



CITY OF OAKLAND, CALIFORNIA

REDEVELOPMENT AGENCY

A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND
FOR THE YEAR ENDED JUNE 30, 2010

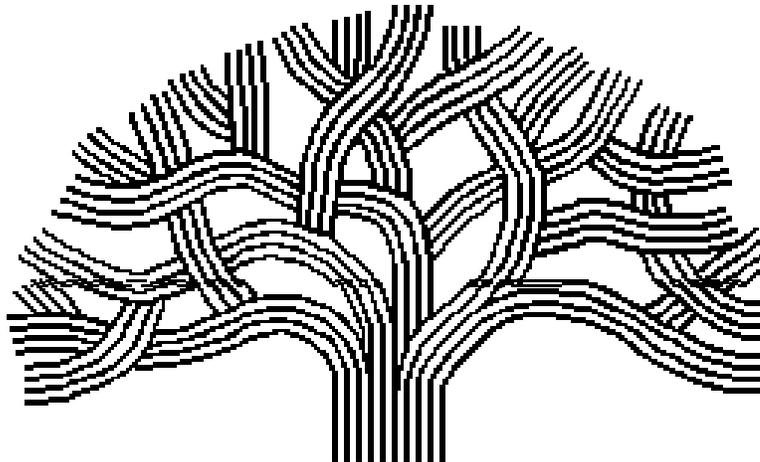
REDEVELOPMENT AGENCY

of the

CITY OF OAKLAND

CALIFORNIA

(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)



**Basic Financial Statements
and
Supplemental Information**

Fiscal Year Ended June 30, 2010

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

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City Administrator's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Agency as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2010 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Macias Gini & Connell LLP
Certified Public Accountants
Oakland, California

November 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

This section of the Redevelopment Agency of the City of Oakland ("Agency") Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency's financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The Agency's total assets exceeded its total liabilities by \$219.0 million compared to \$253.4 million for the previous fiscal year. This represents a net decrease of \$34.4 million or 13.6 percent compared to previous year. The net change was driven primarily by the revenue shift of \$41.1 million of property tax increment to the Supplemental Education Revenue Augmentation Fund (SERAF).
- For the year ended June 30, 2010, the Agency's governmental fund balances were \$551.9 million compared to \$616.4 million in the previous fiscal year, an decrease of 10.5 percent or \$64.5 million. The changes in fund balance are primarily attributable to the \$41.1 million SERAF payment and a decrease of \$19.4 million in tax increment revenue. The \$551.9 million fund balance is distributed by redevelopment project area as follows: 25.3 percent or \$139.4 million for the Central District; 19.0 percent or \$104.8 million for the Coliseum; 15.1 percent or \$83.4 million for Central City East; 18.0 percent or \$99.3 million for Low and Moderate Housing; 14.8 percent or \$81.6 million for the Oakland Army Base; 0.81 percent or \$4.5 million for debt service funds; and 7.1 percent or \$39.0 million for Nonmajor Governmental Funds.
- As of June 30, 2010, the Agency has a total of \$512.5 million in long-term obligations outstanding compared to \$531.1 million in prior fiscal year, a decrease of 3.5 percent or \$18.6 million. Long-term liability includes \$493.2 million in bonds, \$5.8 million remediation obligations and \$13.5 million advances from the primary government.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to introduce the Agency's basic financial statements. The Agency's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements

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

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

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

The government-wide financial statements distinguish functions of the Agency that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include urban redevelopment and housing. The Agency does not engage in any business-type activities.

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

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts, which are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Agency are governmental funds.

Governmental Funds

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

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

By doing so, readers may better understand the long-term impact of the Agency's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Agency maintains 11 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the Central District Fund, Coliseum Fund, Central City East Fund, Low and Moderate Housing Fund, Oakland Army Base and Debt Service Fund, all of which are considered to be major funds. Data from the remaining funds are combined in a single, aggregated presentation as non-major governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements immediately following the notes to the basic financial statements in this report.

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18-39 of this report.

Other information

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

Government-wide Financial Statements Analysis

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

Analysis of Net Assets

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$219.0 million at the close of the fiscal year ended June 30, 2010.

As of the end of the fiscal year, the Agency had restricted net assets of \$551.3 million. The restricted net assets include \$4.5 million reserved for debt service, \$99.3 million reserved for low and moderate housing, and the remaining balance of \$447.6 million represents resources that are subject to external restrictions. The Agency's invested in capital assets is \$6.6 million and its deficit in unrestricted net assets of \$338.9 million is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

**Statement of Net Assets
Governmental Activities**

(In thousands)

	June 30, 2010	June 30, 2009
Assets:		
Current and other assets	\$ 596,475	\$ 686,267
Property held for resale	163,919	129,870
Fixed Assets	6,600	6,735
Total assets	766,994	822,872
Liabilities:		
Long-term liabilities	512,527	531,129
Other liabilities	35,460	38,335
Total liabilities	547,987	569,464
Net assets:		
Investments in capital assets, net of related debt	6,600	6,735
Restricted for:		
Debt service	4,467	5,434
Low and moderate housing	99,264	102,964
Urban redevelopment projects and housing (1)	447,575	468,416
Unrestricted	(338,899)	(330,141)
Total net assets	\$ 219,007	\$ 253,408

(1) Restricted net assets for debt service is reported in urban redevelopment projects and housing in FY 2009.

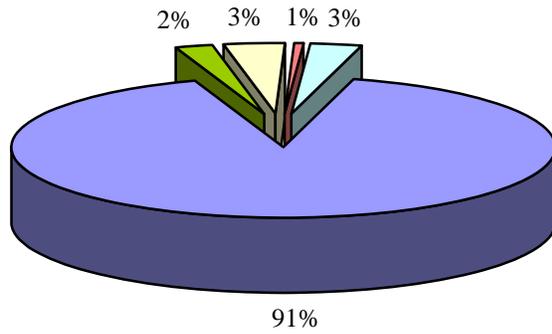
Governmental activities. The Agency's net assets decreased by \$34.4 million or 13.6 percent in fiscal year ended June 30, 2010. Key elements of this decrease are as follows:

**Changes in Net Assets
Governmental Activities**

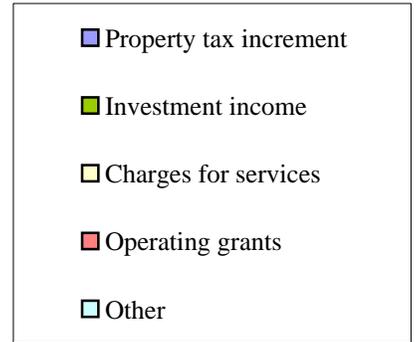
(In thousands)

	June 30, 2010	June 30, 2009
Revenues:		
Program revenues:		
Charges for services	\$ 4,314	\$ 5,448
Operating grants and reimbursements	750	2,714
General revenues:		
Property tax increment	112,186	131,688
Investment income	3,074	11,253
Other	3,740	15,934
Total general revenues	119,000	158,875
Total program and general revenues	124,064	167,037
Expenses:		
Urban redevelopment and housing development	89,367	86,093
Supplemental Education Revenue Augmentation Fund Payment	41,114	-
Interest on long-term debt	27,984	27,912
Total expenses	158,465	114,005
Increase in net assets	(34,401)	53,032
Net assets, beginning of year	253,408	200,376
Net assets, end of year	\$ 219,007	\$ 253,408

