

COUNTY OF ALAMEDA, CALIFORNIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

(Amounts in tables expressed in thousands)

JUNE 30, 1999

Charity Care

Counties are required by federal statute, Section 17000 of the Health and Welfare Act, to provide charity care to patients who are unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigency standard has been established and for which the patient qualifies. Inability to pay may be determined through an interview process by APMC or by an outside collection agency. Determinations of charity care may be made prior to or at the time of service, or any time thereafter. The total amount of such charity care provided by APMC for fiscal year 1998/99, based on established rates, is as follows (in thousands):

Gross charges foregone for charity care	\$64,100
Estimated costs and expenses to provide charity care	53,126

Accounts Receivable

Accounts receivable at June 30, 1999 comprised the following:

Gross patient accounts receivable	\$ 21,307
Other accounts receivable	53,135
Contractual and doubtful accounts allowance	(5,709)
Total	<u>\$ 68,733</u>

Gross patient accounts receivable include amounts due from third party payors, patients and other agencies for patient services rendered and certain federal aid programs. Other receivables include professional and other fees earned on patient services and services provided to various outside agencies.

13. CONTINGENCIES**Self-Insurance and Purchased Insurance**

The County of Alameda is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; unemployment coverage and dental benefits provided to employees. The County uses a combination of self-insurance and purchased insurance programs for protection against adverse losses. The County maintains established risk financing internal service funds in which assets are set aside for claim settlements associated with general automobile and medical malpractice liability, workers' compensation, unemployment and dental benefits to employees. The County also purchases various types of insurance to supplement self-insured retention levels and reserves and to provide protection at various self-insured retention levels. The County

COUNTY OF ALAMEDA, CALIFORNIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
(Amounts in tables expressed in thousands)

JUNE 30, 1999

purchases primary all risk property including earthquake insurance for all of the County's real and personal property, equipment and vehicles. During 1997/98, the County purchased insurance (reinsurance) for Workers' Compensation claims for the period November 21, 1979 through June 30, 1997. Excess liability and workers' compensation coverages are provided by the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. A Board of Directors consisting of representatives of the Member Counties governs the Authority. Self-insured retention levels and purchased insurance per occurrence are as follows (not in thousands):

Type of Coverage	Self-Insurance Retention	Insurance Authority/Purchased Insurance
General and Auto Liability	Up to \$1,000,000	\$1,000,000 to \$10,000,000
Medical Malpractice	Up to \$100,000	\$1,250,000 to \$18,000,000
All Risk Property	Up to \$50,000	(separate insurance policy covers from \$100,000 to \$1,250,000)
Flood	Up to \$100,000	\$50,000 to \$200,000,000 (Max. Declared Value)
Earthquake	Greater of \$100,000 or 5% of loss	\$100,000 to \$200,000,000 (Max. Declared Value)
Workers' Compensation (7/1/97 forward)	Up to \$300,000	up to \$50,000,000
Workers' Compensation Reinsurance	-0-	Statutory - no limit
Employer's Liability	Up to \$300,000	Statutory - no limit
		\$300,000 to \$5,000,000

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years have exceeded the amount of insurance coverage. There have been no reductions in insurance coverage from the 1997/98 fiscal year.

The County is totally self-insured for dental benefits to employees and their families. Coverage for each family member is limited to \$1,000 per year for covered services.

The unpaid claims liability included in the Risk Management Internal Service Funds is based on the results of actuarial studies and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. It is the County's practice to obtain full actuarial studies annually. Annual premiums are charged by each self-insurance fund using various allocation methods which include actual costs, trends in claims experience and number of participants.

Changes in the balances of claims liabilities during the past two fiscal years for all self-insurance funds combined are as follows (in thousands):

	1998/99	1997/98
Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	\$66,436	\$66,120
Incurred claims and claim adjustment expenses	38,592	21,534
Payments	(17,032)	(21,218)
Worker's Compensation Reinsurance	(39,500)	-
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	\$48,496	\$66,436

During 1999, the County purchased reinsurance for its workers' compensation liability for all claims incurred prior to and including June 30, 1997.

Litigation

Various lawsuits have been instituted and claims have been made against the County, with provisions for potential losses included in the combined financial statements. In the opinion of County Counsel, it is not possible to accurately predict the County's liability under these actions, but final disposition should not materially affect the financial position of the County.

COUNTY OF ALAMEDA, CALIFORNIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

(Amounts in tables expressed in thousands)

JUNE 30, 1999

On September 29, 1997, the City of Oakland, the County of Alameda and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A. D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage. The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium; (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement; and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs. Raiders management has filed a cross-complaint seeking to rescind the master agreement. The County currently expects the matter to go to trial in the first half of 2000.

The County is optimistic about the outcome of this suit and expects to recover all attorney costs related to the complaint filed.

Federal and State Grants

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs for or including the year ended June 30, 1999, have not yet been conducted or settled. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that any audit disallowances would have a significant effect on the financial position of the County.

Medicare and Medi-Cal Reimbursements

Alameda County Medical Center's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by the third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes that it has adequately provided for any potential liabilities which may arise from the intermediaries' reviews.

14. OPERATING AND RESIDUAL EQUITY TRANSFERS

A summary of operating transfers for the year ended June 30, 1999 is as follows:

	Operating Transfers In	Operating Transfers Out
General Fund	\$101,042	\$ 19,237
Special Revenue Funds	2,017	85,122
Capital Projects Fund	-	751
Debt Service Fund	26,452	17,648
Internal Service Funds	38,931	47,259
Expendable Trust Fund	-	30
Total operating transfers	168,442	170,047
Reconciling items	1,876	271
Total	<u>\$170,318</u>	<u>\$170,318</u>

Operating transfers do not balance for the following reasons:

\$ 259,000	operating transfer from the Investment Trust was transferred to the General Fund for interest earnings credited to external pool participants that were not eligible to retain the interest.
12,000	operating transfer from the Investment Trust because the previously-dissolved Cherryland Water District assets were transferred to the General Fund.

COUNTY OF ALAMEDA, CALIFORNIA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
(Amounts in tables expressed in thousands)
JUNE 30, 1999

1,407,000 operating transfer out of the Special Revenue Funds was transferred to the Investment Trust for the trial courts.
469,000 operating transfer out of the General Fund was transferred to the Investment Trust for the Children and Families Commission.

Transfers between the primary government and the discretely presented component unit for the year ended June 30, 1999 as follows:

	Transfers In	Transfers Out
General Fund	\$95,906	\$ -
Discretely presented component unit	-	95,906
Total	\$95,906	\$95,906

A summary of residual equity transfers for the year ended June 30, 1999 is as follows:

	Residual Equity Transfers In	Residual Equity Transfers Out
General Fund	\$ 225	\$ 825
Special Revenue Funds	529	694
Internal Service Funds	24,850	9,425
Debt Service Fund	-	14,660
Total residual equity transfers	\$ 25,604	\$ 25,604

The Alameda County Medical Center Hospital Authority has shown a residual equity transfer out the amount of \$6,367,000. This represents the transfer of some land, structures, improvements and construction in progress net of related debt from the Alameda County Medical Center Authority to the General Fixed Asset Account Group and the General Long-term Obligation Account Group (Note 12). Residual equity transfers net to \$6,367,000 because they affect the account groups of the County.

The Workers' Compensation and Risk Management Internal Service Funds were merged in 1998/99. Accordingly, the County has shown an operating transfer of \$38,931,000 from Risk Management to Workers' Compensation to eliminate the accumulated deficit at July 1, 1998 and a residual equity transfer of \$9,425,000 from Workers' Compensation to Risk Management to transfer the remaining balance.

15. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 8, 1999, the County issued \$70 million in tax and revenue anticipation notes to finance the seasonal cash flow requirements of the County during the 1999-2000 fiscal year. The notes bear interest at a rate of 4.0% and become due on July 7, 2000. Tax revenues received during the 1999-2000 fiscal year have been pledged to repay the notes.



COUNTY OF ALAMEDA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 1999

YEAR 2000 ISSUES

The Year 2000 issue (Y2K) is one of great concern to all. The County, like other large-scale organizations, is not immune to the potential disruption of business arising from computer failures or malfunctions because of Y2K.

GASB Technical Bulletin No. 99-1, Disclosure About Year 2000 Issues, identifies the following four principal stages as being necessary to implement a Y2K-compliant system:

- Awareness Stage - establishing a budget and project plan
- Assessment Stage - preparing an inventory of systems and components of systems on an overall or mission-critical basis
- Remediation Stage - making the technical adjustments to correct the existing systems or changing to a Y2K-compliant system
- Validation/Testing Stage - testing the Y2K conversion process and reviewing test results.

The County, under the direction of the Information Technology Department, began planning for Y2K during the 1996/97 fiscal year. As of June 30, 1999, all stages have been completed. A total of \$611,000 in Y2K-related costs were incurred.

While the County is confident that its computer systems will be fully Y2K-compliant, there is no guarantee that the County will not experience problems associated with the Y2K. Vendors, customers, other governmental units and others upon whom the County relies for computerized information or commerce, may not be Y2K-compliant. The failure of these other businesses to be Y2K-compliant could adversely affect the County's ability to conduct daily operations on or after January 1, 2000.



APPENDIX C

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

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APPENDIX C

CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

General Information

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

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

Subject to civil service regulations, the City Manager appoints City employees except the City Attorney, City Clerk and City Auditor. The City Attorney has been appointed by the Mayor, subject to confirmation by the City Council. Beginning with the 2000 Municipal Election, the City Attorney will be nominated and elected in the same manner, and for the same term, as the Councilmember-at-Large. The City Clerk is appointed by the City Manager, subject to City Council confirmation. The City Auditor is elected at the same time as the Mayor. The Director of the Financial Services Agency serves as the City's Treasurer and supervises the City's financial affairs.

The City's charter was most recently amended through the approval of ballot Measure X by voters on November 3, 1998. Changes ratified include the creation of the Mayor-Council form of government, the provision of a two-term limit for the Mayor, the institution of a requirement for voter approval for increases to City Council compensation, and a provision for the election of the City Attorney.

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

Budget Process. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds), with one exception. For budgetary purposes, outstanding commitments related to construction contracts and other purchases of goods and services are recorded as expenditures at the time such contracts or purchases are entered into (under GAAP, these obligations are recognized when goods are received or services rendered). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

Recently, the budget cycle was changed to a two-year process in order to promote long-term decision making, to increase funding stability and to allow for greater performance evaluation. In advance of each two-year cycle, the City Manager and Agency heads conduct internal budget hearings to develop budget proposals for presentation to the Mayor. Within 60 to 90 days before the end of the prior two-year cycle, the Mayor submits the proposed two-year budget to the City Council and formal public budget hearings are scheduled. Upon conclusion of the public hearings, the City Council may make adjustments and/or revisions. The City Council adopts the City's operating budget on or before June 30. It contains appropriations for all funds and two-year appropriations for the five-year Capital Improvements Program.

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

The City Manager employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds, and those of any other employees or departments as the City Manager directs. These duties are performed both annually and upon request. The City's independent auditor for fiscal years 1997-1998 and 1998-1999 was KPMG Peat Marwick LLP.

