\$ 1,090	\$ 1,623	\$ 30,963
Other	31	-	1,171	-	-	1,202
TOTAL OPERATING REVENUES	<u>11,709</u>	<u>1,441</u>	<u>16,302</u>	<u>1,090</u>	<u>1,623</u>	<u>32,165</u>
OPERATING EXPENSES						
Personnel	4,947	612	7,717	330	894	14,500
Supplies	2,666	22	964	82	653	4,387
Depreciation and amortization	6,243	250	10	1	-	6,504
Contractual services and supplies	112	28	192	-	58	390
Repairs and maintenance	735	10	1,713	72	1	2,531
General and administrative	1,267	53	2,129	164	267	3,880
Rental	433	123	469	483	19	1,527
Other	1,407	67	4,211	1	814	6,500
TOTAL OPERATING EXPENSES	<u>17,810</u>	<u>1,165</u>	<u>17,405</u>	<u>1,133</u>	<u>2,706</u>	<u>40,219</u>
OPERATING INCOME (LOSS)	(6,101)	276	(1,103)	(43)	(1,083)	(8,054)
NONOPERATING REVENUES (EXPENSES)						
Interest and investment income	265	88	(245)	5	(147)	(34)
Interest expense	(1,266)	-	(40)	-	-	(1,306)
Federal and state grants	405	-	-	-	-	405
Other, net	293	-	-	-	-	293
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(303)</u>	<u>88</u>	<u>(285)</u>	<u>5</u>	<u>(147)</u>	<u>(642)</u>
Changes in net assets	(6,404)	364	(1,388)	(38)	(1,230)	(8,696)
TOTAL NET ASSETS (DEFICIT) - BEGINNING	<u>22,035</u>	<u>3,778</u>	<u>(6,834)</u>	<u>235</u>	<u>(3,343)</u>	<u>15,871</u>
TOTAL NET ASSETS (DEFICIT) - ENDING	<u>\$ 15,631</u>	<u>\$ 4,142</u>	<u>\$ (8,222)</u>	<u>\$ 197</u>	<u>\$ (4,573)</u>	<u>\$ 7,175</u>

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2003
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproductior</u>	<u>Stores</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers, including other funds and cash deposits	\$ 11,795	\$ 1,445	\$ 16,307	\$ 1,094	\$ 1,631	\$ 32,272
Cash received from tenants for rent	-	-	-	-	-	-
Cash paid to employees for services	(4,947)	(612)	(7,717)	(330)	(894)	(14,500)
Cash paid to suppliers for goods and services	<u>(7,176)</u>	<u>(385)</u>	<u>(8,305)</u>	<u>(821)</u>	<u>(590)</u>	<u>(17,277)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(328)</u>	<u>448</u>	<u>285</u>	<u>(57)</u>	<u>147</u>	<u>495</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES						
Operating grants	405	-	-	-	-	405
Operating transfers out	<u>797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>797</u>
NET CASH PROVIDED BY (USED IN) NON CAPITAL FINANCING ACTIVITIES	<u>1,202</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,202</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES						
Acquisition of capital assets	(7,916)	(198)	-	-	-	(8,114)
Repayment of long-term debt	(6,976)	-	-	-	-	(6,976)
Interest paid on long-term debt	<u>(1,266)</u>	<u>-</u>	<u>(285)</u>	<u>-</u>	<u>-</u>	<u>(1,551)</u>
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,158)</u>	<u>(198)</u>	<u>(285)</u>	<u>-</u>	<u>-</u>	<u>(16,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income received	265	88	-	5	-	358
Other investing activities	<u>293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>293</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>558</u>	<u>88</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>651</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(14,726)	338	-	(52)	-	(14,440)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>30,381</u>	<u>2,651</u>	<u>-</u>	<u>251</u>	<u>-</u>	<u>33,283</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 15,655</u>	<u>\$ 2,989</u>	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 18,843</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (6,101)	\$ 276	\$ (1,103)	\$ (43)	\$ (1,083)	\$ (8,054)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	6,243	250	10	1	-	6,504
Changes in Assets and Liabilities:						
Accounts receivable	86	4	5	4	8	107
Inventories	-	-	-	-	(109)	(109)
Accounts payable and accrued liabilities	(556)	(82)	73	(19)	(19)	(603)
Due to other funds	<u>-</u>	<u>-</u>	<u>1,300</u>	<u>-</u>	<u>1,350</u>	<u>2,650</u>
Total Adjustments	<u>5,773</u>	<u>172</u>	<u>1,388</u>	<u>(14)</u>	<u>1,230</u>	<u>8,549</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (328)</u>	<u>\$ 448</u>	<u>\$ 285</u>	<u>\$ (57)</u>	<u>\$ 147</u>	<u>\$ 495</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS						
Cash and investments	\$ -	\$ 2,989	\$ -	\$ 190	\$ -	\$ 3,179
Restricted cash and investments	<u>15,655</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>15,664</u>
TOTAL	<u>\$ 15,655</u>	<u>\$ 2,989</u>	<u>\$ -</u>	<u>\$ 199</u>	<u>\$ -</u>	<u>\$ 18,843</u>

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CITY OF OAKLAND
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2003
(In Thousands)

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 4,641	\$ 55,174	\$ 59,815
Receivables:			
Interest and dividends	41	2,846	2,887
Investments and contributions	-	17,952	17,952
Restricted cash and investments	<u>7,377</u>	<u>686,916</u>	<u>694,293</u>
TOTAL ASSETS	<u>\$ 12,059</u>	<u>\$ 762,888</u>	<u>\$ 774,947</u>
LIABILITIES			
Due to other funds	2,899	-	2,899
Accounts payable and accrued liabilities	391	63,763	64,154
Securities lending liability	<u>-</u>	<u>84,020</u>	<u>84,020</u>
TOTAL LIABILITIES	<u>3,290</u>	<u>147,783</u>	<u>151,073</u>
NET ASSETS HELD IN TRUST	<u>\$ 8,769</u>	<u>\$ 615,105</u>	<u>\$ 623,874</u>

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended June 30, 2003
(In Thousands)