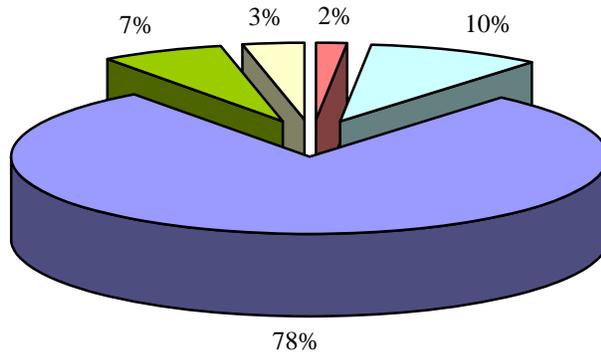
**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2009-10**



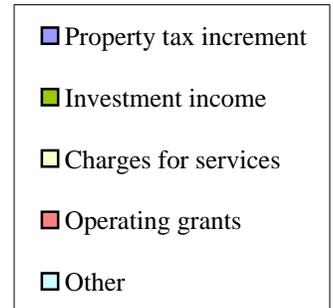
Total Revenues \$124,064



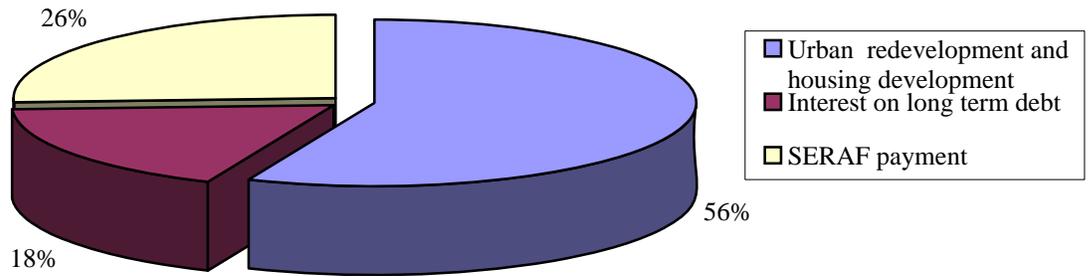
**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2008-09**



Total Revenues \$167,037

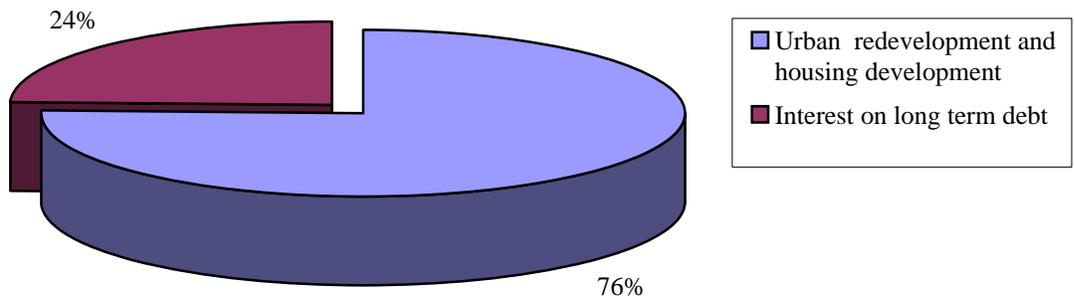


**Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2009-10**



Total Expenses \$158,465

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



Total Expenses \$114,005

Analysis of Changes in Net Assets

The expenses in governmental activities for the Agency exceeded revenues by \$34.4 million for the year ended June 30, 2010. This represents a decrease of 164.9 percent or \$87.4 million compared to the prior year's change in net assets of \$53.0 million. The decrease is primarily attributed to a \$43.0 million decrease in revenues and a \$44.4 million increase in total spending.

During fiscal year 2009-2010, the Agency's revenues decreased by \$43.0 million or 25.7 percent compared to the previous fiscal year. All major revenue categories experienced double digit decreases. Contributing to the decrease in total revenue is tax increment which reduced by \$19.5 million or 14.8 percent, primarily due to lower assessment value on properties; other revenues also decreased by \$12.2 million or 76.5 percent; investment income decreased by \$8.2 million reflects the low interest rate environment during the year; charges for services drop of \$1.1 million or 20.8 percent; and operating grants decreased by \$2.0 million or 72.4 percent during this difficult economic period.

Conversely, government-wide expenses increased by \$44.4 million or 38.8 percent. The increase is primarily attributable to the \$41.1 million SERAF payment and \$3.3 million increase in expenses related to Coliseum project area.

Financial Analysis of the Agency's Fund Balances

As of June 30, 2010, the Agency's governmental funds reported combined ending fund balances of \$551.9 million, a decrease of 10.5 percent or \$64.5 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$36.3 million decrease in revenues, a \$7.5 million increase in spending and a \$38.0 million decrease in other financing sources.

The revenue decrease is mainly attributed to a \$17.1 million decrease in tax increment; a \$12.7 million decrease in other revenue, and an \$8.2 million decrease in interest and investment income offset by a \$1.7 million increase in rents and reimbursements.

The increase in spending is primarily attributed the \$41.1 million SERAF payment offset by a \$5.6 million reduction in urban redevelopment and housing spending and a \$29.3 million reduction in principal repayment of bonds and advances. The decrease in principal repayment represents a \$16.5 million repayment toward the Central District advance and a \$12.4 million repayment of the tax allocation bond, series 2005, in FY2009.

The decrease in other financing sources largely attributed to the debt restructuring on March 23, 2009. As a result of the debt restructuring, the Agency received \$38.0 million in bond proceeds along with the retirement of the 2005 series tax allocation bonds.

City of Oakland
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
(In thousands)

	June 30, 2010	June 30, 2009
Revenues:		
Property tax increment	\$ 114,411	\$ 131,536
Investment income	3,074	11,253
Rents and reimbursements	8,385	6,733
Other	3,268	15,934
Total general revenues	<u>129,138</u>	<u>165,456</u>
Expenditures:		
Urban redevelopment and housing	106,755	112,306
Supplemental Education Revenue Augmentation Fund Payment	41,114	-
Payment on advances	656	17,245
Retirement of long-term debt	16,865	29,620
Interest on long-term debt	28,252	26,391
Bond issuance cost	-	601
Total expenses	<u>193,642</u>	<u>186,163</u>
Other Financing Sources (Uses)		
Tax allocation bonds issued	-	38,755
Discount on bonds issuance	-	(779)
Total other financing sources	<u>-</u>	<u>37,976</u>
Change in fund balance	(64,504)	17,269
Beginning fund balance	616,439	599,170
Fund Balance at End of the Year	<u>\$ 551,935</u>	<u>\$ 616,439</u>

Budgetary Data

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

Capital Assets and Debt Administration

Capital assets

The Agency has capital assets of \$8.1 million, before depreciation, which includes the Henry J. Robinson Multi-Service Center facility that provides service to the disadvantaged persons living within or near the Central District Redevelopment Project Area as major transitional housing, emergency shelter, and drop-in programs for the homeless population in Oakland; and the Fox Theater property which is leased to Fox Oakland Theater, Inc. ("FOT") through a 60 year long-term lease. Fixed assets for the fiscal year ended June 30, 2010 are reported as \$6.6 million, net of accumulated depreciation.