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

Investment Policy

The authority to invest the City's Operating Fund is derived from Council Resolution No. 56127 which delegates to the Director of Finance/Treasurer the authority to invest this Operating Fund within the guidelines of Section 53600 of Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City Council adopted a policy for Fiscal Year 1999-00 in July of 1999. The Investment Policy is subject to revision at any time.

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

Current Investment Portfolio

The City currently maintains approximately \$194.8 million in operating funds, excluding capital, debt service funds, special revenue funds and pension trust funds. The Operating Fund is broken out by different types of investment securities and is invested in accordance with the Investment Policy. The composition of these operating funds, including the average term and days to maturity, is provided below as of April 30, 2000. As of April 30, 2000, the City maintained approximately 58.6% of the Operating Fund in investments that mature in one year or less.

CITY OF OAKLAND Operating Fund Portfolio Master Summary April 30, 2000						
Investments	Book Value	Percent of Portfolio	Average Term	Average Days To Maturity	— Yield To Maturity — 360 Equivalent	365 Equivalent
Federal Agency Issues- Coupon \$	89,470,993.97	45.92 %	1,441	811	5.825 %	5.906 %
Federal Agency Issues- Discount	9,886,435.00	5.07	67	56	6.057	6.141
Medium Term Notes	6,000,033.56	3.08	225	89	6.218	6.305
Money Market	17,810,000.00	9.14	1	1	6.076	6.160
Local Agency Investment Funds	21,000,000.00	10.78	1	1	5.888	5.970
Corporate Bonds	1,662,073.16	0.85	818	290	5.376	5.450
Certificates of Deposit	1,000,000.00	0.51	274	154	5.643	5.721
Negotiable CDS	9,000,918.51	4.62	88	68	6.084	6.169
Bankers Acceptances	2,846,345.60	1.46	166	29	5.907	5.989
Commercial Paper - Discount	17,812,053.61	9.14	61	46	6.140	6.225
Investment Agreement	18,358,124.50	9.42	284	0	5.770	5.850
TOTAL INVESTMENTS	194,846,977.91	100.00 %	719	389	5.911 %	5.993 %

Source: City of Oakland Financial Services Agency

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

Financial Obligations

General Obligation Debt. As of June 30, 1999, the City had outstanding a total of \$132,960,000 aggregate principal amount of general obligation bonds.

The Series 1991A General Obligation Bonds in the amount of \$12,000,000 were issued as part of the maximum authorized amount of \$60,000,000 under Measure K approved by the voters in November 1990 for the purpose of financing the acquisition of open space and the rehabilitation, development and expansion of park and recreational facilities within the City. In March 1995, the Series 1995B General Obligation Bonds in the amount of \$15,000,000 were issued, and in April 1997, the Series 1997C General Obligation Bonds of \$22,250,000 were issued, both under the 1990 authorization. The City now has \$10.75 million remaining in authorized, but unissued general obligation debt.

The Series 1992 General Obligation Bonds of \$50,000,000 were issued at the maximum authorized amount approved by the voters in June 1992 to provide funds to enhance emergency response capabilities and seismic reinforcement of public facilities and infrastructure.

In April 1997, the Series 1997 (Measure 1) General Obligation Bonds of \$45,420,000 were issued at the maximum authorized amount approved by voters in November 1996 for the purpose of financing the repair, construction, acquisition and improvement of certain libraries, museums and other cultural and recreational facilities.

Short-Term Obligations. The City implemented a short-term financing program in 1981 to finance general fund temporary cash flow deficits during the fiscal year (July 1 through June 30). The City has issued short-term notes for each of the last ten fiscal years, including the issuance of \$60,000,000 Tax and Revenue Anticipation Notes for the fiscal year ended June 30, 1999.

Lease Obligations. Since 1982, the City has entered into sale-leaseback transactions to finance the acquisition construction of capital improvements to City properties. In July 1998, the City participated in the issuance of Lease Revenue Bonds to provide a portion of the funds necessary to refund all of the outstanding City of Oakland Revenue Bonds (Pension Financing) 1988 Series A. In April 1996, the City participated in the issuance of \$103,945,000 in Lease Revenue Bonds to finance a portion of the design, construction, rehabilitation, and equipping of two City administration buildings and a civic plaza. The bonds are secured by lease payments payable by the City from the City's General Fund to the Joint Powers Financing Authority. In November 1992, the California Statewide Community Development Authority ("CSCDA") issued \$149,825,000 of lease revenue bonds to repurchase the Kaiser Convention Center ("Kaiser") and the George P. Scotlan Memorial Convention Center ("Scotlan"). The City concurrently leased Kaiser and Scotlan from the CSCDA. In May 1992, Oakland Redevelopment Agency (the "Agency") issued \$39,408,000 in Refunding Certificates of Participation to defease Oakland Museum Certificates of Participation 1987 Series A. The Agency leased the Museum's facilities and site to under a lease agreement. In December 1985, the City entered into various simultaneous agreements to finance improvements on City property, such as traffic control devices, street resurfacing, parking lots, garages, and the rehabilitation of various City buildings. The \$52,300,000 Certificates of Participation issued are secured by lease payments payable by the City to governmental agencies or nonprofit corporations, and the securities are recorded as direct obligations to the City.

In the fiscal years 1999-00 through 2003-04 the City is required to make combined lease payments from its General Fund as shown below:

CITY OF OAKLAND GENERAL FUND LEASE OBLIGATIONS

Fiscal Year	Oakland Coliseum ⁽¹⁾	Oakland Convention Centers	Civic Improvement Corp. ¹	Oakland Museum	Oakland Admin. Buildings	Oakland Arena	Oakland JPA Revenue Bonds	Total
1999-00	\$11,000,000	\$10,798,774	\$ 3,132,000	\$3,703,930	\$ 5,833,506	\$9,500,000	\$10,372,298	\$ 54,340,508
2000-01	11,000,000	12,518,704	3,174,000	3,702,380	7,548,141	9,500,000	16,892,372	64,335,597
2001-02	11,000,000	12,510,039	3,212,000	3,703,480	7,549,536	9,500,000	19,309,635	66,784,690
2002-03	11,000,000	12,494,766	3,246,000	3,700,450	7,550,449	9,500,000	18,567,262	66,058,927
2003-04	11,000,000	12,485,949	3,374,000	3,702,750	7,550,009	9,500,000	18,010,914	65,623,622
Principal Balance	\$189,500,000	\$141,625,000	\$44,000,000	\$31,578,042	\$103,945,000	\$136,400,000	\$187,500,000	\$834,548,042

¹ The City replaced the letter of credit provider on August 1, 1999. The issue was previously non-rated, the bonds assumed the new provider's underlying AAA-rating (Helaba), debt service projections have consequently been adjusted from 5% to 4%.

Source: City of Oakland Financial Services Agency

Other Long-Term Borrowings. In February 1997, the City issued \$436,289,659.15 of taxable pension obligation bonds. These bonds have serial maturities to 2010. The source of payment for principal of and interest on the bonds is not limited to any source of funds, but includes tax override revenues, which are the revenues generated and collected by the City as proceeds of its annual tax levy authorized by Measure R and Measure O, enacted by the voters on June 8, 1976 and June 7, 1988, respectively. The obligation of the City to make payments with respect to the bonds is an obligation imposed upon the City by law. Hence, these bonds are direct obligations of the City.

In addition, the Agency has issued several series of its tax allocation bonds for two redevelopment project districts. In each case, the tax allocation bonds are limited obligations of the Agency and are payable solely from and secured by a pledge of an incremental portion of tax revenues assessed on property within each respective project district. For the fiscal year ending June 30, 1999, the redevelopment tax increment revenues within the City were approximately \$24,218,514.

Special Assessment Debt. In April 1994, the City issued \$2,020,000 of 1994 Refunding Improvement Bonds Medical Hill Parking Assessment, Series 3 Bonds to defease the Medical Hill Parking Assessment District Refunding Bonds dated March 1989.

In December 1994, the City issued \$7,370,000 of Limited Obligation Improvement Bonds for its Fire Area Utility Underground Assessment District No. 1994-1 (the "1994-1 Bonds"), an area consisting of approximately 2200 assessed parcels in the Oakland hills. The proceeds of the bonds were to be used to finance a portion of the costs of the construction and installation of underground electric, telephone and cable TV public utility lines, including the installation of underground electric transformers, primary electric vaults, and numerous telephone, cable TV and street light boxes, street lights and primary electric and telephone conduits, and certain street improvements.

In December 1994, the City issued \$876,315 of Limited Obligation Improvement Bonds, Series 1994 for its Assessment District No. 1994-2 (Rockridge Area Water Improvements), an area consisting of approximately 776 assessed parcels in the Oakland hills. The proceeds of the bond issue were used to finance a portion of the costs of the acquisition and installation of certain water system improvements, utility pipelines, fire hydrants and certain related street repairs. The City refunded these bonds and the 1994-1 Bonds and sold the associated Reassessment Revenue Bonds on July 15, 1999.

In August 1994, the City issued \$349,989.42 of Limited Obligation Improvement Bonds for the Skyline Sewer Assessment District, consisting of 30 parcels in the Oakland hills. The proceeds of the bonds were used to finance the construction of a sewer line.

The City has also established the following special assessment districts and levied assessments to finance the costs of installing ornamental street lighting and/or undergrounding utilities: in 1994, Lakeshore Ornamental Lighting Assessment District - Phase 1 (\$86,568.00) and Ocean View Ornamental Lighting Assessment District (\$15,250,000); in 1995, Lakeshore Ornamental Lighting Assessment District - Phase 11 (\$31,782.96); in 1996, Lower Hubert Road Ornamental Lighting Assessment District (\$50,327.39); in 1997, Proctor Utility Undergrounding Assessment District No. 1997-2 (\$37,818.00), Lakeshore Phase III Utility Undergrounding Assessment District No. 1997-3 (\$106,914.00), La Salle, Liggett, Pershing and Wood Area Utility Undergrounding Assessment District No. 1997-4 (\$893,878.00), Harbord, Estates, McAndrew and Wood Area Utility Undergrounding Assessment District No. 1997-5 (\$797,146.00), and Grizzly Peak Utility Undergrounding Assessment District No. 1997-6 (\$174,990.00), and, in 1999, Lakeshore Phase IV Utility Undergrounding Assessment District (\$57,950.00).

With respect to special assessment debt, the bonds are payable from annual assessment installments levied against property owners in the assessment district, and included on their respective property tax bills.

No Defaults. The City has never defaulted on the payment of principal or interest on any of its indebtedness or lease obligations.

Estimated Direct And Overlapping Debt. Contained within the City are numerous overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, certificates of participation, and special assessment bonds. The direct and overlapping debt of the City as of July 22, 1999 according to California Municipal Statistics, Inc., is shown below. The City makes no assurance as to the accuracy of the following table, and inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from the debt statement.