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions:			
Members	\$ 7	\$ 155	\$ 162
Total contributions	<u>7</u>	<u>155</u>	<u>162</u>
Investment Income:			
Net increase (decrease) in fair value of investments	(456)	4,002	3,546
Interest	204	17,645	17,849
Dividends	257	5,012	5,269
Securities Lending Income	<u>-</u>	<u>1,649</u>	<u>1,649</u>
Total investment income, net	<u>5</u>	<u>28,308</u>	<u>28,313</u>
Less investment expense	(47)	(1,637)	(1,684)
Borrowers' rebates and other agent fees and Securities Lending transactions	<u>-</u>	<u>(1,299)</u>	<u>(1,299)</u>
Net investment loss	<u>(42)</u>	<u>25,372</u>	<u>25,330</u>
TOTAL ADDITIONS (LOSS), NET	<u>(35)</u>	<u>25,527</u>	<u>25,492</u>
DEDUCTIONS:			
Disbursements to members and beneficiaries:			
Retirement	979	41,220	42,199
Disability	135	24,146	24,281
Death	<u>6</u>	<u>2,045</u>	<u>2,051</u>
Total Disbursements to Members and Beneficiaries	<u>1,120</u>	<u>67,411</u>	<u>68,531</u>
Administrative expenses	279	695	974
Interest expense - bonds	1	-	1
Reduction in obligation to City	(1,517)	-	(1,517)
Transfer to CALPERS	<u>-</u>	<u>15,004</u>	<u>15,004</u>
TOTAL DEDUCTIONS	<u>(117)</u>	<u>83,110</u>	<u>82,993</u>
CHANGE IN NET ASSETS	82	(57,583)	(57,501)
NET ASSETS - BEGINNING	<u>8,687</u>	<u>672,688</u>	<u>681,375</u>
NET ASSETS - ENDING	<u>\$ 8,769</u>	<u>\$ 615,105</u>	<u>\$ 623,874</u>

CITY OF OAKLAND STATISTICS

TABLE 1

GOVERNMENTAL REVENUES BY SOURCE⁽¹⁾ (In Thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Property Tax	<u>\$114,869</u>	<u>\$120,027</u>	<u>\$122,297</u>	<u>\$119,813</u>	<u>\$135,605</u>	<u>\$140,029</u>	<u>\$155,941</u>	<u>\$162,895</u>	<u>\$163,130</u>	<u>\$ 193,738</u>
State Taxes										
Sales and Use	31,073	32,480	38,774	37,253	40,202	43,808	46,791	52,877	45,749	48,798
Motor Vehicle										
in-lieu	15,004 ⁽²⁾	13,500	14,158	15,080	16,410	17,701	19,314	21,361	22,854	24,259
Cigarette	—	—	—	—	—	—	—	—	—	—
Gas	<u>4,710</u>	<u>6,831</u>	<u>6,935</u>	<u>7,056</u>	<u>7,209</u>	<u>7,389</u>	<u>8,052</u>	<u>10,419</u>	<u>7,705</u>	<u>6,387</u>
Total	<u>50,787</u>	<u>52,811</u>	<u>59,867</u>	<u>59,389</u>	<u>63,821</u>	<u>68,898</u>	<u>74,157</u>	<u>84,657</u>	<u>76,308</u>	<u>79,444</u>
Local Taxes										
Business License	25,583	26,205	28,705	31,935	31,198	31,825	35,845	38,738	42,094	42,020
Utility Consumption	33,133	34,067	32,818	32,783	35,695	36,938	41,592	48,703	49,547	46,581
Real Estate Transfer	13,491	12,317	13,660	17,645	22,716	28,892	34,359	38,309	37,272	42,088
Transient Occupancy	5,554	5,430	6,241	7,321	8,466	9,430	12,100	12,766	10,530	10,863
Parking	3,581	3,988	4,511	4,595	4,837	5,827	5,686	6,762	7,525	8,242
Voter Approved Tax	—	—	—	—	—	—	—	—	5,085	5,359
Franchise	<u>6,605</u>	<u>7,592</u>	<u>7,876</u>	<u>8,579</u>	<u>8,776</u>	<u>8,997</u>	<u>9,084</u>	<u>10,396</u>	<u>10,944</u>	<u>10,824</u>
Total	<u>87,947</u>	<u>89,599</u>	<u>93,811</u>	<u>102,858</u>	<u>111,688</u>	<u>121,909</u>	<u>138,666</u>	<u>155,674</u>	<u>162,997</u>	<u>165,977</u>
Total Taxes	<u>253,603</u>	<u>262,437</u>	<u>275,975</u>	<u>282,060</u>	<u>311,114</u>	<u>330,836</u>	<u>368,764</u>	<u>403,226</u>	<u>402,435</u>	<u>439,159</u>
Licenses and Permits	6,064	5,904	6,880	7,097	7,701	8,061	9,098	11,442	11,758	13,098
Fines and Penalties	8,495	9,722	8,875	10,218	12,494	14,736	15,625	17,111	17,806	20,645
Interest/Investment, net income	50,415	41,503	41,410	41,569	53,401	48,275	35,449	37,116	35,481	40,619
Charges for Services	24,494	26,658	28,373	33,449	34,510	38,192	41,181	50,310	60,840	65,324
Federal and State Grants and Subventions	84,945	77,674	82,114	77,659	85,346	61,334	83,759	75,701	48,234	72,483
Other	<u>10,913</u>	<u>16,257</u>	<u>15,870</u>	<u>20,601</u>	<u>25,312</u>	<u>40,580</u>	<u>17,159</u>	<u>22,001</u>	<u>61,391</u>	<u>70,027</u>
TOTAL⁽¹⁾	<u>\$438,929</u>	<u>\$440,155</u>	<u>\$459,497</u>	<u>\$472,653</u>	<u>\$529,878</u>	<u>\$542,014</u>	<u>\$571,035</u>	<u>\$616,907</u>	<u>\$637,945</u>	<u>\$ 721,355</u>

(1) Reflects revenues of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency.

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

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

Source: City of Oakland, Finance and Management Agency

CITY OF OAKLAND STATISTICS

TABLE 2

GOVERNMENTAL EXPENDITURES⁽¹⁾ (In Thousands)