Long-term debt

At June 30, 2010, the Agency had total outstanding long-term debt of \$488.9 million, a decrease of \$16.9 million or 3.3 percent from the prior fiscal year. The decrease represents the repayment of debts.

Bond Ratings

The Agency's bond ratings at June 30, 2010 are as follows (in thousands):

	<u>Moody's</u>	<u>Standard & Poors</u>	<u>Fitch JBCA</u>	<u>Balance Outstanding</u>
Tax allocation	A2	A+/A-	N/A	\$ 404,275
Housing set-aside revenue bonds	A2	A+	A+	84,510
General obligation bonds	N/A	N/A	N/A	115
TOTAL				<u>\$ 488,900</u>

Long-term liabilities at the end of June 30, 2010 and June 30, 2009 are comprised of the following (in thousands):

	<u>FY 2010</u>	<u>FY 2009</u>
Bonds Payable:		
Tax allocation bonds payable	\$ 404,275	\$ 418,520
Housing set-aside revenue bonds	84,510	87,075
General obligation bonds	115	170
Total Bonds Payable	<u>488,900</u>	<u>505,765</u>
Other Long-Term Liabilities:		
Deferred amounts, net	4,322	5,083
Uptown remediation costs	7	7
OBRA remediation costs	5,500	5,500
Other remediation costs	300	620
Advances from City of Oakland	13,498	14,154
Total Other Long-Term Liabilities	<u>23,627</u>	<u>25,364</u>
Total Long-Term Obligations	<u>\$ 512,527</u>	<u>\$ 531,129</u>

Other Potentially Significant Matters

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2010

(In thousands)

	Governmental Activities
ASSETS	
Cash and investments	\$ 220,898
Accrued interest receivable	653
Accounts receivable (net of allowance for uncollectibles of \$226)	2,440
Due from the City of Oakland	13,842
Due from other government	36
Notes receivable (net of allowance for uncollectibles of \$47,018)	156,038
Restricted cash and investments	192,471
Property held for resale	163,919
Other assets	2,032
Deferred charges - bond issuance costs	8,065
Capital assets:	
Land and other assets not being depreciated	3,377
Facilities and equipment, net of depreciation	3,223
TOTAL ASSETS	766,994
LIABILITIES	
Accounts payable and accrued liabilities	3,211
Accrued interest payable	9,278
Due to the City of Oakland	10,898
Due to other governments	11,475
Deposits and other liabilities	598
Non-current liabilities:	
Due within one year	22,504
Due in more than one year	490,023
TOTAL LIABILITIES	547,987
NET ASSETS (Deficit)	
Invested in capital assets	6,600
Restricted for:	
Debt service	4,467
Low and moderate housing	99,264
Urban redevelopment projects	447,575
Unrestricted net assets (deficit)	(338,899)
TOTAL NET ASSETS	\$ 219,007

See accompanying notes to the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Activities
For the year ended June 30, 2010
(In thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Urban redevelopment	\$ 81,744	\$ 4,314	\$ 750	\$ (76,680)
Housing development	7,623	-	-	(7,623)
Supplemental Education Revenue				
Augmentation Fund Payment	41,114	-	-	(41,114)
Interest on long-term debt	27,984	-	-	(27,984)
Total governmental activities	\$ 158,465	\$ 4,314	\$ 750	(153,401)
General Revenues:				
Property tax increment				112,186
Investment income				3,074
Other				3,740
Total general revenues				119,000
Change in net assets				(34,401)
Net assets at beginning of year				253,408
Net assets at end of year				\$ 219,007

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2010
(In thousands)

	Capital Projects					Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base			
ASSETS								
Cash and investments	\$ 45,166	\$ 31,503	\$ 19,153	\$ 61,753	\$ 35,171	\$ 612	\$ 27,540	\$ 220,898
Accrued interest receivable	156	85	54	184	97	1	76	653
Accounts receivable (net of allowance for uncollectibles of \$226)	145	-	-	-	2,178	-	117	2,440
Due from other governments	-	10	2	-	2	-	22	36
Due from the City	1,805	-	-	143	-	-	173	2,121
Advances to the City	9,988	-	-	1,465	-	-	268	11,721
Notes receivable (net of allowance for uncollectibles of \$47,018)	47,931	1,792	-	103,473	342	-	2,500	156,038
Property held for resale	61,845	30,718	9,992	8,013	48,940	-	4,411	163,919
Other assets	-	32	-	-	-	-	-	32
Restricted cash and investments	40,167	49,806	57,563	30,195	-	3,854	10,886	192,471
TOTAL ASSETS	\$ 207,203	\$ 113,946	\$ 86,764	\$ 205,226	\$ 86,730	\$ 4,467	\$ 45,993	\$ 750,329
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and accrued liabilities	\$ 236	\$ 719	\$ 616	\$ 610	\$ 639	\$ -	\$ 391	\$ 3,211
Due to the City	4,238	2,269	1,093	267	984	-	2,047	10,898
Due to other governments	3,140	4,373	1,613	-	775	-	1,574	11,475
Deposits and other liabilities	305	-	-	4	245	-	44	598
Deferred revenue	59,855	1,792	-	105,081	2,520	-	2,964	172,212
TOTAL LIABILITIES	67,774	9,153	3,322	105,962	5,163	-	7,020	198,394
FUND BALANCES								
Reserved for property held for resale	61,845	30,718	9,992	8,013	48,940	-	4,411	163,919
Reserved for approved capital projects/activities	77,584	74,075	73,450	91,251	32,627	-	33,933	382,920
Reserved for debt service	-	-	-	-	-	4,467	-	4,467
Unreserved reported in Capital Project Funds	-	-	-	-	-	-	629	629
TOTAL FUND BALANCES	139,429	104,793	83,442	99,264	81,567	4,467	38,973	551,935
TOTAL LIABILITIES AND FUND BALANCE:	\$ 207,203	\$ 113,946	\$ 86,764	\$ 205,226	\$ 86,730	\$ 4,467	\$ 45,993	\$ 750,329

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Governmental Funds

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

June 30, 2010

(In thousands)

Fund balance - total governmental funds \$ 551,935

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.