CITY OF OAKLAND
Statement of Direct and Overlapping Debt

1999-00 Assessed Valuation:	\$19,575,981,160
Redevelopment Incremental Valuation:	<u>2,193,714,677</u>
Adjusted Assessed Valuation:	\$17,382,266,483

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 6/1/00</u>
East Bay Municipal Utility District	20.747%	\$ 1,452,290
East Bay Municipal Utility District, Special District No. 1	52.507	23,930,065
East Bay Regional Park District	11.236	20,290,531
Peralta Community College District	54.394	20,226,409
Berkeley and Castro Valley Unified School District	0.005 & 0.100	10,441
Oakland Unified School District	99.996	138,582,910
San Leandro Unified School District	18.645	2,604,707
City of Oakland	100.000	131,290,000 ⁽¹⁾
City of Oakland 1915 Act Bonds	100.000	9,700,000
City of Emeryville 1915 Act Bonds	4.183	<u>603,189</u>
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$348,690,542
Less: East Bay Municipal Utility District (100% self-supporting)		<u>1,452,290</u>
TOTAL NET DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$347,238,252

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:

Alameda-Contra Costa Transit District Certificates of Participation	21.740%	\$ 5,280,646
Alameda County and Coliseum Authority General Fund Obligations	18.834	116,485,544
Alameda County Pension Obligations	18.834	97,350,721
Alameda County Board of Education Public Facilities Corporation	18.834	1,246,811
Chabot-Las Positas Community College District Certificates of Participation	2.440	135,786
Oakland Unified School District Certificates of Participation	99.996	51,667,933
San Leandro Unified School District Certificates of Participation	18.645	3,066,170
Castro Valley Unified School District Certificates of Participation	0.100	3,510
City of Oakland and Coliseum Authority General Fund Obligations	100.000	663,225,525
City of Oakland Pension Obligations	100.000	<u>407,279,659</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		\$1,345,742,305
GROSS COMBINED TOTAL DEBT		\$1,694,432,847⁽²⁾
NET COMBINED TOTAL DEBT		\$1,692,980,557

⁽¹⁾ Excludes general obligation bonds to be sold.

⁽²⁾ Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 1999-00 Assessed Valuation:

Direct Debt (\$131,290,000)	0.67%
Total Gross Direct and Overlapping Tax and Assessment Debt	1.78%
Total Net Direct and Overlapping Tax and Assessment Debt	1.77%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$1,201,795,184)	6.91%
Gross Combined Total Debt	9.75%
Net Combined Total Debt	9.74%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/99: \$2,360,250

Source: *California Municipal Statistics, Inc.*

Property Taxation

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

**CITY OF OAKLAND
ASSESSED VALUATIONS⁽¹⁾
(in \$000's)**

Fiscal Year	Local Secured	Utility	Unsecured	Total
1995/96	\$14,813,287	\$55,165	\$2,077,110	\$16,945,562
1996/97	14,964,944	64,955	2,194,244	17,224,143
1997/98	15,265,600	80,139	2,413,259	17,758,998
1998/99	15,927,351	78,976	2,670,736	18,677,063
1999/00	16,993,037	64,608	2,518,336	19,575,981

⁽¹⁾ Net of exemptions before redevelopment tax allocation increment deduction.

Source: *Alameda County Auditor-Controller.*

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

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

Year	Secured Tax Levy ⁽¹⁾	Amount Uncollected as of June 30	Percent Uncollected as of June 30
1994/95	\$69,112	\$ 3,339	4.83 %
1995/96	74,866	2,819	3.77
1996/97	74,518	2,724	3.66
1997/98	84,127	2,744	3.26
1998/99	80,738	2,559	3.07

⁽¹⁾ City's portion of the taxes collected by the County, excluding tax increments paid to the Redevelopment Agency of the City of Oakland.

Source: *Alameda County Auditor-Controller.*

Tax Rates. The City is divided into thirty-three Tax Rate Areas. The largest Tax Rate Area within the City is Tax Rate Area 17-001 which has a total assessed valuation of \$11,375,501,676, or 60.6% of the City's total assessed valuation. A five-year history of the tax components within this Tax Rate Area is shown below.

**CITY OF OAKLAND
TAX RATE AREA 17-001
SUMMARY OF TAX RATES
(Percent of Property Assessed Value)**

Tax Agency	1995/96	1996/97	1997/98	1998/99	1999/00
Countywide Tax ⁽¹⁾	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
Oakland Unified School District	0.0192	0.0186	0.0193	0.0196	0.0188
Peralta Community College District	0.0057	0.0041	0.0065	0.0056	0.0051
Oakland Unified School District ⁽²⁾	0.0103	0.0077	0.0074	0.0066	0.0035
Bay Area Rapid Transit District	0.0230	0.0225	0.0220	0.0167	-0-
East Bay Regional Park District	0.0094	0.0080	0.0081	0.0092	0.0088
East Bay Regional Municipal Utility District	0.0108	0.0108	0.0096	0.0091	0.0087
City of Oakland ⁽³⁾	<u>0.1850</u>	<u>0.1728</u>	<u>0.2204</u>	<u>0.1840</u>	<u>0.2331</u>
Combined Tax Rates	<u>1.2634%</u>	<u>1.2445%</u>	<u>1.2933%</u>	<u>1.2508%</u>	<u>1.2780%</u>

⁽¹⁾ Maximum rate for purposes other than paying debt service in accordance with Article XIII A of the State Constitution.

⁽²⁾ Represents tax levied under Education Code Section 16090.

⁽³⁾ 0.1575% represents tax levied to correct underfunded obligations in the Police and Fire Retirement System. Additional amount represents levies for general obligation debt. See "Retirement Program" herein.

Source: *Alameda County Auditor-Controller.*

The following table lists the largest ten taxpayers in the City in terms of their 1999-00 assessed valuation.

**CITY OF OAKLAND
TOP TEN TAXPAYERS
1999 - 2000⁽¹⁾**

		1999-00 Assessed Valuation (\$000's)
Property Owner	Type of Business	
1. Oakland City Center LLC	Property Management	\$169,998
2. Kaiser Foundation Health Plan, Inc.	Health Service	115,701
3. Prentiss Properties Acquisition Partners LP	Property Management	113,213
4. Kaiser Center, Inc.	Property Management	80,087
5. Clorox Company	Household Products	76,977
6. Lake Merritt Plaza	Property Management	74,542
7. Owens Illinois Glass Container Inc.	Manufacturing	70,055
8. KSL Claremont Resort Inc.	Hospitality	57,507
9. Union Pacific Railroad Company	Transportation	53,095
10. Webster Street Partners Ltd.	Property Management	52,960
Total - Top Ten		\$864,125

⁽¹⁾ Net of Exemptions.

Source: Alameda County Assessor.

Financial and Accounting Information

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

Government Funds.

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

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

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

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

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

Proprietary Funds.

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

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

Fiduciary Funds.

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

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

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

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

Comparative Finance Statements. The following table reflects the City's general fund audited financial statements for the fiscal years 1994-95 through 1998-99 listing actual revenues, expenditures and fund balances and the adopted budget for 1999-00.

**CITY OF OAKLAND
GENERAL PURPOSE FUND REVENUES, EXPENDITURES
AND OPERATING SURPLUSES 1994-95 THROUGH 1998-99 ACTUALS
AND 1999-00 ADOPTED BUDGET
(in \$000's)**

Total Revenue and Expenditures	Actual 1995/96	Actual 1996/97	Actual 1997/98	Actual 1998/99	Adopted Budget 1999/00
REVENUES					
Taxes ⁽¹⁾	\$212,160	\$221,793	\$237,658	\$258,853	\$214,800
Licenses and Permits	6,868	7,097	7,690	8,043	10,480
Traffic Fines and Various Penalties	8,189	9,506	11,873	13,224	16,850
Interest and Income	4,478	8,702	5,793	4,785	3,420
Revenue from Current Services ⁽²⁾	26,838	32,008	30,920	34,517	36,300
Grant Revenue	6,751	7,443	6,242	6,695	1,730
Other, including Transfers	<u>6,738</u>	<u>8,955</u>	<u>14,730</u>	<u>27,732</u>	<u>34,380</u>
Total	\$272,022	\$295,504	\$314,901	\$353,849	\$317,960

EXPENDITURES

General Government ⁽¹⁾	\$ 28,986	\$ 33,078	\$ 33,970	\$ 38,685	\$ 39,770
Public Safety ⁽²⁾	136,621	145,839	158,948	166,389	169,240
Public Works ⁽³⁾	42,176	41,552	29,359	26,070	1,330
General Services	—	—	—	—	—
Life Enrichment ⁽⁴⁾	24,772	25,038	26,565	28,874	27,790
Economic and Community Development ⁽⁵⁾	719	1,629	14,775	18,403	23,920
Payment to Unfunded Pension Obligation	27,034	440,409	0	0	—
Other ⁽⁶⁾	10,338	16,764	18,180	19,021	34,460
Transfers/ other sources and uses ⁽⁷⁾	<u>11,041</u>	<u>(410,044)</u>	<u>35,847</u>	<u>37,999</u>	<u>8,730</u>
Total Expenditures	<u>\$281,687</u>	<u>\$294,265</u>	<u>\$317,644</u>	<u>\$335,441</u>	<u>\$305,240</u>
Excess of Revenues over Expenditures	\$ (9,665)	\$ 1,239	\$ (2,738)	\$ 18,408	\$12,720

⁽¹⁾ Includes property, state and local taxes.

⁽²⁾ Previously classified in interest income, the amount of \$2,509,000 for Rental Income was reclassified in Revenue from Current Services in FY 1995-1996.

⁽³⁾ Includes elected and appointed officials, agencies and administrative services.

⁽⁴⁾ Includes police and fire services.

⁽⁵⁾ Previously classified in Office of General Services, the amount of \$176,000 for Office of General Services was reclassified in Office of Public Works in FY 1995-1996. Previously classified in Public Works, the Office of Planning and Building amount was reclassified in Community and Economic Development in FY 1997-1998.

⁽⁶⁾ Includes Parks and Recreation, Library, Museum, Aging and Health and Human Services.

⁽⁷⁾ Includes Planning and Building (as of FY 1997-1998), Housing and Neighborhood Development and Economic Development and Employment.

⁽⁸⁾ Includes capital outlays and debt service interest charges, does not include rent payable on lease obligations.

⁽⁹⁾ Includes operating transfers and (for 1996-97) receipt of bond proceeds for payment of unfunded pension obligation.

Source: City of Oakland, Comprehensive Annual Financial Report and 1999-2001 Adopted Policy Budget.

Motor Vehicle License Fees

In the 1998-99 fiscal year the City received approximately \$12.2 million from the State allocated under the Motor Vehicle License Fee Statute, such amount representing approximately 1.8% of the City's budget. For the 1999-00 fiscal year, the City has budgeted for receipts of approximately \$11.52 million from vehicle license fees (1.7% of the City budget). It should be noted that legislation was recently adopted which provides for the gradual elimination of the vehicle license fee on noncommercial vehicles for over a five-year period. Such legislation provides for the transfer of sales and use tax revenues to local governments in the event that any local government lose money as a result of the reduction and/or elimination of the noncommercial license fee. The City can provide no assurance, however, that such revenues from the State will be available to replace lost motor vehicle license fees.