	1994 ⁽³⁾	1995 ⁽⁴⁾	1996 ⁽⁵⁾	1997 ⁽⁶⁾	1998 ⁽⁷⁾	1999	2000	2001	2002	2003
Elected and Appointed Officials:										
Mayor	\$ 7,378	\$ 857	\$ 954	\$ 864	\$ 893	\$ 1,044	\$ 934	\$ 986	\$ 1,433	\$ 1,444
Council	1,385	1,305	1,388	1,647	2,031	2,237	2,544	3,139	3,042	860
City Manager	10,562	2,784	3,647	2,973	2,790	4,674	6,817	8,904	11,539	10,473
City Attorney	5,192	4,939	4,468	5,692	4,460	4,773	5,259	6,820	9,089	10,081
City Auditor	716	596	615	713	902	1,075	1,079	1,025	1,078	1,099
City Clerk	965	920	1,355	2,093	2,014	2,103	2,235	2,108	1,961	1,849
Total	<u>26,198</u>	<u>11,401</u>	<u>12,427</u>	<u>13,982</u>	<u>13,090</u>	<u>15,906</u>	<u>18,868</u>	<u>22,982</u>	<u>28,142</u>	<u>25,806</u>
Personnel Resource Management	4,838	3,887	4,070	4,200	3,807	4,218	4,054	4,407	3,845	3,779
Marketing & Public Information	1,208	1,243	9	—	—	—	—	—	—	—
Retirement & Risk Administration	511	774	764	895	941	1,110	1,055	1,131	200	258
Communication & Information Services	6,876	5,945	6,618	7,365	6,435	7,932	7,712	6,818	9,202	9,522
General Services	7,103	6,076	176	—	—	—	—	—	—	—
Total	<u>20,536</u>	<u>17,925</u>	<u>11,637</u>	<u>12,460</u>	<u>11,183</u>	<u>13,260</u>	<u>12,821</u>	<u>12,356</u>	<u>13,247</u>	<u>13,559</u>
Agencies:										
Financial Services	6,844	6,521	8,240	8,938	12,166	13,565	15,978	15,327	16,637	17,025
Police Services ⁽⁹⁾	101,835	87,953	89,524	97,721	105,248	114,462	130,662	145,521	151,791	166,266
Fire Services	59,366	49,181	51,303	53,613	58,151	60,637	72,237	77,129	84,239	88,154
Total Public Safety	<u>161,201</u>	<u>137,134</u>	<u>140,827</u>	<u>151,334</u>	<u>163,399</u>	<u>175,099</u>	<u>202,899</u>	<u>222,650</u>	<u>236,030</u>	<u>254,420</u>
Life Enrichment Administration	—	—	—	—	—	—	—	1,693	561	660
Parks & Recreation	23,506	22,176	24,525	24,783	24,526	27,290	41,818	38,180	32,481	28,556
Library	9,142	10,364	11,776	12,906	13,425	14,314	13,871	15,178	16,540	17,096
Museum	5,170	4,485	4,377	4,557	4,815	4,597	5,512	5,707	7,278	7,561
Aging	6,875	6,552	6,958	5,716	6,206	6,981	6,700	7,136	7,285	8,524
Cultural Arts ⁽⁸⁾	—	—	—	—	—	—	1,717	1,972	1,382	1,753
Health&Human Svcs	7,941	9,938	11,046	11,175	14,134	13,868	13,156	14,211	17,283	19,216
Total	<u>52,634</u>	<u>53,515</u>	<u>58,682</u>	<u>59,137</u>	<u>63,106</u>	<u>67,050</u>	<u>82,774</u>	<u>84,077</u>	<u>82,810</u>	<u>83,366</u>
Community & Economic Development	44,573	46,453	60,521	81,247	73,833	73,923	84,394	73,745	118,234	122,715
Public Works	42,369	43,154	47,162	47,618	46,768	42,527	48,504	60,835	52,841	51,458
Payment to unfunded pension	—	27,674	27,034	440,409	—	—	—	—	—	—
Other	7,130	20,515	41,524	23,363	30,906	55,054	48,313	46,773	41,471	36,652
Capital Outlay ⁽¹⁰⁾	65,573	45,894	58,584	85,054	82,702	64,108	18,606	14,397	22,055	27,056
Debt Service	62,260	67,667	68,250	85,365	107,831	104,867	109,887	126,000	101,955	109,588
Total	<u>177,332</u>	<u>204,904</u>	<u>242,554</u>	<u>681,809</u>	<u>268,207</u>	<u>266,556</u>	<u>225,310</u>	<u>248,005</u>	<u>218,322</u>	<u>224,754</u>
TOTAL EXPENDITURES⁽¹⁾	<u>\$489,318</u>	<u>\$477,853</u>	<u>\$534,888</u>	<u>\$1,008,907</u>	<u>\$604,984</u>	<u>\$625,359</u>	<u>\$643,044</u>	<u>\$679,142</u>	<u>\$713,422</u>	<u>\$ 741,645</u>

CITY OF OAKLAND STATISTICS

- (1) Reflects expenditures of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency (ORA).
- (2) 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).
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) The Cultural Arts Department was established during the Fiscal Year 1999-00 budget process as one of Mayor Jerry Brown's major goals.
- (9) The main difference in the Police Services category is due to increased overtime in the FY2002-03 period.
- (10) The difference in Capital Outlay expenditures in FY2003 is mainly divided between an increase in Special Revenue Funds of \$4,800,000 and an increase in Capital Projects Funds of \$6,829,000.

Source: City of Oakland, Finance and Management Agency

CITY OF OAKLAND STATISTICS

TABLE 3

PROPERTY TAX LEVIES AND COLLECTIONS

(In Thousands)

1% TAX ROLL ⁽¹⁾	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Tax Levied	\$ 42,703	\$ 41,841	\$ 44,191	\$ 44,606	\$ 45,176	\$ 47,448	\$ 49,855	\$ 53,376	\$ 56,947	\$ 61,164
% of Increase (decrease)	(5.53%)	(2.02%)	5.61%	0.93%	1.28%	5.03%	5.07%	7.06%	6.69%	7.41%
Total Collected	\$ 40,830	\$ 40,810	\$ 42,830	\$ 43,276	\$ 43,948	\$ 46,138	\$ 47,921	\$ 51,120	\$ 55,270	\$ 59,276
% Collected to Total Tax Levied	95.61%	97.54%	96.92%	97.02%	97.28%	97.24%	96.12%	95.77%	97.06%	96.91%
Delinquent Collections ⁽²⁾	\$ 1,873	\$ 1,031	\$ 1,361	\$ 1,330	\$ 1,228	\$ 1,310	\$ 1,934	\$ 2,256	\$ 1,677	\$ 1,889
VOTER APPROVED DEBT TAX ROLL ⁽³⁾	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Tax Levied	\$ 28,110	\$ 26,665	\$ 30,675	\$ 29,115	\$ 35,745	\$ 35,848	\$ 45,245	\$ 42,225	\$ 49,024	\$ 48,608
% of Increase (decrease)	14.06%	(5.14%)	15.04%	(5.05%)	22.77%	0.29%	26.21%	(6.67)%	16.10%	.0085%
Total Collected	\$ 26,152	\$ 24,962	\$ 29,217	\$ 27,720	\$ 34,229	\$ 34,599	\$ 43,475	\$ 40,748	\$ 46,849	\$ 46,001
% Collected to Total Tax Levied	93.03%	93.61%	95.25%	95.21%	95.76%	96.52%	96.09%	96.50%	95.56%	94.64%
Delinquent Collections ⁽²⁾	\$ 1,958	\$ 1,703	\$ 1,458	\$ 1,395	\$ 1,516	\$ 1,249	\$ 1,770	\$ 1,477	\$ 2,174	\$ 2,440

⁽¹⁾ The maximum tax rate is 1% of the assessed value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

⁽²⁾ Includes delinquent tax, penalty, and interest.

⁽³⁾ Voter approved tax roll for debt is in addition to the 1% rate shown in note (1).