Capital assets at beginning of year	\$	6,735	
Capital assets additions		17	
Capital assets depreciation		(152)	6,600

Bond issuance costs are expended in the governmental funds when paid and are
capitalized and amortized over the life of the corresponding bonds for the purposes
of the governmental activities on the statement of net assets. 8,065

Prepaid leases are expended in the governmental funds when paid and are capitalized
and amortized over the life of the lease for governmental activities. 2,000

Interest on long-term debt is not accrued in the governmental funds, but rather is
recognized as an expenditure when due. (9,278)

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. 172,212

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

Type	Amount	
Tax allocation bonds	\$ (404,275)	
Housing set-aside revenue bonds	(84,510)	
General obligation bonds	(115)	
Issuance premiums	(8,774)	
Issuance discounts	698	
Refunding loss	3,754	
Other remediation cost	(300)	
Uptown remediation costs	(7)	
Oakland Army Base remediation costs	(5,500)	
Advances from the City of Oakland	(13,498)	
Subtotal		(512,527)

Net assets of governmental activities \$ 219,007

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010
(In thousands)

	<u>Capital Projects</u>						Nonmajor Governmental Funds	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service		
REVENUES								
Tax increment	\$ 57,605	\$ 26,905	\$ 11,622	\$ -	\$ 6,095	\$ -	\$ 12,184	\$ 114,411
Interest on restricted investments	11	9	-	25	-	275	-	320
Interest on pooled investments	452	417	280	729	435	13	360	2,686
Interest on notes receivable	-	34	-	-	-	-	34	68
Rents and reimbursements	3,222	15	-	-	1,960	-	3,188	8,385
Other	1,397	71	20	1,403	26	-	351	3,268
TOTAL REVENUES	<u>62,687</u>	<u>27,451</u>	<u>11,922</u>	<u>2,157</u>	<u>8,516</u>	<u>288</u>	<u>16,117</u>	<u>129,138</u>
EXPENDITURES								
Current:								
Urban redevelopment and housing	25,674	21,916	17,643	17,798	5,621	161	17,942	106,755
Supplemental Education Revenue								
Augmentation Fund Payment	7,039	13,374	9,380	-	3,215	-	8,106	41,114
Debt Service:								
Payment on advances	-	-	-	-	-	473	183	656
Retirement of long-term debt	-	-	-	-	-	16,865	-	16,865
Interest	-	-	-	-	-	27,435	817	28,252
TOTAL EXPENDITURES	<u>32,713</u>	<u>35,290</u>	<u>27,023</u>	<u>17,798</u>	<u>8,836</u>	<u>44,934</u>	<u>27,048</u>	<u>193,642</u>
Excess (deficiency) of revenues over expenditures	29,974	(7,839)	(15,101)	(15,641)	(320)	(44,646)	(10,931)	(64,504)
OTHER FINANCING SOURCES (USES)								
Transfers in	1,941	2,371	3,164	28,324	404	43,729	3,808	83,741
Transfers out	(40,338)	(13,212)	(7,415)	(16,383)	(1,524)	(50)	(4,819)	(83,741)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(38,397)</u>	<u>(10,841)</u>	<u>(4,251)</u>	<u>11,941</u>	<u>(1,120)</u>	<u>43,679</u>	<u>(1,011)</u>	<u>-</u>
Change in fund balances	(8,423)	(18,680)	(19,352)	(3,700)	(1,440)	(967)	(11,942)	(64,504)
Fund balances at beginning of year	147,852	123,473	102,794	102,964	83,007	5,434	50,915	616,439
FUND BALANCES AT END OF YEAR	<u>\$ 139,429</u>	<u>\$ 104,793</u>	<u>\$ 83,442</u>	<u>\$ 99,264</u>	<u>\$ 81,567</u>	<u>\$ 4,467</u>	<u>\$ 38,973</u>	<u>\$ 551,935</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2010
(In thousands)

Net change in fund balances - total governmental funds	\$	(64,504)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets cost is allocated over their estimated useful lives and reported as depreciation expenses in the current period.

Capital asset acquisition	\$	17	
Depreciation		<u>(152)</u>	(135)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.

Change in deferred revenue	\$	(5,074)	
New notes and loans		<u>15,203</u>	10,129

Prepaid leases are expended in the governmental funds when paid and are capitalized and amortized over the life of the lease for governmental activities.

2,000

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of bond issuance costs	\$	(578)	
Retirement of long-term debt		16,865	
Payment on advances		656	
Amortization of premiums and discounts		1,044	
Amortization of refunding loss		(283)	
Net changes in remediation cost		<u>320</u>	18,024

Additional accrued interest on bonds payable		<u>85</u>
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Change in net assets of governmental activities	\$	<u><u>(34,401)</u></u>
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See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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

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

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

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

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include rents, grants, contributions and charges for use of property owned. Taxes and other items not properly included as program revenues are reported instead as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

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

The Agency's governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. The Agency uses the *purchases method* to account for expenditures, and accordingly, no prepaid items are reported.

Property taxes and interest associated with the current fiscal period, using the modified accrual basis of accounting as described above, are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Agency considers property tax revenues to be available for the year levied if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered available if they are collected within 120 days of end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, except for debt service expenditures are recorded only when payment is due.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

The Agency reports the following major governmental funds:

Capital project funds:

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

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

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

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

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

Debt Service funds:

The Debt Service Fund accounts for the accumulation of resources and the payment of Tax Allocation bonds, Subordinated Housing Set-Aside bonds, and General Obligation bonds' principal, interest and related costs.

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

Investments

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2010, and reflects the values as if the Agency were to liquidate the securities

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

Pooled Cash and Investments

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

Restricted Cash and Investments

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

Property Held for Resale

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

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

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

Capital Assets

Capital assets, which include land, facilities and improvements, furniture, machinery, equipment and infrastructure, are reported in the governmental activities column in the government-wide financial statements. Capital assets, as defined by the Agency, are assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the Agency governmental funds and as assets in the government-wide financial statements to the extent the Agency's capitalization threshold is met.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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

Depreciation of capital assets such as facilities and improvements is provided on the straight-line basis over useful life of 5 – 40 years.

Environmental Remediation Costs

Expenditures for environmental remediation of real properties acquired by purchase or donation are added to the recorded amounts of property held for resale when incurred. All estimated environmental remediation costs that would result in the recorded amount of property held for resale exceeding estimated net realizable values are accrued as expenses when such amounts become known.

Fund Equity

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

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

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

Reserved for debt service – To account for fund balance reserved for the payment of debt service requirements in subsequent years.

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

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

Under various agreements with the United States Department of the Army (Army), the use of substantially all assets of approximately 366 acres of the former Oakland Army Base and related lease income is restricted for the operation, maintenance and economic development of real properties, facilities and improvements from June 16, 1999 to August 7, 2010 with a two year extension. At June 30, 2010, the Oakland Army Base capital project fund reported reserved fund balance of \$81.6 million which included \$48.9 million in property held for resale.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Tax Increment Revenue

Incremental property tax revenues represent taxes collected on the redevelopment areas from the excess of taxes levied and collected over that amount which was levied and collected in the base year (the year of project inception) property tax assessment. The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the Agency. Incremental property taxes are assessed and levied as of January 1, and result in a lien on real property. Incremental property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively.