Labor Relations

City employees are represented by seven labor unions and associations, described in the table below, the largest one being the Service Employees United Public Employees (Local 790), which represents approximately 47% of all City employees. Approximately 80% of all City employees are covered by negotiated agreements, as shown below. Memoranda of Understandings effective July 1, 1999 were entered into with all non-sworn employee organizations. The newly-accredited Local 21 is currently negotiating a contract with the City. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milas-Brown Act (California Government Code Section 3500 et seq.), the City continues to meet and confer with the exclusive bargaining representatives of the City employees.

CITY OF OAKLAND LABOR RELATIONS

Employee Organization/Bargaining Unit	Number of Employees	Contract Termination
International Association of Firefighters (Local 55)	490	6/30/01
International Brotherhood of Electrical Workers (Local 1245)	26	6/30/02
International Federation of Professional and Technical Engineers (Local 21)/ Units A, W and F	391	6/30/02
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	343	Negotiating
IFPTE, Local 21 (Deputy City Attorney)	22	6/30/02
Oakland Police Officers Association	680	6/30/01
United Public Employees (Local 790)/full-time	1,424	6/30/02
United Public Employees (Local 790)/part-time	800	Negotiating
Ranger Association	15	Negotiating

Source: *City of Oakland, Office of Personnel Resource Management.*

Retirement Program

The Police and Fire Retirement System ("PFRS") is a defined benefit plan administered by a Board of Trustees and covers uniformed employees hired prior to July 1, 1976. As of June 30, 1999, PFRS covered 720 current employees and 1,480 retired employees. Effective July 1, 1976, the City began providing for and funding an amount equal to the annual normal service cost of all PFRS participants and the amortization of unfunded benefits accumulated as of that date over a forty year period. On June 7, 1988, voters approved a City measure to extend the amortization period of the unfunded benefits to fifty years, ending in 2026. In accordance with these voter-approved measures, the City annually levies an ad valorem tax on all property within the City subject to taxation by the City to help fund the accumulated unfunded benefits. For fiscal year 1999, the City levied a tax of 0.1575% for this purpose.

The City's annual contribution to PFRS is determined by calculating the total pension liability for public safety employees under both PFRS and the Public Employees Retirement System ("PERS"). The amount to be contributed to both plans is allocated between years such that a level percentage of payroll (60.49% in Fiscal Year 1996-97) will amortize the unfunded liabilities by 2026 and 2011 of PFRS and PERS, respectively. Contributions to PERS are deducted and the difference is contributed to PFRS.

For the fiscal year ended June 30, 1999, contributions to PFRS totaling \$1.3 million (no employer contributions; all \$1.3 million contributed by employees) were made in accordance with actuarially determined contribution requirements. Through a Pension Obligation Bond financing in Fiscal Year 1998-99, the City contributed \$417,072,300 to offset its estimated unfunded liability for the 14-year period ending 2011. The City's actuaries do not make an allocation of the contribution amount between normal cost and the unfunded actuarial liability because the plan is closed. An actuarial valuation on the PFRS benefit plan is conducted every two years with the most recent valuation conducted for the period ending June 30, 1999.

Oakland Municipal Employees Retirement System ("OMERS") is administered by the City and covers two nonuniformed employees hired prior to September 1, 1970 who have not elected to transfer to the PERS as well as 234 retired employees. For the year ended June 30, 1999, the City, in accordance with actuarially determined contribution requirements, did not make contributions to OMERS as the plan is fully funded.

PERS is a defined benefit plan administered by the State and covers all nonuniformed employees except those who have not elected to transfer from OMERS and all uniformed employees hired after June 30, 1976. As of June 30, 1999, the pension benefit obligation for the City miscellaneous employees was unfunded by \$49.4 million; the pension benefit obligation for City safety employees was overfunded by \$18.5 million.

For accounting purposes, employees covered under PERS are classified as either miscellaneous employees or safety employees. City miscellaneous employees and City safety employees are required to contribute 7% and 9%, respectively, of their annual salary to PERS. The City contribution rates for the fiscal year ending June 30, 1998 are 3.571% and 6.256% for each group, respectively. The City pays the entire amount of its employees contribution rate for miscellaneous and safety employees, including the annual contribution of 7% and 9% to PERS.

PERS uses an actuarial method which takes into account those benefits that are expected to be earned in the future as well as those already accrued. PERS also uses the level percentage of payroll method to amortize any unfunded actuarial liabilities. The amortization period of the unfunded actuarial liability ends June 30, 2011.

City Demographic and Economic Information

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

The City's population exceeds 399,000, making it the seventh largest city in the State and the third largest in the Bay Area. At least 81 different languages and dialects are spoken within the City; it is the only major city to have no census tract composed of a single race. The City's workforce is both sizable and multi-skilled.

The City's economic base historically has been predominantly industrial. Over the past 25 years, there have been significant gains in diversifying the City's economic base. While manufacturing jobs have decreased, commercial and service-oriented sectors have come to play a larger role in the economy. The City has embraced an aggressive economic development strategy surrounding five primary business clusters: (1) biotechnology/healthcare; (2) telecommunications; (3) software/multimedia; (4) food processing; and (5) transportation.

The City's largest employers include both public and private entities. Many of the City's largest public employers are headquartered in the City, including the City government itself, the Bay Area Rapid Transit District ("BART"), the East Bay Municipal Utility District ("EBMUD") and the Alameda-Contra Costa Transit District ("AC Transit"). The City's largest private employer is Kaiser Permanente, followed by Summit Medical Center, Southwest Airlines and United Parcel Service.

The demand in the Oakland metropolitan rental market is high, reflecting the low vacancy rates in the Bay Area. Not only are tenants renting at a rapid rate, but investors and developers are looking to Oakland with heightened interest. The Bay Area is greatly benefitting from not only a flourishing economy, but a thriving national economy as well.

First quarter records reveal the success of the Oakland Central Business District ("CBD"). Due to the dramatic decrease of available space, landlords are seeing multiple offers for available rental space. A significant lease in the CBD occurred in the Oakland City Center where Ask Jeeves, Inc., an Emeryville-based Internet search engine, recently leased 58,930 square feet.

According to the Cushman & Wakefield Office Market Report, total inventory in the Oakland Metropolitan Area exceeds 22.3 million square feet, split nearly evenly between the CBD and the non-CBD. Increased demand in the Oakland market continues to be evident with the drop in vacancy rate at the end of the third quarter. Due to substantial leasing activity throughout the entire year, overall vacancy rates have fallen 5.1 percentage points since 1998 and are currently at 8.1 percent.

A growing number of tenants have found that the East Bay has the infrastructure, economical rental rates, and tax incentive plans they desire. In fact, the East Bay now leads the nine-county Bay Area

region in job growth, a position previously held by Silicon Valley. Furthermore, Mayor Brown is promoting the City's business-friendly atmosphere and a new image to companies from surrounding areas seeking to relocate to the City.

Development of the City's downtown has long been a primary thrust of city planning. Over the past two decades, the central business district has undergone a dramatic physical renaissance. New office and retail buildings, refurbished public facilities, luxury hotels, park enhancements and outdoor art have created a cosmopolitan environment enhancing the City's status as the hub of the Bay Area. Recently completed projects include the University of California Office of the President, the Elihu Harris State Building, the City Administration Buildings, the Warriors Headquarters and Practice Facility, the Jack London Square retail project, the Swan's Market mixed-use project, the Tribune Tower, and the Martin Luther King, Jr., Plaza (a biomedical research and senior center). City Center is the premier location in the City's urban business center. Shorenstein Realty Investors ("Shorenstein") have purchased four buildings in City Center and have acquired development rights to four and one half blocks slated for development in the immediate area. Shorenstein has submitted plans to the City for a project due to start construction in April of 2000 that would add 2.2 million square feet of office space to the CBD. The project would consist of four high-rise buildings, each more than 24 floors. Over 400,000 square feet of space has been leased in the City Center office complex since 1997. City Center is virtually 100% leased.

Downtown projects currently under development include a new office tower, renovations to a landmark office building, two new hotels and four new downtown housing sites. Renovations at the Rotunda Building will bring an additional 400,000 square feet to market next year. One of the two new hotels, the Keystone Hotel, will be a 210-room business hotel with street-level retail. Construction on the Keystone Hotel will begin this year. In keeping with the Mayor's economic development goals, which include an aggressive strategy to bring 10,000 new residents to downtown Oakland, the City approved the sale of four new housing sites in December 1999. The sale should pave the way for at least 600 new units (and nearly 1,000 residents) in the year 2000.

The City is developing a new concept - in concert with the Oakland Unified School District, the Peralta Community College District, and BART - for reshaping the Lake Merritt Channel Area. This area has potential for housing, recreation, and retail uses. The intention is to work collaboratively with these public entities to identify sites and implement public improvements.

The City is also helping to upgrade the facades of buildings in the Downtown Historic District and Uptown, along Broadway and Telegraph, in Chinatown and in Old Oakland. The City has more than 35 active façade improvement projects in the downtown area alone.

Part of the City's economic expansion is evidenced by the ongoing activity at the Port which is undertaking several capital improvement projects. The Port, established in 1927, is an independent department of the City employing some 560 people. The Port extends approximately 19 miles along the east side of the Oakland Estuary from the border of the city of Emeryville immediately north of the San Francisco-Oakland Bay Bridge, to the south to the border of the city of San Leandro. Port facilities include four major marine terminal areas covering almost 1,000 acres; Oakland International Airport (the "Airport") which covers an area of over 2,500 acres; 1,100 acres of commercial, industrial, recreational and other land; and 950 acres of underdeveloped land.

Recently, the Port presented a check for \$659,124 to AC Transit for its engine repowering program. The subsidy from the Port will be used to underwrite the cost of retrofitting 27 buses that will

serve West Oakland and surrounding communities. The subsidy is just part of the Port's larger \$9 million Air Quality Mitigation Program. The program includes air quality mitigation measures that will support the Port's Vision 2000 projects, which include the construction of four new container berths, associated terminal wharves and container yards and a new access road to the new terminals. In addition, the project provides for a major new \$10 million waterfront public park covering over thirty acres.

In addition, the City is investing in a complete overhaul of its look and feel to visitors arriving from the Airport. Major streetscape improvements to Hegenberger Road, 98th Avenue, Doolittle Drive, and Airport Access Road will begin in the summer of 2000. The look of the City's gateway has already changed, with three new hotels (Holiday Inn Express, Comfort Inn and the Marriott Courtyard) projected to add more than 350 rooms in 2000.

Much of the City's economic strength is attributable to its extensive transportation network. The City is today recognized as the center of commerce for the Bay Area and is the Bay Area's "mainland" connection. Nine major U.S. and California highways converge in the City, providing convenient travel throughout the Bay Area and direct access to other regions of the country. High-speed light-rail transit throughout the Bay Area is provided by BART and local bus service is offered by AC Transit, 98% of whose lines connect with BART. Other transportation services include the Alameda/Oakland Ferry Service, Amtrak and Greyhound Bus Lines.