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

**CITY OF OAKLAND
STATISTICS**

TABLE 4

ASSESSED VALUE OF PROPERTY
(In Thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
ASSESSED VALUE ⁽¹⁾										
Land	\$ 5,433,041	\$ 5,638,015	\$ 5,699,770	\$ 5,741,638	\$ 5,848,619	\$ 6,000,890	\$ 6,293,257	\$ 6,645,913	\$ 7,200,754	\$ 7,725,624
Improvements	<u>10,051,559</u>	<u>10,573,856</u>	<u>10,867,072</u>	<u>11,036,651</u>	<u>11,385,631</u>	<u>11,816,263</u>	<u>12,756,685</u>	<u>13,862,254</u>	<u>15,231,115</u>	<u>16,906,517</u>
Total Real Property	\$15,484,600	\$16,211,871	\$16,566,842	\$16,778,289	\$17,234,250	\$17,817,153	\$19,049,942	\$20,508,167	\$22,431,869	\$24,632,141
Personal Property	<u>1,421,620</u>	<u>1,366,412</u>	<u>1,606,001</u>	<u>1,690,311</u>	<u>1,824,028</u>	<u>2,065,964</u>	<u>1,860,397</u>	<u>2,004,626</u>	<u>2,165,091</u>	<u>1,997,630</u>
TOTAL	\$16,906,220	\$17,578,283	\$18,172,843	\$18,468,600	\$19,058,278	\$19,883,117	\$20,910,339	\$22,512,793	\$24,596,960	\$26,629,771
EXEMPTIONS ⁽²⁾										
Homeowners'	\$ 362,801	\$ 370,141	\$ 370,119	\$ 367,809	\$ 367,393	\$ 364,255	\$ 365,882	\$ 369,566	\$ 372,971	\$ 372,195
Other	<u>899,071</u>	<u>1,184,535</u>	<u>1,227,280</u>	<u>1,244,458</u>	<u>1,300,280</u>	<u>1,206,055</u>	<u>1,334,358</u>	<u>1,422,194</u>	<u>1,293,998</u>	<u>1,456,065</u>
TOTAL	\$1,261,872	\$1,554,676	\$1,597,399	\$1,612,267	\$1,667,673	\$1,570,310	\$1,700,240	\$1,791,760	\$1,666,969	\$1,828,260
ASSESSED VALUE (Net of Exemptions)										
	\$15,644,348	\$16,023,607	\$16,575,444	\$16,856,333	\$17,390,605	\$18,312,807	\$19,210,099	\$20,721,033	\$22,929,991	\$24,801,511
Less:										
Redevelopment Tax										
Increments ⁽³⁾	<u>1,995,440</u>	<u>1,742,425</u>	<u>1,750,137</u>	<u>1,646,294</u>	<u>1,747,932</u>	<u>1,881,435</u>	<u>2,193,715</u>	<u>2,452,166</u>	<u>3,057,178</u>	<u>3,524,500</u>
NET ASSESSED VALUE	\$13,648,908	\$14,281,182	\$14,825,307	\$15,210,039	\$15,642,673	\$16,431,372	\$17,016,384	\$18,268,867	\$19,872,813	\$21,277,011
NET INCREASE (DECREASE)	\$ 646,333	\$ 632,274	\$ 544,125	\$ 384,732	\$ 432,634	\$ 788,699	\$ 585,012	\$ 1,252,483	\$1,603,946	\$ 1,404,198
% OF INCREASE (DECREASE)	4.97%	4.63%	3.81%	2.60%	2.84%	5.04%	3.56%	7.36%	8.78%	7.07%

⁽¹⁾ Assessed value (full cash value) of taxable property represents all property within the City. For fiscal year 1981-82 and thereafter, the assessed value is 100% of the full cash value in accordance with State legislation. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.

⁽²⁾ Exemptions are summarized as follows:

- (a) Homeowners' exemption arises from Article XIII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3)(k).
- (b) Other exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).

⁽³⁾ Tax increments are allocations made to the Redevelopment Agency under authority of California Constitution, Article XVI.

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

CITY OF OAKLAND STATISTICS

TABLE 5

PROPERTY TAX RATES Direct and Overlapping Governments (per \$1,000 Assessed Value)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
CITY OF OAKLAND										
General Fund	0.3485%	0.3485%	0.3485%	0.3485%	0.3485%	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⁾	<u>0.0287</u>	<u>0.0295</u>	<u>0.0275</u>	<u>0.0153</u>	<u>0.0629</u>	<u>0.0265</u>	<u>0.0756</u>	<u>0.0391</u>	<u>0.0553</u>	<u>0.0332</u>
Total	0.5347	0.5355	0.5335	0.5213	0.5689	0.5325	0.5816	0.5451	0.5613	0.5382
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⁾	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165	0.2165
Education Debt ⁽¹⁾⁽³⁾	0.0298	0.0238	0.0352	0.0304	0.0332	0.0318	0.0274	0.0923	0.0959	0.0994
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⁾	0.0240	0.0235	0.0230	0.0225	0.0220	0.0167	—	—	—	—
Other ⁽⁴⁾	0.0487	0.0487	0.0487	0.0487	0.0505	0.0505	0.0505	0.0505	0.0505	0.0505
East Bay Municipal Utility Debt	—	—	0.0108	0.0108	0.0096	0.0091	0.0087	0.0085	0.0084	0.0084
East Bay Regional Parks District	0.0260	0.0260	0.0260	0.0260	0.0242	0.0242	0.0242	0.0242	0.0242	0.0242
East Bay Regional Parks District Debt ⁽¹⁾	<u>0.0069</u>	<u>0.0066</u>	<u>0.0094</u>	<u>0.0080</u>	<u>0.0081</u>	<u>0.0092</u>	<u>0.0088</u>	<u>0.0065</u>	<u>0.0072</u>	<u>0.0065</u>
TOTAL	1.2469%	1.2409%	1.2634%	1.2445%	1.2933%	1.2508%	1.2780%	1.3039%	1.3243%	1.3040%

⁽¹⁾ Voter approved debt.

⁽²⁾ 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.

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

**CITY OF OAKLAND
STATISTICS**

TABLE 6

**PRINCIPAL PROPERTY TAXPAYERS
June 30, 2003**

Property Taxpayer	Type of Business	2003 Assessed Valuation	Tax Levy	Percentage of Total Assessed Valuation⁽¹⁾
Oakland City Center LLC	Property Management	\$ 258,495,616	\$ 3,405,321	1.042
Prentiss Properties Acquisition Partners LP	Property Management	120,143,337	1,607,635	0.485
Alameda County Public Facilities Corporation	Health	95,757,600	1,249,230	0.386
1800 Harrison Foundation	Property Management	106,290,475	1,412,820	0.429
Clorox Company	Manufacturing	96,685,749	1,287,276	0.390
Kaiser Center, Inc.	Health	132,856,402	1,475,308	0.536
Lake Merritt Plaza	Property Management	97,818,177	1,302,316	0.394
Owens Illinois Glass Container, Inc.	Manufacturing	66,221,736	891,611	0.267
Webster Street Partners, Ltd.	Professional	70,836,432	949,807	0.286
KSL Claremont Resort, Inc.	Hotel	<u>87,366,074</u>	<u>1,167,054</u>	<u>0.352</u>
ASSESSED PROPERTY VALUATION - NET		<u>\$ 1,132,471,598</u>	<u>\$ 14,748,378</u>	<u>4.567</u>