Budgetary Data

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

Deferred Revenue

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

Long-term Obligations

In the government-wide statement of net assets, long-term debt and other long-term obligations are reported as liabilities. Bond premium, discount and deferred refunding losses, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium, discount and deferred refunding losses. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Estimates

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

(3) CASH AND INVESTMENTS

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

The Agency's cash and investments consist of the following at June 30, 2010 (in thousands):

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$ 220,898
Restricted cash and investments	<u>192,471</u>
Total cash and investments	<u>\$ 413,369</u>

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

The Agency maintains all of its unrestricted investments in a cash and investment pool. As of June 30, 2010, the Agency's cash and investment pool totaled \$220.9 million. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2010 the Agency's investment in LAIF was \$52.1 million (\$49.5 million in pooled cash and investments and \$2.6 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$23.3 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$69.4 billion. Of that amount, 94.58% is invested in non-derivative financial products and 5.42% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members, as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the Agency's position in the pool.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Custodial Credit Risk:

At June 30, 2010, the carrying amount of the Agency's deposits was \$3.7 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, \$0.8 million was FDIC insured and \$2.9 million was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The Agency's investment policy has mitigated credit risk by limiting investments to the safest types of securities. Additionally, the Agency prequalifies financial institutions, diversifies its portfolio and has established monitoring procedures. The following tables show the Agency's credit risk as rated by Moody's for the Pooled and Restricted portfolios as of June 30, 2010 (in thousands):

Pooled Cash and Investments

Ratings as of June 30, 2010

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>A-1/P1</u>	<u>Not Rated</u>
U.S. Govt. Agency Securities	\$ 55,532	\$ 55,532	\$ -	\$ -
U.S. Govt. Agency Securities Disc.	50,990	50,990	-	-
Money Market Funds	34,200	34,200	-	-
LAIF	49,522	-	-	49,522
Negotiable CDs	9,000	-	9,000	-
Commerical Paper - Discount	17,982	-	17,982	-
Subtotal	217,226	\$ 140,722	\$ 26,982	\$ 49,522
Deposits	3,672			
Total	\$ 220,898			

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Restricted Cash and Investments

Ratings as of June 30, 2010

	<u>Fair Value</u>	<u>AAA/Aaa</u>	<u>Not Rated</u>
U.S.Govt. Agency Securities Disc.	\$ 82,678	\$ 82,678	\$ -
Money Market Funds	107,127	107,127	-
LAIF	<u>2,628</u>	<u>-</u>	<u>2,628</u>
Subtotal	192,433	\$ 189,805	\$ 2,628
Deposits	<u>38</u>		
Total	<u>\$ 192,471</u>		

Concentration of Credit Risk:

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in single issuers. However, there is no limitation for investments issued by federal agencies or LAIF. The Agency has U.S. Government Agency Securities with Federal National Mortgage Association for \$72.0 million and Federal Home Loan Bank for \$99.0 million, which represents 17.58% and 24.17% of the total Agency portfolio respectively. The following table shows the diversification of the Agency's portfolio (in thousands):

Pooled Cash and Investments

Restricted Investments

	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Govt. Agency Securities	\$ 55,532	25.14%
U.S. Govt. Agency Securities Disc.	50,990	23.08%
Money Market Funds	34,200	15.48%
LAIF	49,522	22.42%
Negotiable CDs	9,000	4.07%
Commerical Paper (Discount)	17,982	8.14%
Deposits	3,672	1.66%
Total	<u>\$ 220,898</u>	<u>100%</u>

	<u>Fair Value</u>	<u>% of Portfolio</u>
U.S. Govt. Agency Securities Disc.	\$ 82,678	42.96%
Money Market Funds	107,127	55.66%
LAIF	2,628	1.37%
Deposits	<u>38</u>	<u>0.02%</u>
Total	<u>\$ 192,471</u>	<u>100%</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 255 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2010, the Agency had the following investments and original maturities (in thousands):

Pooled Cash and Investments

	Fair Value	Interest Rates	Maturities		
			12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	\$ 55,532	0.60% - 2.68%	\$ 9,138	\$ 29,620	\$ 16,774
U.S. Govt. Agency Securities Disc.	50,990	0.00% - 0.22%	50,990	-	-
Money Market Funds	34,200	0.14%	34,200	-	-
LAIF	49,522	0.53%	49,522	-	-
Negotiable CDs	9,000	0.36% - 0.40%	9,000	-	-
Commerical Paper (discount)	17,982	0.12% - 0.54%	17,982	-	-
Total	<u>\$ 217,226</u>		<u>\$ 170,832</u>	<u>\$ 29,620</u>	<u>\$ 16,774</u>

Restricted Investments

	Fair Value	Interest Rates	Maturities
			12 Months or Less
U.S. Govt. Agency Securities Disc.	\$ 82,678	0.00% - 0.44%	\$ 82,678
Money Market Funds	107,127	0.01% - 0.96%	107,127
LAIF	2,628	0.53%	2,628
Total	<u>\$ 192,433</u>		<u>\$ 192,433</u>

Restricted Investments in Capital Project and Debt Service Funds

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2010, the amounts held by the trustees aggregated \$192.5 million of which \$188.6 million is available to be used for restricted projects. All restricted investments held by trustees as of June 30, 2010 were invested in U.S. government agency securities discount note, money market mutual funds and LAIF, and were in compliance with the bond indentures.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Total Agency cash and investments as of June 30, 2010, are as follow (in thousands):

Fund	Equity in Pooled Cash and Investment	Restricted Cash and Investment With Fiscal Agent	Total Governmental Funds
Central District	\$ 45,261	\$ 40,167	\$ 85,428
Coliseum	31,550	49,806	81,356
Central City East	19,176	57,563	76,739
Low and moderate housing	61,553	30,195	91,748
Oakland Army Base	35,181	-	35,181
Debt Service	612	3,854	4,466
Nonmajor governmental funds	27,565	10,886	38,451
TOTAL	<u>\$ 220,898</u>	<u>\$ 192,471</u>	<u>\$ 413,369</u>

(4) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2010 is as follows (in thousands):

	Central District	Coliseum	Low and Moderate Housing	Oakland Army Base	Nonmajor Governmental Funds	Total Governmental Funds
Housing development project	\$ -	\$ -	\$ 137,194	\$ -	\$ 1,462	\$ 138,656
Development loans	59,937	1,792	-	342	1,040	63,111
Small business loans	128	-	-	-	1,161	1,289
Gross notes receivable	60,065	1,792	137,194	342	3,663	203,056
Less: Allowance for uncollectible accounts	(12,134)	-	(33,721)	-	(1,163)	(47,018)
Total Notes receivable, net	<u>\$ 47,931</u>	<u>\$ 1,792</u>	<u>\$ 103,473</u>	<u>\$ 342</u>	<u>\$ 2,500</u>	<u>\$ 156,038</u>

In FY 2009-10, the agency loaned an additional \$10.1 million through the low and moderate housing program and \$3.4 million to Fox Theater Master Tenant LLC and Fox Oakland Theater Inc. from the Central District project area (see note 10).

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

(5) PROPERTY HELD FOR RESALE

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

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Property held for resale	\$ 129,870	\$ 34,049	\$ -	\$ 163,919

The increases in Property Held for Resale represent a purchase of real property at 2330 Webster Street and 2315 Valdez Street in the amount of \$4.07 million in the Central District project area; \$13.74 million for the development of Coliseum Transit Village and \$13.24 million for the development of Hegenberger Gateway/Oakland Airport area in the Coliseum project area; and purchase of \$3.00 million for development in the Central City East project area.