In addition to ground transportation, the City is home to an international airport and to one of the main sea terminals for cargo moving between the western United States and the Pacific Rim, Latin America and Europe. The Port loads and discharges more than 97% of containerized goods bound to and through the Bay Area, making it the third largest container port on the Pacific Coast, the fourth largest in the United States and among the top thirty in the world. About 72.0% of the City's foreign maritime trade is with Asia. The Port is currently undertaking a project to deepen the Bay's access channels, which will allow it to compete more effectively with other West Coast ports for Pacific Rim trade. The Airport, operated by the Port, is a major regional center of air passenger and cargo jet operations and the second largest airport in the Bay Area. The Airport currently provides more than 70% of the Bay Area's cargo flights. In 1998, the Airport served over 9.2 million passengers and handled approximately 770,000 tons of air cargo.

Services and other important resources are extensive and locally provided. Five major hospitals are located in the City. Over 170 public and private schools provide elementary, middle, special and secondary education. The Oakland Unified School District operates 88 schools, which include elementary, middle, and high schools, and special education programs. In addition, there are a wide range of private and nonprofit elementary and secondary schools in the City. Seven colleges are located in the City, reporting enrollment of over 20,000 students. Utility services are provided by Pacific Bell, EBMUD and Pacific Gas & Electric. The City has its own regional daily newspaper, radio stations and a Fox Network television station.

The City has many well-established medium-density residential neighborhoods, consisting primarily of single-family homes. The City is an affordable community, containing neighborhoods with price levels from low-income (22% of housing units are valued below \$100,000) to high-income (32.5% of housing units are valued above \$250,000). Of total housing units, over 38% are owner-occupied. Shopping districts such as Montclair, College Avenue, Piedmont Avenue, Grand/Lakeshore Avenues and Park Boulevard form the spines for the surrounding residential areas.

The quality of life in the City is enhanced by abundant opportunities for recreation, entertainment and culture at more than 140 parks, playgrounds, community centers and other recreational facilities operated by the City. The City has a moderate climate and has 64 parks within its borders, including Lake Merritt, which is located downtown. The Oakland-Alameda County Coliseum hosts concerts and other special events, and is the home to the Oakland A's baseball team, the Oakland Raiders football team, and the Golden State Warriors basketball team. In addition, a wide and diverse variety of music, dance and theater groups, both amateur and professional, perform regularly in the City. The Alice Arts Center is a multi-cultural and multi-disciplinary performing arts complex that presents local, regional and national theater, dance and music productions.

Military Base Closures

All major military facilities in the County have closed. In the City, these closures included the Alameda Naval Air Station, the Naval Medical Center Oakland, and the Oakland Army Base. The cumulative community and economic impacts of base closures on the County's economy have been approximated at exceeding \$2 billion and the aggregate job loss totals over 60,000 jobs.

Several efforts are underway to mitigate the impact of base closures in the City and County, including the conversion of the military bases to civilian use. Among these are the activities of the Alameda County Economic Development Advisory Board ("EDAB"), a consortium of public and private entities in the County that assists with regional conversion efforts. EDAB collaborates with organizations such as the Bay Area Defense Conversion Action Team, the Bay Area Economic Forum, the Bay Area Regional Technology Alliance, and Joint Venture Silicon Valley to design in fill redevelopment strategies for meeting the demand for community improvements. In addition, the East Bay Conversion and Reinvestment Commission has received grants from the Federal Office of Economic Adjustment to provide planning analyses and assistance.

The County, the City and the Agency have formed a local reuse authority (the "Oakland Base Reuse Authority") under a joint powers agreement for development of comprehensive local reuse plans with respect to the Naval Medical Center Oakland and the Oakland Army Base. These facilities are being prepared for reuse in ways that will stimulate economic development, maximize job creation, stimulate tax revenues to the City, minimize public investment in the projects and maximize private investment.

The redevelopment of the 220-acre Oakland Army Base into a Master Planned Business and Technology park is projected to add 6,000 jobs to the City's economy in the next ten years. The Port's Maritime program will also expand, through its receipt of approximately 500 acres of the Naval Fleet and Industrial Center property, and potentially up to 174 acres of the Oakland Army Base.

The City is unable to predict the ultimate financial impact that it will experience due to the military base closures. However, the impact on the City to date has been less significant than originally anticipated, and the City's economy continues to thrive despite these closures.

Population

The City is the seventh largest in the State. Between 1990 and 1999, the City's population increased by a total of 27,600 or 7.41 %. The City has experienced steady population growth since 1980; during this period it is estimated that population has grown by 60,600, or 17.86 %. The City is the third most populous in the Bay Area. The following chart illustrates the population changes in the City and the County from 1970 to 1999.

CITY OF OAKLAND AND ALAMEDA COUNTY POPULATION ESTIMATES

Year	City of Oakland	Alameda County
1970	361,561	1,071,446
1980	339,300	1,105,700
1990	372,300	1,274,700
1991	378,200	1,294,900
1992	378,200	1,310,375
1993	379,700	1,326,150
1994	381,400	1,338,400
1995	381,400	1,344,150
1996	383,900	1,356,450
1997	389,700	1,381,675
1998	397,800	1,413,250
1999	399,900	1,433,375

Source: *United States Department of Commerce, Bureau of the Census and State of California Department of Finance. Population estimates are as of January 1 of each listed year.*

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Employment

Over the past several years, the City's labor force and employment levels have both grown and unemployment rates have declined. The following table represents the labor patterns in the City, the State of California, and the United States from 1994 through 1999, and for February 2000.

CITY OF OAKLAND, STATE OF CALIFORNIA AND UNITED STATES CIVILIAN LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT 1994 through 1999, and February 2000

<u>Year and Area</u>	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
1994				
City	181,280	163,940	17,340	9.6%
State	15,450,000	14,122,100	1,327,900	8.6
United States	131,056,000	123,060,000	7,996,000	6.1
1995				
City	180,540	164,290	16,290	9.0
State	15,412,200	14,202,800	14,202,800	7.8
United States	132,304,000	124,900,000	124,900,000	5.6
1996				
City	180,130	166,040	14,090	7.8
State	15,568,600	14,444,400	1,124,200	7.2
United States	133,943,000	126,708,000	7,236,000	5.4
1997				
City	184,580	171,780	12,800	6.9
State	15,971,800	14,965,500	1,006,300	6.3
United States	136,297,000	129,558	6,739,000	4.9
1998				
City	186,130	174,000	12,130	6.5
State	16,329,100	15,360,600	968,500	5.9
United States	137,673,000	131,463,000	6,210,000	4.5
1999				
City	188,510	178,220	10,920	5.5
State	16,585,000	15,721,700	864,200	5.2
United States	140,108,000	134,420,000	5,688,000	4.1
February 2000				
City	187,900	179,600	8,330	4.4
State	16,719,800	15,787,000	843,900	5.0
United States	142,165,000	135,362,000	5,804,000	4.1

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

Largest Employers

The following tables represent the largest public and private employers in the City.

CITY OF OAKLAND LARGEST PUBLIC EMPLOYERS As of June 1999

Public Entity	Product/Service	Number of Employees
U.S. Government (Civilian)	Governmental Operations	10,576
County of Alameda	Governmental Operations	7,030
Oakland Unified School District	Education	5,573
State of California (not including University of California)	Governmental Operations	4,430*
City of Oakland	Governmental Operations	4,027
Bay Area Rapid Transit	Public Transportation	2,104
East Bay Municipal Utility District	Utility/Water	1,900
Peralta Community College	Education	1,434
University of California	Education	1,100
U.S. Army	Military Services	760
Oakland Alameda County Coliseum, Inc.	Sports Stadium	700

* Estimate; exact number not available

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

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**CITY OF OAKLAND
LARGEST PRIVATE EMPLOYERS
As of June 1999**

Public Entity	Product/Service	Number of Employees
Kaiser Permanente	Health Services	7,388
Summit Medical Center	Hospital Services	2,240
Southwest Airlines	Transportation	2,084
United Parcel Services	Delivery Services	2,060
Children's Hospital of Oakland	Hospital Services	1,980
United Airlines	Transportation	1,950
Fed Ex	Delivery Services	1,918
The Clorox Company	Household Products	1,340
Waste Management of Alameda County	Waste Disposal	1,130
Diocese of Oakland	Church	882

Source: *City of Oakland Community and Economic Development Agency.*

Commercial Activity

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

**CITY OF OAKLAND
TAXABLE TRANSACTIONS 1994-1998**

Year	Total Sales
1994	\$ 2,322,874,000
1995	2,495,567,000
1996	2,596,521,000
1997	2,767,367,000
1998	2,817,183,000

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

Construction Activity

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

CITY OF OAKLAND BUILDING PERMITS AND VALUATIONS 1994-1998

Year	Number of Permits Issued	Authorized New Dwelling Units	Residential Valuation (In Thousands)	Nonresidential Valuation (In Thousands)
1994	8,557	N/A	\$51,710	\$96,004
1995	9,692	290	47,129	132,865
1996	12,154	180	75,778	115,803
1997	12,517	213	87,625	81,131
1998	13,408	287	103,316	103,889

Source: *Approved Policy Budget, 1999-2001.*

Median Household Income

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

CITY OF OAKLAND AND ALAMEDA COUNTY MEDIAN HOUSEHOLD EFFECTIVE BUYING INCOME 1993-1998⁽¹⁾ Median EBI

Year	City of Oakland	Alameda County	California	United States
1993	\$ 31,203	\$ 42,284	\$ 39,330	\$ 35,056
1994	32,842	44,381	40,969	37,070
1995 ⁽²⁾	28,033	38,436	34,533	32,238
1996 ⁽²⁾	28,786	39,658	35,216	33,482
1997 ⁽²⁾	29,784	41,127	36,483	34,618
1998	30,388	41,715	37,091	35,377

⁽¹⁾ Most recent data available.

⁽²⁾ The definition of "EBI" changed beginning in 1995, accordingly the data for 1995 and subsequent years is not directly comparable with the data for years prior to 1995.

Source: *"Survey of Buying Power," Sales and Marketing Management Magazine.*

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE CITY OF OAKLAND

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Three Embarcadero Center
San Francisco, CA 94111

Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of the City of Oakland, California (the City) as of and for the year ended June 30, 1999, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of management of the City. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Oakland Municipal Employees' Retirement System, the Police and Fire Retirement System or the Oakland Redevelopment Agency, whose statements reflect total assets and total revenues which represent 2% and 0%, respectively, of the combined totals of the Special Revenue Funds; 56% and 22% of the combined totals of the Debt Service Funds; 47% and 55% of the combined totals of the Capital Projects Funds; 19% and 70% of the combined totals of the Fiduciary Fund Types and 16% of the combined total liabilities of the General Long-Term Obligations Account Group. We also did not audit the financial statements of the Port of Oakland, a discretely presented component unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such entities in the Special Revenue, Debt Service, Capital Projects, Fiduciary Fund Types, the General Long-Term Obligations Account Group, and the discretely presented component unit, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Oakland, California, as of June 30, 1999, and the results of its operations and the changes in plan assets of the pension trust funds and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.





In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2000 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in note 16 to the general purpose financial statements, the City adopted Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*.