⁽¹⁾ Based on total assessed value of \$24,801,510,650

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

CITY OF OAKLAND STATISTICS

TABLE 7

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS *(In Thousands)*

	1995	1996	1997	1998	1999	2000	2001	2002	2003
MEDICAL HILL									
Initial Tax Levied and Collected	\$ 449	\$ 271	\$ 273	\$ 274	\$ 275	\$ 278	\$ 276	\$ 278	\$ 275
LIGHTING AND LANDSCAPING DISTRICT									
Initial Tax Levied	15,931	15,930	15,935	15,907	15,909	15,955	15,945	16,100	16,080
Adjustments	<u>(9)</u>	<u>(12)</u>	<u>(40)</u>	<u>(15)</u>	<u>(27)</u>	<u>10</u>	<u>8</u>	<u>4</u>	<u>2</u>
Net Tax Levied	\$ 15,922	\$ 15,918	\$ 15,895	\$ 15,892	\$ 15,882	\$ 15,965	\$ 15,953	\$ 16,104	\$ 16,082
TOTAL COLLECTED	\$ 14,865	\$ 14,938	\$ 14,903	\$ 14,987	\$ 15,010	\$ 15,190	\$ 15,158	\$ 15,258	\$ 15,324
TOTAL UNCOLLECTED	\$ 1,057	\$ 980	\$ 992	\$ 905	\$ 872	\$ 755	\$ 795	\$ 846	\$ 758
FIRE PREVENTION AND SUPPRESSION DISTRICT⁽¹⁾									
Initial Tax Levied	\$ 1,968	\$ 1,957	\$ 1,975	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Adjustment	<u>2</u>	<u>2</u>	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Tax Levied	\$ 1,970	\$ 1,959	\$ 1,972	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TOTAL COLLECTED	\$ 1,855	\$ 1,850	\$ 1,862	\$ —					
TOTAL UNCOLLECTED	\$ 115	\$ 109	\$ 110	\$ —					
LIBRARY SERVICES RETENTION									
Initial Tax Levied	\$ 2,505	\$ 4,303	\$ 4,309	\$ 4,433	\$ 4,518	\$ 4,559	\$ 4,667	\$ 4,909	\$ 5,148
Adjustment	<u>—</u>	<u>(3)</u>	<u>(7)</u>	<u>(3)</u>	<u>—</u>	<u>(15)</u>	<u>(1)</u>	<u>—</u>	<u>—</u>
Net Tax Levied	\$ 2,505	\$ 4,300	\$ 4,302	\$ 4,430	\$ 4,518	\$ 4,544	\$ 4,666	\$ 4,909	\$ 5,148
TOTAL COLLECTED	\$ 2,326	\$ 4,006	\$ 4,045	\$ 4,183	\$ 4,263	\$ 4,329	\$ 4,440	\$ 4,659	\$ 4,915
TOTAL UNCOLLECTED	\$ 179	\$ 294	\$ 257	\$ 247	\$ 255	\$ 215	\$ 226	\$ 250	\$ 233
UTILITIES SPECIAL ASSESSMENT									
Initial Tax Levied	—	—	\$ 1,174	\$ 980	\$ 979	\$ 805	\$ 768	\$ 772	\$ 772
Adjustment	<u>—</u>	<u>—</u>	<u>26</u>	<u>6</u>	<u>13</u>	<u>(1)</u>	<u>3</u>	<u>5</u>	<u>5</u>
Net Tax Levied	—	—	\$ 1,200	\$ 986	\$ 992	\$ 804	\$ 771	\$ 777	\$ 777
TOTAL COLLECTED	—	—	\$ 1,109	\$ 911	\$ 933	\$ 769	\$ 742	\$ 739	\$ 734
TOTAL UNCOLLECTED	—	—	\$ 91	\$ 75	\$ 59	\$ 35	\$ 29	\$ 38	\$ 43
MISCELLANEOUS ASSESSMENTS									
Initial Tax Levied	—	—	—	\$ 287	\$ 271	\$ 243	\$ 246	\$ 249	\$ 272
Adjustment	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Tax Levied	—	—	—	\$ 287	\$ 270	\$ 243	\$ 246	\$ 249	\$ 272
TOTAL COLLECTED	—	—	—	\$ 247	\$ 230	\$ 241	\$ 243	\$ 245	\$ 261
TOTAL UNCOLLECTED	—	—	—	\$ 40	\$ 40	\$ 2	\$ 3	\$ 4	\$ 11
MEDICAL HILL, LIGHTING AND LANDSCAPING DISTRICT, LIBRARY SERVICES RETENTION, UTILITIES SPECIAL ASSESSMENTS AND FIRE PREVENTION AND SUPPRESSION DISTRICT									
Initial Tax Levied	\$ 20,853	\$ 22,461	\$ 23,666	\$ 21,881	\$ 21,952	\$ 21,840	\$ 21,902	\$ 22,308	\$ 22,547
Adjustments	<u>(7)</u>	<u>(13)</u>	<u>(24)</u>	<u>(12)</u>	<u>(15)</u>	<u>(6)</u>	<u>10</u>	<u>9</u>	<u>7</u>
Net Tax Levied	\$ 20,846	\$ 22,448	\$ 23,642	\$ 21,869	\$ 21,937	\$ 21,834	\$ 21,912	\$ 22,317	\$ 22,554
TOTAL COLLECTED	\$ 19,945	\$ 21,065	\$ 22,192	\$ 20,602	\$ 20,711	\$ 20,807	\$ 20,859	\$ 21,179	\$ 21,509
TOTAL UNCOLLECTED	\$ 1,351	\$ 1,383	\$ 1,450	\$ 1,267	\$ 1,226	\$ 1,027	\$ 1,053	\$ 1,138	\$ 1,045

⁽¹⁾ Fire Prevention and Suppression District Assessment expired in 1997.

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

CITY OF OAKLAND
STATISTICS

TABLE 8

COMPUTATION OF LEGAL DEBT MARGIN

June 30, 2003

Total assessed valuation (net of exemptions)	\$ 24,801,510,650
Less redevelopment tax increments	<u>3,518,440,498</u>
Basis of levy ⁽¹⁾	<u>\$ 21,283,070,152</u>
Debt limit:	
3.75 percent of valuation subject to taxation	\$ 798,115,131
Less amount of debt applicable to debt limit	<u>167,350,000</u>
Legal debt margin	<u>\$ 630,765,131</u>

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

**CITY OF OAKLAND
STATISTICS**

TABLE 9

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Total Assessed Value ⁽¹⁾	\$ 16,906	\$ 17,578	\$ 18,173	\$ 18,468	\$ 19,058	\$ 19,883	\$ 20,910	\$ 22,513	\$ 24,597	\$ 26,630
Total Exemptions	<u>(1,262)</u>	<u>(1,554)</u>	<u>(1,598)</u>	<u>1,612</u>	<u>1,668</u>	<u>1,570</u>	<u>1,700</u>	<u>1,792</u>	<u>1,667</u>	<u>1,828</u>
Assessed Value ⁽¹⁾	\$ 15,644	\$ 16,024	\$ 16,575	\$ 16,856	\$ 17,390	\$ 18,313	\$ 19,210	\$ 20,721	\$ 22,930	\$ 24,802
Net Bonded Debt ⁽²⁾	\$ 60,520	\$ 74,025	\$ 71,465	\$ 138,315	\$ 136,135	\$ 132,960	\$ 129,665	\$ 137,080	\$ 133,295	\$ 167,350
Percentage of Net Bonded Debt to Assessed Value	0.387%	0.462%	0.4312%	0.8206%	0.7828%	0.7260%	0.6750%	0.661%	0.5813%	0.6748%
Population ⁽³⁾	384,100	378,091	383,900	387,600	388,100	399,900	402,100	407,000	408,800	412,200
Net Bonded Debt per Capita	\$158	\$196	\$186	\$356	\$351	\$332	\$322	\$337	\$326	\$406

⁽¹⁾ 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.