(6) CAPITAL ASSETS

Capital assets activity of the Agency for the year ended June 30, 2010, is as follows (in thousands):

	<u>Balance</u> <u>July 1, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,360	\$ 17	\$ -	3,377
Capital assets, being depreciated:				
Facilities and improvements	4,740	-	-	4,740
Less accumulated depreciation	(1,365)	(152)	-	(1,517)
Total capital assets, being depreciated, net	3,375	(152)	-	3,223
Governmental activities capital assets, net	<u>\$ 6,735</u>	<u>\$ (135)</u>	<u>\$ -</u>	<u>\$ 6,600</u>

The Agency has \$6.6 million capital assets, net of depreciation, for the fiscal year ended June 30, 2010. During fiscal year 2010, the Agency purchased two properties on Sunshine Court in the amount of \$17 thousand for redevelopment and dedication as a city street. The Henry J. Robinson Multi-Service Center facility depreciated at a rate of \$152 thousand annually.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

(7) INTERGOVERNMENTAL RECEIVABLES, PAYABLES AND INTERFUND TRANSFERS

“Advances to” the City balances have primarily been recorded as it relates to pass through loans transactions made by the Agency primarily for projects such as first-time homebuyer programs and redevelopment programs funded by the Agency’s Low and Moderate Housing Fund and Central District Fund, respectively. The loan repayments made from the program will be repaid to the Agency’s Low and Moderate Housing Fund or Central District Fund accordingly. “Due From” the City balances are primarily short-term intergovernmental loans for projects. “Due to” the City balances mainly comprise of the AB 1290 Statutory Pass-Through annual payment. The composition of the amount due from the City as of June 30, 2010 is as follows (in thousands):

Advance to the City (in thousands):

Receivable Project Areas	Descriptions	Amount
Central District	Pass through loans to the City	\$ 9,988
Low and Moderate Housing	Pass through loans to the City	1,465
Nonmajor governmental funds	Pass through loans to the City	268
Total advance to the City		\$ 11,721

Due from the City (in thousands):

Receivable Project Areas	Descriptions	Amount
Central District	Due from City	\$ 1,805
Low and Moderate Housing	Due from City	143
Nonmajor governmental funds	Due from City	173
Total due from the City		\$ 2,121

Due to the City (in thousands)

Payable Project Areas	Descriptions	Amount
Central District	Due to City	\$ 4,238
Coliseum	Due to City	2,269
Central City East	Due to City	1,093
Low and Moderate Housing	Due to City	267
Oakland Army Base	Due to City	984
Nonmajor governmental funds	Due to City	2,047
Total due to the City		\$ 10,898

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Interfund Transfers (in thousands):

	Transfers In							Total Governmental Fund
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base	Debt Service	Nonmajor Governmental Funds	
Transfers out:								
Central District	\$ -	\$ -	\$ -	\$ 14,401	\$ -	\$ 23,644	\$ 2,293	\$ 40,338
Coliseum	-	-	-	6,726	-	6,486	-	13,212
Central City East	-	-	-	2,905	-	4,510	-	7,415
Low and Moderate Housing	1,941	2,344	3,145	-	404	7,506	1,043	16,383
Oakland Army Base	-	-	-	1,524	-	-	-	1,524
Debt Service	-	27	19	-	-	-	4	50
Nonmajor Governmental Funds	-	-	-	2,768	-	1,583	468	4,819
TOTAL	<u>\$ 1,941</u>	<u>\$ 2,371</u>	<u>\$ 3,164</u>	<u>\$ 28,324</u>	<u>\$ 404</u>	<u>\$ 43,729</u>	<u>\$ 3,808</u>	<u>\$ 83,741</u>

The Central District, Coliseum, Central City East, Low & Moderate Housing, and Nonmajor Governmental Funds transferred \$43.7 million into the Debt Service Fund for payment of City advances and principal and interest on tax allocation and housing set-aside revenue bonds. The \$28.3 million transfer into the Low and Moderate Housing Fund, as reflected above, represent a 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer out from Low and Moderate Housing fund to other funds represents the return of the 5% voluntary housing set aside from tax increments equal to \$8.5 million solely for the purpose of making the state required SERAF payment. The transfer of \$2.3 million to Nonmajor Governmental Funds represents a fund transfer from Central District Fund to other project area funds based on FY2009-11 adopted budget.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

(8) LONG-TERM DEBT

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2010, are as follows (in thousands):

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>	<u>Due within One Year</u>
Bonds Payable:					
Tax allocation bonds	\$ 418,520	\$ -	\$ (14,245)	\$ 404,275	\$ 16,555
Housing set-aside revenue bonds	87,075	-	(2,565)	84,510	2,755
General obligation bond	170	-	(55)	115	55
Less deferred amounts:					
Issuance premiums	9,887	-	(1,113)	8,774	1,113
Issuance discount	(767)	-	69	(698)	(69)
Refunding loss	(4,037)	-	283	(3,754)	(283)
Total bonds payable	510,848	-	(17,626)	493,222	20,126
Army Base remediation costs	5,500	-	-	5,500	2,000
Other remediation cost	627	-	(320)	307	300
Advances from City of Oakland	14,154	-	(656)	13,498	78
TOTAL	<u>\$ 531,129</u>	<u>\$ -</u>	<u>\$ (18,602)</u>	<u>\$ 512,527</u>	<u>\$ 22,504</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

The following is a summary of long-term obligations as of June 30, 2010 (in thousands):

Type of Obligation	Final Maturity Year	Interest Rates	Amount
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Series 1992	2014	2.5 % - 6.0%	\$ 24,465
Central District Subordinated Tax Allocation Refunding Series 2003	2020	3.0% - 5.50%	97,530
Central District Subordinated Tax Allocation Refunding Series 2005	2023	5.00%	31,970
Central District Subordinated Tax Allocation Refunding Series 2006T	2022	5.252 - 5.411%	25,385
Central District Subordinated Tax Allocation Refunding Series 2009T	2021	5.3% - 8.5%	38,755
Central City East Tax Allocation Refunding Series 2006A-TE	2037	5.00%	13,780
Central City East Tax Allocation Refunding Series 2006A-T	2034	5.263% - 5.537%	58,705
Coliseum Area Tax Allocation Refunding Series 2006B-TE	2037	4.00% - 5.00%	27,295
Coliseum Area Tax Allocation Refunding Series 2006B-T	2036	5.263% - 5.537%	69,980
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-TE	2037	5.00%	4,945
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-T	2032	5.283% - 5.587%	11,465
Total Tax Allocation Bonds			404,275
General Obligation Bond - Tribune Tower	2012	5.643%	115
Subordinated Housing Set-Aside Bonds:			
Revenue Series 2000T	2011	7.39% - 7.82%	2,225
Revenue Series 2006A	2019	5.00%	2,195
Revenue Series 2006A-T	2037	5.030% - 5.927%	80,090
Total Subordinated Housing Set-Aside Bonds			84,510
SUB TOTAL			488,900
Deferred Amounts:			
Unamortized bond premium (discount), net			8,076
Unamortized bond refunding loss, net			(3,754)
TOTAL BONDS PAYABLE			\$ 493,222

Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which is comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, and Series 2006C TE/T, are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately \$3,100,961,349. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is \$657,153,936 which is 21.2

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2010 was \$84,974,716, of which \$36,725,380 was used to pay debt service.