The schedules of funding progress on pages 89 through 91 and the year 2000 information on page 92 are not a required part of the general purpose financial statements, but are supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedules of funding progress certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedules. We were unable to apply certain of these limited procedures to the year 2000 information because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the City of Oakland is or will become year 2000 complaint, that the City's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the City of Oakland does business are or will become year 2000 compliant.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the foregoing table of contents, which are also the responsibility of the management of the City, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements (other than the financial statements of the Oakland Municipal Employees' Retirement System, the Police and Fire Retirement System, the Oakland Redevelopment Agency, and the Port of Oakland, which were audited by other auditors whose reports expressed unqualified opinions) and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

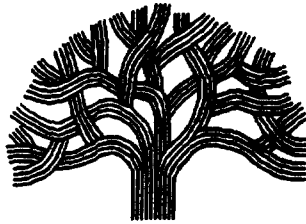
The statistical section listed in the accompanying table of contents is presented for the purpose of additional analysis and it not a required part of the general purpose financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in our audit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

KPMG LLP

January 28, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

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CITY OF OAKLAND



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

June 30, 1999

(In Thousands)

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
ASSETS AND OTHER DEBITS						
Assets						
Cash and investments	\$ 19,216	\$ 23,939	\$ 3,865	\$ 74,453	\$ 2,275	\$ 12,015
Receivables (net of allowance for uncollectibles):						
Accrued interest and dividends	735	1,334	234	821	—	—
Property taxes	2,717	698	156	70	8	—
Accounts receivable	37,823	1,510	—	133	3,124	92
Grants receivable	—	22,533	—	—	—	—
Special assessments	—	—	1,479	—	—	—
Receivable from Port of Oakland	11,088	—	—	—	—	—
Due from other funds	74,039	15,163	6,847	15,007	7	174
Due from other governments	—	—	—	36	—	—
Notes and loans receivable (net of allowance for uncollectibles)	13,709	76,828	—	33,518	—	—
Restricted cash and investments	24	—	78,449	198,951	—	—
Inventories	—	—	—	—	—	1,138
Fixed assets (net, where applicable of accumulated depreciation)	—	—	—	—	74,906	14,815
Property held for resale	—	—	21,447	54,688	—	—
Other	1,474	2	460	2,407	—	—
Other Debits						
Amount available in debt service funds	—	—	—	—	—	—
Amount to be provided for long-term obligations	—	—	—	—	—	—
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 160,825</u>	<u>\$ 142,007</u>	<u>\$ 112,937</u>	<u>\$ 380,084</u>	<u>\$ 80,320</u>	<u>\$ 28,234</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Reporting Entity
\$1,046,184	\$ —	\$ —	\$1,181,947	\$ 107,490	\$1,289,437
5,634	—	—	8,758	2,221	10,979
—	—	—	3,649	—	3,649
11,010	—	—	53,692	24,816	78,508
—	—	—	22,533	—	22,533
—	—	—	1,479	—	1,479
—	—	—	11,088	—	11,088
512	—	—	111,749	—	111,749
—	—	—	36	—	36
—	—	—	124,055	—	124,055
212,687	—	—	490,111	81,602	571,713
—	—	—	1,138	—	1,138
—	729,069	—	818,790	948,194	1,766,984
—	—	—	76,135	—	76,135
—	—	—	4,343	19,059	23,402
—	—	87,646	87,646	—	87,646
—	—	<u>1,384,138</u>	<u>1,384,138</u>	—	<u>1,384,138</u>
<u>\$1,276,027</u>	<u>\$ 729,069</u>	<u>\$1,471,784</u>	<u>\$4,381,287</u>	<u>\$1,183,382</u>	<u>\$5,564,669</u>

(continued)



**ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNIT**

COMBINED BALANCE SHEET, continued

June 30, 1999

(In Thousands)

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
LIABILITIES, EQUITY AND OTHER CREDITS						
Liabilities						
Accounts payable and accrued liabilities	\$ 60,139	\$ 4,787	\$ 155	\$ 6,616	\$ 1,202	\$ 3,376
Due to other funds	14,934	34,918	33,161	21,428	293	3,629
Payable to primary government	—	—	—	—	—	—
Deferred revenue	42,708	82,555	1,457	49,479	—	—
Matured bonds and interest payable	—	—	906	—	—	—
Long-term obligations	—	—	—	520	9,522	—
Due to bond holders	—	—	—	—	—	—
Securities lending liability	—	—	—	—	—	—
Other	172	180	23	1,157	—	—
Total liabilities	<u>117,953</u>	<u>122,440</u>	<u>35,702</u>	<u>79,200</u>	<u>11,017</u>	<u>7,005</u>
Equity and Other Credits						
Investment in general fixed assets	—	—	—	—	—	—
Contributed capital	—	—	—	—	—	17,382
Retained earnings	—	—	—	—	69,303	3,847
Fund balances:						
Reserved for pension benefits	—	—	—	—	—	—
Reserved	4,378	17,213	77,235	300,884	—	—
Unreserved:						
Designated	12,357	6,778	—	—	—	—
Undesignated	26,137	(4,424)	—	—	—	—
Total equity and other credits	<u>42,872</u>	<u>19,567</u>	<u>77,235</u>	<u>300,884</u>	<u>69,303</u>	<u>21,229</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 160,825</u>	<u>\$ 142,007</u>	<u>\$ 112,937</u>	<u>\$ 380,084</u>	<u>\$ 80,320</u>	<u>\$ 28,234</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	Primary Government	Port of Oakland	Reporting Entity
\$ 32,727	\$ —	\$ —	\$ 109,002	\$ 64,951	\$ 173,953
3,386	—	—	111,749	—	111,749
—	—	—	—	11,088	11,088
—	—	—	176,199	6,811	183,010
—	—	—	906	18,112	19,018
1,150	—	1,471,784	1,482,976	569,897	2,052,873
12,414	—	—	12,414	—	12,414
165,140	—	—	165,140	—	165,140
8	—	—	1,540	28,839	30,379
<u>214,825</u>	<u>—</u>	<u>1,471,784</u>	<u>2,059,926</u>	<u>699,698</u>	<u>2,759,624</u>
—	729,069	—	729,069	—	729,069
—	—	—	17,382	191,100	208,482
—	—	—	73,150	292,584	365,734
884,469	—	—	884,469	—	884,469
175,171	—	—	574,881	—	574,881
—	—	—	19,135	—	19,135
<u>1,562</u>	<u>—</u>	<u>—</u>	<u>23,275</u>	<u>—</u>	<u>23,275</u>
<u>1,061,202</u>	<u>729,069</u>	<u>—</u>	<u>2,321,361</u>	<u>483,684</u>	<u>2,805,045</u>
<u>\$ 1,276,027</u>	<u>\$ 729,069</u>	<u>\$ 1,471,784</u>	<u>\$ 4,381,287</u>	<u>\$ 1,183,382</u>	<u>\$ 5,564,669</u>

(concluded)



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

Year ended June 30, 1999

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Taxes:				
Property	\$ 83,028	\$ 23,563	\$ 7,798	\$ 25,640
State:				
Sales and Use	36,215	7,593	—	—
Motor Vehicle In-lieu	17,701	—	—	—
Gas	—	7,389	—	—
Local:				
Business License	31,825	—	—	—
Utility Consumption	36,938	—	—	—
Real Estate Transfer	28,892	—	—	—
Transient Occupancy	9,430	—	—	—
Parking	5,827	—	—	—
Franchise	8,997	—	—	—
Licenses and permits	8,043	18	—	—
Fines and penalties	13,224	1,491	21	—
Interest and investment income	4,785	1,979	10,284	31,227
Charges for services	34,517	1,930	—	1,745
Federal and state grants and subventions	6,695	53,421	—	1,218
Pension annuity distribution	—	—	—	—
Other	27,732	5,586	780	6,482
TOTAL REVENUES	<u>\$353,849</u>	<u>\$102,970</u>	<u>\$18,883</u>	<u>\$66,312</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Fiduciary Fund Type Expendable Trust	Total (Memorandum Only)
\$ —	\$140,029
—	43,808
—	17,701
—	7,389
—	31,825
—	36,938
—	28,892
—	9,430
—	5,827
—	8,997
—	8,061
—	14,736
11,475	59,750
12	38,204
300	61,634
18,114	18,114
<u>2,632</u>	<u>43,212</u>
<u>\$ 32,533</u>	<u>\$574,547</u>

(continued)



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

Year ended June 30, 1999

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	\$ 1,028	\$ —	\$ —	\$ 16
Council	2,217	20	—	—
City Manager	3,525	1,084	—	65
City Attorney	4,402	319	—	52
City Auditor	1,075	—	—	—
City Clerk	2,102	1	—	—
Agencies/Departments:				
Personnel Resource Management	3,760	229	—	229
Retirement and Risk Administration	1,089	—	—	21
Information Technology	7,415	25	—	492
Financial Services	12,072	583	361	549
Police Services	108,074	6,359	—	29
Fire Services	58,315	2,283	—	39
Life Enrichment				
Parks and Recreation	11,963	14,689	—	638
Library	9,154	5,000	—	160
Museum	4,597	—	—	—
Aging	2,671	4,310	—	—
Health and Human Services	489	13,379	—	—
Community and Economic Development	18,403	30,153	—	25,367
Public Works	26,070	13,755	—	2,702
Other	15,843	18,146	4,556	16,509
Capital outlay	635	13,320	—	50,153
Debt service:				
Principal repayment	—	—	30,457	—
Interest charges	2,543	—	71,867	—
TOTAL EXPENDITURES	<u>297,442</u>	<u>123,655</u>	<u>107,241</u>	<u>97,021</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 56,407</u>	<u>\$(20,685)</u>	<u>\$(88,358)</u>	<u>\$(30,709)</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Fiduciary Fund Type</u> Expendable Trust	Total (Memorandum Only)
\$ 214	\$ 1,258
386	2,623
120	4,794
1,031	5,804
—	1,075
44	2,147
—	4,218
1	1,111
—	7,932
309	13,874
837	115,299
—	60,637
27	27,317
230	14,544
3	4,600
—	6,981
—	13,868
5,595	79,518
139	42,666
1,341	56,395
1,765	65,873
—	30,457
—	74,410
<u>12,042</u>	<u>637,401</u>
<u>\$ 20,491</u>	<u>\$(62,854)</u>

(continued)



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

Year Ended June 30, 1999

(In Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES, BROUGHT FORWARD	<u>\$56,407</u>	<u>\$(20,685)</u>	<u>\$(88,358)</u>	<u>\$(30,709)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	—	—	187,500	4,467
Payment to refunded bond escrow agent	—	—	(168,539)	—
Property sale proceeds	—	586	—	5
Operating transfers in	73,122	30,164	90,170	6,157
Operating transfers out	<u>(111,121)</u>	<u>(18,591)</u>	<u>(13,692)</u>	<u>(40,330)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(37,999)</u>	<u>12,159</u>	<u>95,439</u>	<u>(29,701)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	18,408	(8,526)	7,081	(60,410)
Fund balances at beginning of year	<u>24,464</u>	<u>28,093</u>	<u>70,154</u>	<u>361,294</u>
FUND BALANCES AT END OF YEAR	<u><u>\$42,872</u></u>	<u><u>\$ 19,567</u></u>	<u><u>\$ 77,235</u></u>	<u><u>\$300,884</u></u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Fiduciary Fund Type Expendable Trust</u>	<u>Total (Memorandum Only)</u>
<u>\$ 20,491</u>	<u>\$ (62,854)</u>
—	191,967
—	(168,539)
2	593
9,625	209,238
<u>(24,845)</u>	<u>(208,579)</u>
<u>(15,218)</u>	<u>24,680</u>
5,273	(38,174)
<u>171,460</u>	<u>655,465</u>
<u>\$176,733</u>	<u>\$ 617,291</u>
	(concluded)



**GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE
AND DEBT SERVICE FUNDS**

COMBINED STATEMENT OF REVENUES AND EXPENDITURES -

BUDGET AND ACTUAL ON A BUDGETARY BASIS

Year ended June 30, 1999

(In Thousands)

		General Fund	
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
REVENUES			
Taxes:			
Property	\$ 78,917	\$ 83,028	\$ 4,111
State:			
Sales and Use	34,971	36,215	1,244
Motor Vehicle In-lieu	16,277	17,701	1,424
Gas	—	—	—
Local:			
Business License	33,944	31,825	(2,119)
Utility Consumption	35,659	36,938	1,279
Real Estate Transfer	17,249	28,892	11,643
Transient Occupancy	8,715	9,430	715
Parking	5,331	5,827	496
Franchise	8,962	8,997	35
Licenses and permits	9,561	8,043	(1,518)
Fines and penalties	13,239	13,224	(15)
Interest and investment income	4,296	4,148	(148)
Charges for services	35,578	34,517	(1,061)
Federal and state grants and subventions	5,624	6,695	1,071
Other	<u>9,697</u>	<u>27,732</u>	<u>18,035</u>
TOTAL REVENUES	<u>\$318,020</u>	<u>\$353,212</u>	<u>\$35,192</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

Annually Budgeted Special Revenue Funds			Annually Budgeted Debt Service Funds		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
\$ 15,874	\$ 17,883	\$ 2,009	\$ 12,389	\$ 7,188	\$ (5,201)
8,101	6,883	(1,218)	—	—	—
—	—	—	—	—	—
7,060	7,389	329	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
11	18	7	—	—	—
270	818	548	—	21	21
—	785	785	—	1,761	1,761
4	69	65	—	—	—
162	1,877	1,715	—	—	—
78	257	179	—	749	749
<u>\$ 31,560</u>	<u>\$ 35,979</u>	<u>\$ 4,419</u>	<u>\$ 12,389</u>	<u>\$ 9,719</u>	<u>\$ (2,670)</u>

(continued)



**GENERAL FUND AND ANNUALLY BUDGETED SPECIAL REVENUE
AND DEBT SERVICE FUNDS**

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

Year ended June 30, 1999

(In Thousands)

		General Fund	
	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
EXPENDITURES			
Current:			
Elected and Appointed Officials:			
Mayor	\$ 1,106	\$ 1,028	\$ 78
Council	2,343	2,217	126
City Manager	3,140	3,525	(385)
City Attorney	4,238	4,402	(164)
City Auditor	1,051	1,075	(24)
City Clerk	2,655	2,102	553
Agencies/Departments:			
Personnel Resource Management	3,381	3,760	(379)
Retirement and Risk Administration	977	1,089	(112)
Information Technology	6,956	7,415	(459)
Financial Services	14,804	12,072	2,732
Police Services	101,520	108,074	(6,554)
Fire Services	61,126	58,315	2,811
Life Enrichment			
Parks and Recreation	12,216	11,963	253
Library	9,325	9,154	171
Museum	4,450	4,597	(147)
Aging	3,408	2,671	737
Health and Human Services	584	489	95
Community and Economic Development	18,793	18,403	390
Public Works	28,435	26,070	2,365
Other	68,416	15,843	52,573
Capital outlay	4,494	635	3,859
Debt service:			
Principal repayment	570	—	570
Interest charges	—	2,543	(2,543)
TOTAL EXPENDITURES	<u>353,988</u>	<u>297,442</u>	<u>56,546</u>
EXCESS (DEFICIENCY) OF REVENUES			
OVER (UNDER) EXPENDITURES	<u>\$ (35,968)</u>	<u>\$ 55,770</u>	<u>\$ 91,738</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Annually Budgeted Special Revenue Funds			Annually Budgeted Debt Service Funds		
Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)	Revised Budget	Actual on a Budgetary Basis	Variance - Favorable (Unfavorable)
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—
—	—	—	—	—	—
81	82	(1)	—	—	—
—	1	(1)	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
25	25	—	—	—	—
335	298	37	12	362	(350)
—	—	—	—	—	—
—	—	—	—	—	—
13,926	13,799	127	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
21	10	11	—	—	—
12,799	11,554	1,245	—	—	—
—	—	—	—	4,213	(4,213)
11,484	5,859	5,625	—	—	—
—	—	—	22,345	14,225	8,120
—	—	—	<u>48,087</u>	<u>42,453</u>	<u>5,634</u>
<u>38,671</u>	<u>31,628</u>	<u>7,043</u>	<u>70,441</u>	<u>61,253</u>	<u>9,191</u>
<u>\$ (7,111)</u>	<u>\$ 4,351</u>	<u>\$ 11,462</u>	<u>\$ (58,066)</u>	<u>\$ (51,534)</u>	<u>\$ 6,521</u>

(concluded)



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

Year Ended June 30, 1999

(In Thousands)

	Proprietary Fund Types	
	Enterprise	Internal Service
OPERATING REVENUES		
Rental	\$ 113	\$ 10
Charges for services	17,722	30,414
Other	<u>416</u>	<u>114</u>
TOTAL OPERATING REVENUES	<u>18,251</u>	<u>30,538</u>
OPERATING EXPENSES		
Personnel	6,242	10,821
Supplies	405	5,117
Depreciation and amortization	2,910	4,248
Contractual services and supplies	1,380	738
Repairs and maintenance	59	1,348
General and administrative	2,267	3,995
Rental	682	1,109
Other	<u>69</u>	<u>3,708</u>
TOTAL OPERATING EXPENSES	<u>14,014</u>	<u>31,084</u>
OPERATING INCOME (LOSS)	<u>4,237</u>	<u>(546)</u>
NON-OPERATING REVENUES (EXPENSES)		
Federal and state grants	1	102
Interest	(335)	—
Other, net	<u>(468)</u>	<u>136</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(802)</u>	<u>238</u>
INCOME BEFORE OPERATING TRANSFERS	<u>3,435</u>	<u>(308)</u>
Operating transfers out	<u>(659)</u>	<u>—</u>
TOTAL OPERATING TRANSFERS	<u>(659)</u>	<u>—</u>
NET INCOME (LOSS)	<u>2,776</u>	<u>(308)</u>
Depreciation of fixed assets acquired with contributed capital	—	—
Retained earnings at beginning of year	<u>66,527</u>	<u>4,155</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$ 69,303</u>	<u>\$ 3,847</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

Total (Memorandum Only)	Component Unit	Total (Memorandum Only)
Primary Government	Port of Oakland	Reporting Entity
\$ 123	\$ 162.903	\$ 163.026
48.136	—	48.136
<u>530</u>	<u>—</u>	<u>530</u>
<u>48.789</u>	<u>162.903</u>	<u>211.692</u>
17.063	39.890	56.953
5.522	—	5.522
7.158	34.227	41.385
2.118	—	2.118
1.407	19.109	20.516
6.262	34.110	40.372
1.791	—	1.791
<u>3.777</u>	<u>—</u>	<u>3.777</u>
<u>45.098</u>	<u>127.336</u>	<u>172.434</u>
<u>3.691</u>	<u>35.567</u>	<u>39.258</u>
103	—	103
(335)	(22.844)	(23.179)
<u>(332)</u>	<u>4.293</u>	<u>3.961</u>
<u>(564)</u>	<u>(18.551)</u>	<u>(19.115)</u>
<u>3.127</u>	<u>17.016</u>	<u>20.143</u>
<u>(659)</u>	<u>—</u>	<u>(659)</u>
<u>(659)</u>	<u>—</u>	<u>(659)</u>
<u>2.468</u>	<u>17.016</u>	<u>19.484</u>
—	6.357	6.357
<u>70.682</u>	<u>269.211</u>	<u>339.893</u>
<u>\$ 73.150</u>	<u>\$ 292.584</u>	<u>\$ 365.734</u>



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS**
Year ended June 30, 1999
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 4,237	\$ (546)	\$ 3,691
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,910	4,248	7,158
Changes in assets and liabilities:			
Accounts receivable	(762)	117	(645)
Inventories	—	(288)	(288)
Other assets	—	30	30
Accounts payable and accrued liabilities	746	843	1,589
Deferred revenue	—	—	—
Other liabilities	—	—	—
Other	—	—	—
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>7,131</u>	<u>4,404</u>	<u>11,535</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Inter-fund repayments	99	1,679	1,778
Inter-fund borrowings	(15)	(3,499)	(3,514)
Operating transfers to other funds	<u>(659)</u>	<u>—</u>	<u>(659)</u>
NET CASH PROVIDED BY (USED IN) NON-CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (575)</u>	<u>\$ (1,820)</u>	<u>\$ (2,395)</u>

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Component Unit</u> Port of Oakland	<u>Total (Memorandum Only)</u> Reporting Entity
\$ 35,567	\$ 39,258
34,227	41,385
353	(292)
—	(288)
91	121
30,114	31,703
3,282	3,282
8,571	8,571
<u>(289)</u>	<u>(289)</u>
<u>111,916</u>	<u>123,451</u>
—	1,778
—	(3,514)
<u>—</u>	<u>(659)</u>
<u>\$ —</u>	<u>\$ (2,395)</u>

(continued)



**ALL PROPRIETARY FUND TYPES AND
DISCRETELY PRESENTED COMPONENT UNIT
COMBINED STATEMENT OF CASH FLOWS, continued**
Year ended June 30, 1999
(In Thousands)

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	Primary Government
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Long-term debt:			
New borrowings	\$ —	\$ —	\$ —
Repayment of principal	(581)	—	(581)
Payment of interest	(335)	—	(335)
Proceeds from sale of fixed assets	—	—	—
Acquisition and construction of capital assets	(12,662)	(6,956)	(19,618)
Grants from governmental agencies	1	102	103
Support from City funds, membership dues, and others	—	136	136
Passenger facility charges	—	—	—
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(13,577)</u>	<u>(6,718)</u>	<u>(20,295)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	—	—	—
Proceeds from sales of investments	—	—	—
Interest on investments	—	—	—
NET CASH USED IN INVESTING ACTIVITIES	<u>—</u>	<u>—</u>	<u>—</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(7,021)	(4,134)	(11,155)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>9,296</u>	<u>16,149</u>	<u>25,445</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 2,275</u>	<u>\$12,015</u>	<u>\$ 14,290</u>