**CITY OF OAKLAND
STATISTICS**

TABLE 10

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

(In Thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Debt Service⁽¹⁾										
Principal	\$ 15,450	\$ 20,645	\$ 20,080	\$ 22,846	\$ 26,664	\$ 30,457	\$ 36,144	\$ 50,351	\$ 39,686	\$ 50,356
Interest ⁽²⁾	<u>42,602</u>	<u>47,022</u>	<u>48,170</u>	<u>62,519</u>	<u>81,167</u>	<u>74,410</u>	<u>73,743</u>	<u>75,649</u>	<u>58,558</u>	<u>56,073</u>
Total Debt Service	\$ 58,052	\$ 67,667	\$ 68,250	\$ 85,365	\$ 107,831	\$ 104,867	\$ 109,887	\$ 126,000	\$ 98,224	\$ 106,429
Total Expenditures	\$ 489,318	\$ 477,853	\$ 534,888	\$ 1,008,907	\$ 603,984	\$ 625,359	\$ 654,007	\$ 679,142	\$ 713,422	\$ 738,187
Percentage of Debt Service to Total Expenditures	11.86%	14.16%	12.76%	8.37%	17.09%	16.77%	16.80%	18.55%	13.77%	14.42%

⁽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, Finance and Management Agency

CITY OF OAKLAND STATISTICS

TABLE 11

DIRECT AND OVERLAPPING BONDED DEBT

June 30, 2003

	Percentage Applicable to City	City Share of Debt
DIRECT BONDED DEBT		
City of Oakland	100.	\$ 167,350,000
City of Oakland General Fund Obligations Lease Revenue Obligations	100.	604,803,025
City of Oakland 1915 Act Bond Obligations	100.	8,380,000
City of Oakland Pension Special Assessment Obligations	100.	<u>408,939,842</u>
Total Direct Bonded Debt		<u>\$ 1,189,472,867</u>
OVERLAPPING BONDED DEBT		
Alameda-Contra Costa Transit District Certificates of Participation	21.774	\$ 4,858,868
Alameda County Board of Education Public Facilities Corporation	18.304	584,813
Alameda County and Coliseum Authority General Fund Obligation	18.304	100,711,171
Alameda County Pension Obligations	18.304	74,151,002
East Bay Municipal Utility District	20.825	996,476
East Bay Municipal Utility District, Special District #1	52.833	22,047,211
East Bay Regional Park District	10.938	17,553,302
Chabot-Los Positas Community College District Certificates of Participation	1.940	183,815
Peralta Community College District	54.999	61,156,138
Berkeley & Castro Valley Unified School District	0.006 & 0.082	34,870
Oakland Unified School District	99.996	322,556,306
Oakland Unified School District Certificates of Participation	99.996	32,508,700
San Leandro Unified School District	17.125	7,526,782
San Leandro Unified School District Certificates of Participation	17.125	2,762,263
Castro Valley Unified School District Certificates of Participation	0.082	1,829
City of Emeryville 1915 Act Bonds	4.183	<u>510,326</u>
Total Overlapping Bonded Debt		<u>\$ 648,143,872</u>
TOTAL GROSS DIRECT AND OVERLAPPING BONDED DEBT⁽¹⁾		\$ 1,837,616,739
Less: East Bay M.U.D. (100% self-supporting)		996,476
East Bay M.U.D. Special District #1 (100% self supporting)		<u>22,047,211</u>
TOTAL NET DIRECT AND OVERLAPPING BONDED DEBT		<u>\$ 1,814,573,052</u>

2002-03 ASSESSED VALUATION: \$21,283,070,152 (after deducting \$3,518,440,498 redevelopment incremental valuation)

2002-03 POPULATION: 412,200

		Ratio to	
DEBT RATIOS		Per Capita	Assessed Value
General Obligation Bonds	\$ 167,350,000		
Lease Revenue Bonds, Certificates of Participation and Pension Obligation	<u>1,013,742,867</u>		
Net Direct Debt	\$ 1,181,092,867	\$ 2,865	5.55%
Other Direct Debt	<u>8,380,000</u>		
Gross Direct Debt	<u>\$ 1,189,472,867</u>	\$ 2,886	5.59%
Total Gross Debt	\$ 1,837,616,739	\$ 4,458	8.64%
Total Net Debt	\$ 1,814,573,052	\$ 4,402	8.53%

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

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

**CITY OF OAKLAND
STATISTICS**

TABLE 12

REVENUE BOND COVERAGE
(In Thousands)

PORT OF OAKLAND

	1994 ⁽¹⁾	1995	1996	1997	1998	1999	2000	2001	2002	2003
Net Revenue Available for Debt Service	\$59,325	\$61,960	\$68,508	\$72,895	\$79,194	\$79,302	\$83,655	\$98,605	\$85,485	\$94,610
Debt Service Requirements:										
Principal	\$ 1,135	\$ 7,765	\$ 8,040	\$10,140	\$12,095	\$11,620	\$12,180	\$18,920	\$13,810	\$10,638
Interest	<u>24,056</u>	<u>24,166</u>	<u>28,063</u>	<u>24,843</u>	<u>25,564</u>	<u>26,039</u>	<u>25,496</u>	<u>18,757</u>	<u>39,380</u>	<u>46,323</u>
TOTAL	\$25,191	\$31,931	\$36,103	\$34,983	\$37,659	\$37,659	\$37,676	\$37,677	\$53,190	\$56,961
Debt Service Coverage	235.50%	194.04%	189.76%	208.37%	210.29%	210.58%	222.04%	261.71%	160.72%	166.09%

(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⁾

	1994 ⁽¹⁾	1995	1996	1997	1998	1999	2000	2001	2002	2003
Net Revenue Available for Debt Service	\$(1,363)	\$ 896	\$(670)	\$(620)	\$(230)	\$(923)	\$(964)	\$(1,053)	\$(1,181)	\$(1,116)
Debt Service Requirements:										
Principal	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 450	\$ 150	\$ 500	\$ 200	\$ 300
Interest	<u>117</u>	<u>108</u>	<u>105</u>	<u>101</u>	<u>99</u>	<u>79</u>	<u>65</u>	<u>45</u>	<u>24</u>	<u>9</u>
TOTAL	\$ 167	\$ 158	\$ 155	\$ 151	\$ 149	\$ 529	\$ 215	\$ 545	\$ 224	\$ 309
Debt Service Coverage	(816.17)%	567.09%	(432.26)%	(410.60)%	(154.44)%	(174.48)%	(448.37)%	(193.21)%	(527.23)%	(361.17)%