Housing Bonds

The Housing Set-Aside TAB, which comprised of Series 2000T, Series 2006A, and Series 2006A-T are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5% for the low and moderate income housing fund. The total projected 20% set-aside and 5% voluntary revenue through the period of the bonds is approximately \$812,044,115 and \$203,011,029, respectively. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is \$147,965,903, which is 14.6 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20% set-aside and 5% voluntary tax increment revenue recognized during the fiscal year ended June 30, 2010 was \$28,324,000, of which \$7,506,111 was used to pay debt service.

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2010 the total outstanding balance was \$13.5 million, comprised of the following (in thousands):

<u>Project Description</u>	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>	<u>Due within One Year</u>
Oak Center	\$ 13,853	\$ -	\$ (583)	\$ 13,270	\$ -
Stanford/Adeline	135	-	(65)	70	70
West Oakland	166	-	(8)	158	8
TOTAL	<u>\$ 14,154</u>	<u>\$ -</u>	<u>\$ (656)</u>	<u>\$ 13,498</u>	<u>\$ 78</u>

On July 20, 2010, the City Council approved a resolution forgiving the Agency on its remaining balance of \$13.27 million under the 1966 Oak Center repayment contract that requested the City construct improvements within the Oak Center Project Area.

Payments to the City on Stanford/Adeline and West Oakland advances are contingent upon the availability of funds from the Projects.

Outstanding Defeased Bonds

For financial reporting purposes, the Agency's advanced-refunded debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of \$35.7 million at June 30, 2010.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

Bond Indentures

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

Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2010 (in thousands).

Year ending June 30:	Governmental Activities	
	Principal	Interest
2011	\$ 19,365	\$ 27,099
2012	20,365	26,039
2013	21,645	24,929
2014	23,580	23,712
2015	18,165	22,382
2016 - 2020	145,040	89,111
2021 - 2025	94,120	50,085
2026 - 2030	49,855	33,615
2031 - 2035	65,325	17,702
2036 - 2037	31,440	1,670
TOTAL	\$ 488,900	\$ 316,344

Conduit Debt

The following long-term debt has been issued by the Agency on behalf of named agents of the Agency. The bonds do not constitute an indebtedness of the Agency. 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 Agency, and neither the full faith and credit nor the taxing authority of the Agency, 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 City has recorded the Oakland Museum as an asset and the debt on its government-wide statement of net assets.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

The conduit debt issued and outstanding at June 30, 2010 (in thousands):

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at June 30, 2010</u>
City of Oakland Refunding Certificates of Participation (Oakland Museum) 2002 Series A	\$ 16,295	04/01/12	\$ 7,210
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	<u>160,000</u>
TOTAL			<u>\$ 167,210</u>

(9) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represent reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2010, the Agency reimbursed the City \$45.1 million for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$1.5 million for the fiscal year ended June 30, 2010; \$0.7 million in loan principal and \$0.8 million in interest expense.

(10) TRANSACTIONS WITH THE FOX OAKLAND THEATER, INC. ("FOT") DEVELOPMENT

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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

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

In FY 2009-10 the Agency loaned an additional \$1.4 million to Fox Theater Master Tenant LLC to complete the project. The \$1.4 million Fox Theater Master Tenant LLC loan has a 15 year term. The Agency also provided an additional loan of \$2.0 million to Fox Oakland Theater Inc.

(11) COMMITMENTS AND CONTINGENCIES

Oakland Redevelopment Agency

As of June 30, 2010, the Agency entered into contractual commitments of approximately \$55.3 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2010, the Agency committed to funding \$90.7 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

On March 1, 2006, the Agency entered into the Jack London Gateway, Enhanced Enterprise Community Section 108 loan and grant agreement with City of Oakland as a guarantor of the promissory note. Under this agreement, the Agency committed to pay a portion of the note equal to \$160 thousand per year for a ten year period. As of June 30, 2010, the remaining balance is \$1.3 million.

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this SERAF revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. As of June 30, 2010, the Agency's remaining share of the SERAF payment is approximately \$8.5 million and its due on May 10, 2011.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2010

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

Wood Street Affordable Housing Project Environmental Remediation

The Wood Street Affordable Housing Project analytical results show concentrations of arsenic, lead, total petroleum hydrocarbons as diesel and polycyclic aromatic hydrocarbons in site soils and or ground water sample. As of June 30, 2010, environmental remediation clean up activities has not been completed yet. The Agency has set-aside \$300 thousand in escrow to cover the remaining environmental obligations.

Oakland Army Base Environmental Remediation

Land originally conveyed to Oakland Base Reuse Authority (OBRA) from the Army, portions of which were subsequently conveyed to the Agency and the Port of Oakland, may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA then, and subsequently the Agency and the Port, are responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs including the \$3.5 million insurance premium. As of June 30, 2010, the Agency has spent approximately \$13 million on this project, of which \$10.9 million has been received. The Agency is working with the US Department of Army on collecting the remaining balance of \$2.1 million.

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

(12) SUBSEQUENT EVENTS

**Broadway/MacArthur/San Pablo Redevelopment Project
Second Lien Tax Allocation Bonds, Series 2010-T
(Federally Taxable Recovery Zone Economic Development Bonds)**

On November 12, 2010, the Redevelopment Agency of the City of Oakland (the “Agency”) closed the Broadway/MacArthur/San Pablo Development Project Second Lien Tax Allocation Bonds, Series 2010-T (Federally Taxable Recovery Zone Economic Development Bonds-Direct Payment) (the “Bonds”) in the principal amount of \$7,390,000 with a maturity date of September 1, 2030 and September 1, 2040. The Bonds are taxable with an interest rate of 7.20% and 7.40% respectively. Since the Bonds were issued through the American Recovery and Reinvestment Act of 2009, the Agency expects to receive \$6.2 million or 45 percent interest subsidy from the federal government.

**COMBINING FINANCIAL
STATEMENTS and
COMPLIANCE SECTION**

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010
(In thousands)

	<u>Acorn</u>	<u>Broadway MacArthur San Pablo</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS						
Cash and investments	\$ 2,462	\$ 6,853	\$ 9,080	\$ 7,403	\$ 1,742	\$ 27,540
Accrued interest receivable	7	19	25	20	5	76
Accounts receivable, net	-	-	-	117	-	117
Due from the City	-	-	-	-	173	173
Advances to the City	-	-	-	-	268	268
Due from other governments	-	-	-	-	22	22
Notes receivable, net	533	6	100	1,791	70	2,500
Property held for resale	-	-	-	4,411	-	4,411
Restricted cash and investments	-	10,886	-	-	-	10,886
TOTAL ASSETS	<u>\$ 3,002</u>	<u>\$ 17,764</u>	<u>\$ 9,205</u>	<u>\$ 13,742</u>	<u>\$ 2,280</u>	<u>\$ 45,993</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ -	\$ 141	\$ 17	\$ 130	\$ 103	\$ 391
Due to the City	-	384	444	211	1,008	2,047
Due to other governments	-	636	768	170	-	1,574
Deposits and other liabilities	12	25	-	1	6	44
Deferred revenue	533	6	100	1,791	534	2,964
TOTAL LIABILITIES	<u>545</u>	<u>1,192</u>	<u>1,329</u>	<u>2,303</u>	<u>1,651</u>	<u>7,020</u>
FUND BALANCES						
Reserved for property held for resale	-	-	-	4,411	-	4,411
Reserved for approved capital projects/activities	2,457	16,572	7,876	7,028	-	33,933
Unreserved reported in Capital Project Funds	-	-	-	-	629	629
TOTAL FUND BALANCES	<u>2,457</u>	<u>16,572</u>	<u>7,876</u>	<u>11,439</u>	<u>629</u>	<u>38,973</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,002</u>	<u>\$ 17,764</u>	<u>\$ 9,205</u>	<u>\$ 13,742</u>	<u>\$ 2,280</u>	<u>\$ 45,993</u>