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

Source: City of Oakland, Finance and Management Agency

CITY OF OAKLAND STATISTICS

TABLE 13

ECONOMIC INDICES

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Port Activity⁽¹⁾										
Imports ⁽²⁾	\$18,885	\$18,474	\$15,250	\$14,712	\$16,380	N/A	\$15,734	\$14,672	\$15,600	\$14,584
Exports ⁽²⁾	\$11,835	\$11,267	\$ 9,979	\$ 8,923	\$ 9,771	N/A	\$10,198	\$ 9,161	\$ 7,030	\$ 6,762
Revenue Tons	20,976,711	22,293,355	21,418,402	21,234,151	21,979,993	N/A	23,708,593	24,501,916	22,939,461	22,977,510
Containers	856,583	856,695	858,340	874,665	899,500	N/A	944,136	1,001,918	931,913	968,895
Airport Activity										
Freight ⁽³⁾	950,779	1,077,071	1,131,790	1,287,148	1,414,064	1,456,741	1,430,733	1,480,407	1,294,549	1,422,469
Air Mail ⁽³⁾	79,500	76,651	82,539	71,055	81,159	84,100	78,756	69,854	47,057	11,653
Building Permits										
Issued	8,557	9,692	12,154	12,459	12,545	14,860	16,725	16,879	15,805	15,910
Authorized New Dwelling Units	243	290	180	176	233	181	542	954	757	930
Commercial Value ⁽⁴⁾	\$96,004	\$132,865	\$99,844	\$202,995	\$302,080	\$117,410	\$195,270	\$481,635	\$165,731	\$260,000
Residential Value ⁽⁴⁾	\$51,710	\$ 47,129	\$79,278	\$ 39,425	\$121,006	\$175,115	\$272,170	\$138,570	\$317,792	\$170,527
Taxable Retail Sales ⁽⁵⁾	\$ 1,556	\$ 1,596	\$ 2,596	\$ 3,132	\$ 3,250	\$ 3,812	\$ 3,591	\$ 4,038	\$ 3,783	\$ 3,773
Commercial Bank Activity⁽⁶⁾										
Deposits	\$9,286	\$8,663	\$9,821	\$9,545	\$10,095	N/A	N/A	N/A	N/A	N/A
No. of banks	32	33	28	27	29	N/A	N/A	N/A	N/A	N/A
No. of branches	190	193	195	176	180	N/A	N/A	N/A	N/A	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 (dollars in thousands)

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

**CITY OF OAKLAND
STATISTICS**

TABLE 14

DEMOGRAPHIC STATISTICS

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Population ⁽¹⁾	384,100	378,091	383,900	387,600	388,100	399,900	402,100	407,000	408,800	412,200
Per Capita Income ⁽²⁾	\$26,910	\$28,405	\$29,842	\$29,683	N/A	N/A	\$32,130	\$33,736	\$39,611	\$43,618
Public School Enrollment ⁽³⁾	51,748	50,805	52,452	53,273	53,564	54,191	54,867	55,525	53,108	52,629
Private School Enrollment ⁽⁴⁾	9,494	9,485	9,232	9,328	9,242	9,461	N/A	N/A	N/A	N/A
Alameda County Unemployment Rate ⁽⁵⁾	6.8%	6.2%	5.1%	5.0%	4.2%	3.5%	2.8%	2.9%	6.7%	6.8%

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

⁽²⁾ Demographics Now (website)

⁽³⁾ Oakland Unified School District

⁽⁴⁾ Alameda County Office of Education

⁽⁵⁾ State of California Employment Development Department

**CITY OF OAKLAND
STATISTICS**

TABLE 15

MISCELLANEOUS STATISTICS

June 30, 2003

Date of Incorporation as a Town	March 27, 1852
Date of Incorporation as a City.....	May 25, 1854
Form of government	Mayor/Council
Number of authorized full time employees	3,858
Elected Officials	11
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	35,478
Culture and Recreation	
Library branches	16
Library mobile units	1
Recreation centers.....	23
Parks	106
Park acreage.....	2,500
Golf courses.....	3
Swimming pools.....	5
Tennis courts.....	48
Playgrounds	12
Softball/baseball fields	47
Football and soccer fields.....	13
Headstart centers.....	18
Museums.....	2
Senior Centers.....	5
Fire Protection	
Number of stations.....	25
Number of firefighters	506
Number of civilians	81
Number of firefighters and civilians per thousand population.....	1.42
Number of calls answered	60,819
Number of commercial inspections conducted	1,070

**CITY OF OAKLAND
STATISTICS**

TABLE 15

Police Protection	
Number of stations and substations	2
Number of sworn officers and trainees.....	763
Number of civilians	443
Number of police officers and civilians per thousand population.....	2.89
Sewerage System	
Miles of sanitary sewers	1,300
Miles of storm sewers.....	304
Amount of treatment in gallons daily average.....	72,000,000
Maximum daily capacity of treatment plant in gallons	415,000,000
Water System	
Number of fire hydrants	6,630
Daily average consumption in gallons per family	213
Maximum daily capacity of plant in gallons	385,000,000
Harbor Facilities	
Miles of waterfront	19
Berthing length at wharves.....	24,707 ft
Harbor area	668 acres
Aviation Facilities	
Airports operated	1
Paved airport runways	4
Total length of runways.....	24,520 ft
Area of airport	2,500 acres
Facilities and services not included in the reporting entity	
Education	
Oakland Unified School District	
Number of elementary schools.....	66
Number of secondary schools.....	37
Number of special education schools	2
Area community colleges	5
Area universities and colleges	9
Hospitals	
Number of hospitals.....	12

CITY OF OAKLAND STATISTICS

GENERAL INFORMATION

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

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

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

ALL-AMERICAN CITY

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

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

GOVERNMENT

In November 1998, the citizens of Oakland changed the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor.

CITY OF OAKLAND STATISTICS

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

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

COMMERCIAL SECTORS

Over the last three decades, 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, high tech, 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, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, live performance venues, and a nine-screen movie theater makes Jack London Square a lively nighttime attraction. In addition, new office and retail buildings, public facilities, hotels, a convention center, park enhancements, and outdoor art have created a cosmopolitan environment in the downtown. The City’s increasingly robust neighborhood retail areas are expanding and being revitalized. Abandoned warehouses, foundries and long silent cigar, macaroni, and tent factories are being converted into live/work studios for crafts people.