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2010
(In thousands)

	<u>Acorn</u>	<u>Broadway MacArthur San Pablo</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES						
Tax increment	\$ 1,416	\$ 5,050	\$ 5,718	\$ -	\$ -	\$ 12,184
Interest on pooled cash and investments	32	85	119	104	20	360
Interest on notes receivable	-	-	-	34	-	34
Rents and reimbursements	33	-	-	3,155	-	3,188
Other	13	80	3	255	-	351
TOTAL REVENUES	<u>1,494</u>	<u>5,215</u>	<u>5,840</u>	<u>3,548</u>	<u>20</u>	<u>16,117</u>
EXPENDITURES						
Current:						
Urban redevelopment and housing	284	6,372	3,813	7,343	130	17,942
Supplemental Education Revenue						
Augmentation Fund Payment	1,039	2,564	3,895	608		8,106
Debt Service:						
Payment on advances	-	-	-	-	183	183
Interest	-	-	-	-	817	817
TOTAL EXPENDITURES	<u>1,323</u>	<u>8,936</u>	<u>7,708</u>	<u>7,951</u>	<u>1,130</u>	<u>27,048</u>
Excess (deficiency) of revenues over expenditures	171	(3,721)	(1,868)	(4,403)	(1,110)	(10,931)
OTHER FINANCING SOURCES (USES)						
Transfers in	93	368	496	2,851	-	3,808
Transfers out	(354)	(2,357)	(1,443)	(665)	-	(4,819)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(261)</u>	<u>(1,989)</u>	<u>(947)</u>	<u>2,186</u>	<u>-</u>	<u>(1,011)</u>
Change in fund balances	(90)	(5,710)	(2,815)	(2,217)	(1,110)	(11,942)
Fund balances at beginning of year	2,547	22,282	10,691	13,656	1,739	50,915
FUND BALANCES AT END OF YEAR	<u>\$ 2,457</u>	<u>\$ 16,572</u>	<u>\$ 7,876</u>	<u>\$ 11,439</u>	<u>\$ 629</u>	<u>\$ 38,973</u>

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2010, which collectively comprise the Agency’s basic financial statements and have issued our report thereon dated November 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies* issued by the State Controller's Office and as interpreted in the *Suggested Auditing Procedures for Accomplishing Compliance Audits of California Redevelopment Agencies*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and noted below as items 2010-01 and 2010-02.

Finding 2010-01 – Authorization for use of the Agency's Voluntary Five Percent Contribution

On October 6, 2009, the Agency Board of Directors adopted Resolution No. 09-90 in response to Assembly Bill (AB) 26 4x passed by the State legislature. Among other things, Resolution No. 09-90 authorized the Agency to pay a portion of the Supplemental Educational Revenue Augmentation Fund (SERAF) due by May 10, 2010 with the Agency's voluntary five percent contributions authorized under Resolution No. 01-85. The amount of voluntary five percent contributions to be used to fund the SERAF payment was very specific, \$2,492,321 for years prior to fiscal year 2009/10, \$6,034,900 for fiscal year 2009/10, and \$2,607,710 for fiscal year 2010/11.

During the year ended June 30, 2010, the Agency experienced a drop in tax increment, as assessed values decreased from the prior year and were less than estimated in the budget, which produced a voluntary five percent contribution to the Agency's Low and Moderate Income Housing Fund in the amount of \$5,664,814. While the Agency transferred out of the Low and Moderate Income Housing Fund the full amount of voluntary five percent contributions authorized under Resolution No. 09-90, there is a shortfall of \$370,086 between the amount authorized for fiscal year 2009/10 (\$6,034,900) and the amount actually contributed for fiscal year 2009/10 (\$5,664,814).

Therefore, it is unclear as to whether the \$370,086 shortfall is considered to be taken from the voluntary five percent contributions made in prior years, or whether it is considered to be taken from the 20% set-aside mandated by the Health and Safety Code. While AB 26 4x allows the use of 20% set-aside as a source for making the SERAF payment, it also requires the repayment of said funds within 5 years otherwise severe consequences are imposed over redevelopment operations.

In order to prevent any misunderstanding or uncertainty over the source of funds used within the Low and Moderate Income Housing Fund, we recommend the Agency amend Resolution No. 09-90 to update the authorized amounts of voluntary five percent contributions to be used towards making the SERAF payment.

Management's response:

Management acknowledges the finding and the Agency will return to the Agency Board of Directors with a resolution to amend Resolution No. 09-90. The adopted FY 2009-10 budget for the Agency provided for the entire voluntary 5% contribution to the low-moderate income housing set aside fund to be suspended and used instead for the Supplemental Educational Revenue Augmentation Funds (SERAF) payment. The actual tax increment received in FY 2009-10 were less than the budgeted amount, and therefore, the actual amount available for SERAF was less than the projected amount.

The "shortfall" will be made up by increasing the portion of the 5% voluntary contribution suspended in FY 2008-09. The Agency will anticipate transferring a portion of the funds carried forward from FY 2008-09 to FY 2009-10, in order to make clear that the source of funds was in fact FY 2008-09 revenues from the 5% voluntary contribution.

Finding 2010-02 – Under funding of the Agency’s Involuntary Twenty percent and Five percent Set-Aside contributions

During the year ended June 30, 2010, the Agency reduced its gross tax increment by the administrative fees, in the amount of \$856,602, charged by the County of Alameda (the County) when calculating the 20% low-moderate income housing set-aside mandated by the State Health and Safety Code. In accordance with California Redevelopment Law, not less than 20% of the gross tax increment allocated to the agency is to be deposited in the Housing Fund prior to any deduction for administrative fees, pass-through payments to taxing entities, negotiated fiscal agreements and waivers, or other transfers from the balance of the tax increment allocated to the agency, as clarified by the State Attorney General in its opinion, 76 Ops. Cal. Atty. Gen. 137 (1993). Therefore, the amount deposited into the Agency’s Housing Fund was less than required by California Redevelopment Law.

We recommend that the Agency recalculate the 20% low-moderate income housing set-aside using the gross tax increment allocated by the County and correct the amount of set-aside deposited into the Agency’s Housing Fund. We also recommend the Agency review past deposits into the Housing Fund to determine whether past amounts of low-moderate income housing set-aside comply with the California Redevelopment Law and whether the Agency needs to take action to correct any past deficiencies.

Management Response:

Management acknowledges the finding and the correction was made accordingly for FY 2009-10. The Agency will also review past deposits into the Housing Fund to determine whether past amounts set-aside comply with the California Redevelopment Law and whether the Agency needs to take action to correct any past deficiencies.

We did not audit the Agency’s response to the findings identified in our audit described above and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants
Oakland, California

November 23, 2010