City departments and processes are being streamlined through the Moving Oakland Forward initiative to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The One-Stop Small Business 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 seventh largest city is strategically positioned as the economic heart of the East Bay. Oakland is ready for the twenty-first century with a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland offers competitively priced office space, a fiber optic infrastructure, and the amenities for both traditional and emerging enterprises.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City’s approximately 400,000 residents earn an average annual household income of \$56,500, with a medium disposable household income of \$43,618. Portions of Oakland are among the wealthiest consumer markets in California; nearly one-quarter of the City’s households report household income in excess of \$75,000. Estimated annual taxable sales were \$3.2 billion in 2001. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

CITY OF OAKLAND STATISTICS

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.

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

In downtown Oakland, Mayor Jerry Brown's "10K Initiative" – a multi-phase program to revitalize the downtown by developing housing for 10,000 new residents or approximately 6,000 new units – is actively underway. The program includes aggressively marketing downtown sites and offering City and Redevelopment agency-owned property to developers. The Agency has development agreements with five developers and is also encouraging the development of 300 privately owned properties, which include vacant lots, parking lots, and vacant/underutilized buildings. Results include: 1,337 units in nine completed projects; 400 units in seven projects under construction; 1,427 units in ten projects with planning approvals; and 1,690 units in seven projects submitted for planning approval. This equals 4,854 units, 81% of the goal of the 10K Initiative.

For the first time in more than 10 years, private developers are building office towers in downtown Oakland. Over the last two years, the City has seen the construction of a half a million square feet of new office space and the renovation of one million square feet of existing office space. These projects include the 20-story Class A office building at 555 City Center developed by the Shorenstein Company and historic buildings that have stood vacant since the Loma Prieta earthquake in 1989 – the Rotunda Building, the Tribune Tower, the Latham Building, the Unity Building, the Sears Building, 1440 Broadway and 1404 Franklin Street. In addition, a new 162-room Courtyard by Marriot hotel opened in March 2002. An additional 2.5 million square feet of new office space has received planning entitlements, and developers are waiting for economic conditions to improve before starting construction.

To enhance the downtown for retail, the City/Redevelopment Agency is constructing \$7 million of sidewalk improvements and pedestrian and transit amenities along Broadway between 9th and 17th Streets. Another \$12.2 million has been budgeted for public improvements, façade improvement programs, site development, and merchant assistance. The Downtown Façade Improvement Program has: completed 33 projects; 27 projects under construction; 40 projects in design; and 6 preliminary applications.

Both Oakland's Maritime and International Airport operations are undergoing major capital improvements. The Maritime Division has added 12 new giant cranes to its cargo handling capacity, reflecting an investment of over \$50 million to connect with the new Joint Intermodal Terminal, and

CITY OF OAKLAND STATISTICS

over \$38 million investment in federal transportation and private funds. This new 85-acre Intermodal Terminal affords Oakland two viable dock-to-rail alternatives to offer shipping customers. This facility will also benefit the community by taking more than 20,000 truck moves a year off the Interstate 80 freeway.

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

The Mayor and City Council have achieved considerable success in their active recruitment of and support for new and existing companies in five major target industries: telecommunications, software/multimedia, biotechnology, transportation, and food processing. The Oakland metro region is now home to more than 2,145 high-tech companies employing more than 52,000 people. According to a recent study by the American Electronics Association, in 2001 the Oakland area was the fastest growing region in California for employment in technology-related businesses. It ranks among the top 20 U.S. cities in high-tech employment.

OAKLAND METRO REGION

High-tech employment	53,297
High-tech establishment	2,145
High-tech payroll	\$3 billion
Average high-tech wage	\$ 56,824

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

HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 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, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with

CITY OF OAKLAND STATISTICS

salmons, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

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

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

Oakland was 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 high-rise office buildings were built in downtown Oakland.

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

CITY OF OAKLAND STATISTICS

The Port of Oakland

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

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

Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and is a leader in on-time performance with 72.6% of its flights out on time. Strategically located at the center of the region, Oakland International handles nearly 13 million passengers and almost 700,000 metric tons of air cargo annually. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Between the two airfields, Oakland International handles more than a half million operations annually, making it the 8th busiest airport in the world. From South Field, there are more than 200 departures daily to domestic and international destinations. The passenger terminal complex consists of two terminals with 22 gates, including an international arrivals building for Oakland's growing international service to such destinations as Guadalajara, Morelia, Leon, Mexico, Paris, and Papeete, Tahiti and the Azores Islands. Service between Oakland and Hawaii was inaugurated in February 2000 and direct flights to New York, JFK and Newark, New Jersey was started. The airport employs approximately 15,900 people. United Airlines and Alaska Airlines operate maintenance facilities at Oakland International.

Air Cargo at Oakland International Airport

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

CITY OF OAKLAND STATISTICS

employed. UPS employs 450 people in its airport sort facility and operates a regional distribution center at the nearby Oakland Airport Business Park.

Mass Transit

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

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

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

EDUCATION

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

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

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

HEALTH CARE

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over

CITY OF OAKLAND STATISTICS

1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

PUBLIC SAFETY

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

Compared to the same period in 2002, January to June 2003 crimes show an overall decrease of 41%. With the exception of homicide, all other categories decreased. The category of rapes decreased by 28%, robbery decreased by 36%, aggravated assault decreased by 38%, burglary decreased by 36%, larceny-theft decreased by 43%, and vehicle theft decreased by 45%.

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. 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.

CRAFTS AND CULTURAL ARTS

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

The Mayor and City Council have established a priority to "Celebrate Arts and Culture to express the creativity and diversity of Oakland." The Craft and Cultural Arts Department, Office of the Mayor, is the City's local arts agency which provides services to the arts community and sponsors culturally

CITY OF OAKLAND STATISTICS

enriching programs, exhibitions, and events to celebrate Oakland's creative and cultural diversity. Through its three program areas, the cultural funding Program, Public Art Program, and Special Projects, the Craft and Cultural Arts Department seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland's rich artistic and cultural heritage at the local, regional, and national level.

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

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

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

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

Oakland Museum of California—One of the world's finest regional museums, the Oakland Museum of California hosts traveling exhibitions each year and maintains three permanent exhibitions featuring California's artistic heritage, history and natural resources. The Museum's permanent and special exhibitions, tours, educational programs and public festivals celebrate the state's far-reaching diversity, attracting over 200,000 visitors and serving more than 60,000 school children annually.

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

Alice Arts Center—The Alice Arts Center is a multi-cultural performing arts complex that is home to the Oakland Ballet, Citicentre Dance Theater, Dimensions Dance Theater and the Oakland Ensemble

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Theater, all founding resident companies. In addition to hosting local, regional and national theater, dance and music productions, rental space for arts events are available.

Kaiser Convention Center—This performing arts and entertainment site, managed by the City, features a 1,800-seat theater, indoor arena and smaller rooms for public and private events.

ARTSHIP—The ARTSHIP Foundation’s floating arts and cultural center is currently moored at the 9th Avenue Terminal and will be converted into one of Oakland’s most unique cultural centers, featuring a range of visual and performing arts productions.

The Oakland School of the Arts—This new Charter School will provide students with intensive pre-professional training in the arts, within a college-preparatory curriculum for grades 8-12, and will be located in the Alice Arts Center.

SPORTS

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

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.