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

GENERAL PURPOSE FINANCIAL STATEMENTS

<u>Component Unit</u> Port of Oakland	<u>Total (Memorandum Only)</u> Reporting Entity
\$ 205,696	\$ 205,696
(165,731)	(166,312)
(28,107)	(28,442)
5,401	5,401
(166,692)	(186,310)
6,624	6,727
—	136
<u>14,070</u>	<u>14,070</u>
<u>(128,739)</u>	<u>(149,034)</u>
(65,672)	(65,672)
84,230	84,230
<u>8,922</u>	<u>8,922</u>
<u>27,480</u>	<u>27,480</u>
10,657	(498)
<u>96,833</u>	<u>122,278</u>
<u>\$ 107,490</u>	<u>\$ 121,780</u>

(concluded)



PENSION TRUST FUNDS
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
Year ended June 30, 1999
(In Thousands)

ADDITIONS:

Members contributions	<u>\$ 1,304</u>
Investment income:	
Net appreciation in fair value of investments	42,320
Interest	25,845
Dividends	<u>8,183</u>
Total	76,348
Less investment expense	<u>(2,777)</u>
Net investment income	<u>73,571</u>
TOTAL ADDITIONS	<u>74,875</u>

DEDUCTIONS:

Disbursements to members and beneficiaries:	
Retirement	\$ 35,389
Disability	19,141
Death	<u>1,797</u>
Total	<u>56,327</u>
Administrative expenses	793
Interest expense - bonds	79
Interest on PERS	849
Termination refunds of employees' contributions	<u>271</u>
TOTAL DEDUCTIONS	<u>58,319</u>
EXCESS OF ADDITIONS OVER DEDUCTIONS	16,556
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>867,913</u>
End of year	<u><u>\$884,469</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 1999

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

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

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

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

Blended Component Units

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

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

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



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

The Oakland Joint Powers Financing Authority (JPFA) was formed to assist in the financing of public capital improvements. JPFA is a joint exercise agency organized under the laws of the State of California and is composed of the City and the Agency. JPFA transactions are recorded in the capital projects and debt service funds, and the general long-term obligations account group.

Discretely Presented Component Units

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

Effective July 1, 1995, the Oakland Convention and Visitors Authority (OCVA) was created as a consolidation of the former Oakland Convention and Visitors Bureau and the former Oakland Convention Center Management, Inc. OCVA was responsible for marketing the City as a convention and tourist destination, as well as operating the Oakland Convention Center. OCVA was dissolved during the current fiscal year.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - Fund Accounting

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

Governmental Fund Types

Governmental Fund Types are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in Proprietary Fund Types) are accounted

NOTES TO FINANCIAL STATEMENTS

for through Governmental Fund Types. The measurement focus is based upon determination of financial position and changes in financial position, rather than upon net income determination. The following are the City's Governmental Fund Types:

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

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

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

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

Trust and Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These



include the pension trust, expendable trust, and agency funds. Operations of the pension trust funds are accounted for in the same manner as the proprietary fund types. Operations of expendable trust funds are accounted for in essentially the same manner as governmental fund types. Agency funds are custodial in nature and do not involve measurement of results of operations.

Account Groups

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

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

Basis of Accounting

Measurement Focus

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

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

Modified Accrual Basis of Accounting

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

NOTES TO FINANCIAL STATEMENTS

when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

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

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

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of March 1 on all taxable property located in the City, and result in a lien on real property. Property taxes are then due in two equal installments, the first on November 1 and the second on March 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. Since the passage of California's Proposition 13, beginning with fiscal year 1978-79, general property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the fiscal year ended June 30, 1999.

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

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

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



Accrual Basis of Accounting

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

Deferred Revenue

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

Budgetary Data

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

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

On June 24, 1997, the City Council voted unanimously to adopt the City's first two-year budget for fiscal years 1997 and 1998. The 1998-99 budget was revised during the mid-year cycle review in Spring of 1998, with the revised 1998-99 budget being passed in June of 1998.

On June 29, 1999, the City Council voted unanimously to adopt the City's second two-year budget for fiscal years July 1, 1999 through June 30, 2001. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The revised budgetary data presented in the accompanying "General Fund and Annually Budgeted Special Revenue and Debt Service Funds—Combined Schedule of Revenues and Expenditures—Budget and Actual on a Budgetary Basis," reflect approved changes to the original 1998-99 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Manager.

NOTES TO FINANCIAL STATEMENTS

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

Transfers of appropriations between projects within the same fund must be approved by the City Manager. Revised budget amounts reported in the accompanying General Purpose Financial Statements reflect both the appropriation changes approved by the City Council and the transfers approved by the City Manager.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the governmental fund types. Encumbrances outstanding at fiscal year end are reported as reservations of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.

Budgetary Basis of Accounting

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

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

Special Revenue Funds

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

Debt Service Funds

- Tax Allocation Bonds
- Lease Financings
- Civic Improvement
- JPFA Fund



Capital Projects Funds

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

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

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

Enterprise Funds

Park and Recreation Fund
Sewer Service Fund

Internal Service

Equipment Fund
Radio Fund
Facilities Fund
Reproduction Fund
Central Stores Fund

Pension Trust Funds

OMERS
PFRS

Expendable Trust Funds

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

Agency Fund

Housing Finance Revenue Bond Fund

Cash and Investments

The City follows the practice of pooling cash of all operating funds for investment, except for the Oakland Redevelopment Agency funds, agency fund types, and funds held by outside custodians. Investments are generally carried at fair value. Money market investments (such as short term, highly liquid debt instruments including commercial paper, banker's acceptances,

NOTES TO FINANCIAL STATEMENTS

U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost. Changes in fair value of investments are recognized as a component of interest income.

Income earned or losses arising from the investment of pooled cash are allocated on a monthly basis to the participating funds (except for Enterprise, Internal Service and certain Special Revenue Funds) and component units based on their proportionate share of the average daily cash balance.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and investments generally have original maturities of greater than three months and are therefore not considered cash equivalents. The proprietary fund types' investments in the City's cash and investment pool are, in substance, demand deposits and are therefore considered to be cash equivalents.

Due From/Due To Other Funds

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

Restricted Cash and Investments

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

Other Assets

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

Inventories

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



General Fixed Assets

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

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

No depreciation is provided on general fixed assets.

Fixed Assets - Proprietary Fund Types and Discretely Presented Component Unit

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

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

Land Held for Resale

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

Vacation and Sick Leave Pay

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

Vested vacation, sick leave and compensatory time are accrued, as appropriate, for all funds. With respect to obligations of the governmental fund types, amounts expected to be paid monetarily or by way of compensatory time off are accrued in the appropriate fund if current

NOTES TO FINANCIAL STATEMENTS

resources are expected to be used. The remainder is recorded in the General Long-Term Obligations Account Group.

Retirement Plans

The City has three defined benefit retirement plans: Oakland Police and Fire Retirement System (PFRS), Oakland Municipal Employees' Retirement System (OMERS), and California Public Employees' Retirement System (PERS). Employer contributions and member contributions made by the employer to the Plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the forms of the Plans. Refer to Note 16 for additional information.

Claims and Judgments

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

Contributed Capital

Primary Government

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

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

Fixed assets contributed from the primary government or other funds.

Discretely Presented Component Unit

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



Fund Equity

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

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

Total Columns on Combined Financial Statements

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

Use of Estimates

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

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

Primary Government

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

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

NOTES TO FINANCIAL STATEMENTS

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

The City's investment policy stipulates that the collateral to back up repurchase agreements be priced at market value and be held in safekeeping by the City's primary custodian. Additionally, the City Council has adopted certain requirements prohibiting investments in nuclear weapons makers, and restricting investments in U.S. Treasury bills and notes due to their use in funding nuclear weapons research and production. As of June 30, 1999, the City was in compliance with the above stated investment requirements.

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

The retirement systems' investment policies allow the following:

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

Total deposits and investments (in thousands):

	City	Port	Total
Deposits	\$ 135,574	\$ 1,197	\$ 136,771
Investments	<u>1,536,484</u>	<u>187,895</u>	<u>1,724,379</u>
TOTAL	<u>\$1,672,058</u>	<u>\$189,092</u>	<u>\$1,861,150</u>



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

	City	Port	Total
Cash and investments	\$1,181,947	\$107,490	\$1,289,437
Restricted cash and investments	<u>490,111</u>	<u>81,602</u>	<u>571,713</u>
TOTAL	<u>\$1,672,058</u>	<u>\$189,092</u>	<u>\$1,861,150</u>

Deposits

At June 30, 1999, the carrying amount of the City's deposits was \$136,574,000 and the bank balance was \$137,571,000. The difference between the carrying amount and the bank balance was primarily due to deposits in transit and outstanding checks. Deposits include checking accounts, interest earning savings accounts, money market funds, and nonnegotiable certificates of deposit. Of the bank balance, \$500,000 was FDIC insured and \$137,071,000 was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

Investments

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

NOTES TO FINANCIAL STATEMENTS

At June 30, 1999, investments included the following (in thousands):

Subject to Custodial Risk Categorization	Category 1	Carrying Value
U.S. Treasury securities	\$ 132.126	\$ 132.126
Federal agency issues	264.376	264.376
Municipal bonds	5.024	5.024
Commercial paper	13.852	13.852
Banker's acceptance	11.093	11.093
Negotiable certificates of deposit	20.011	20.011
Corporate stocks and bonds	521.556	521.556
Medium term corporate notes	265.160	265.160
Long-term repurchase and investment agreements	<u>66.727</u>	<u>66.727</u>
Total	<u>\$1,299.925</u>	<u>1,299.925</u>
 Investments Not Subject to Custodial Risk Categorization		
Real estate deeds		73
Real estate mortgage loans/investments		4.657
Life insurance annuity contracts		144.000
Local Agency Investment Fund		66.922
Investments held by broker-dealers under securities loans		<u>165.140</u>
Total		<u>380.792</u>
TOTAL INVESTMENTS		1,680.717
Less Port of Oakland Investments in City Treasury		<u>(144.233)</u>
TOTAL CITY INVESTMENTS		<u>\$1,536.484</u>

Securities Lending Transactions

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

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

At year-end, PFRS had no credit risk exposure to securities borrowers because the amounts PFRS owed to borrowers exceeded the amounts the borrowers owed to PFRS. PFRS' contract with MetWest requires it to indemnify PFRS if the borrowers fail to return the securities (and if



the collateral is inadequate to replace the securities lent) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

As of June 30, 1999, PFRS had securities on loan with a market value of approximately \$161,255,000 for cash collateral of \$165,140,000.

PFRS' securities lending income for the year ending June 30, 1999, is as follows:

Gross Income	\$9,892,347
Expenses:	
Borrower rebates	9,031,068
Administration fees	<u>368,812</u>
Total Expenses	<u>9,399,880</u>
NET INCOME FROM SECURITIES LENDING	<u>\$ 492,467</u>

Derivatives

The City has invested in certain derivatives as permitted by its investment policy. There were no derivatives included in the investment pool at June 30, 1999.

Discretely Presented Component Unit

The Port's cash and investments are reported as follows at June 30, 1999 (in thousands):

Cash and investments:	
Cash and investments with the City	\$106,293
Cash on hand	5
Cash in bank accounts	<u>1,192</u>
TOTAL CASH AND INVESTMENTS	<u>107,490</u>
Restricted cash and investments:	
Sinking fund and reserve deposits with fiscal agents	37,894
Unexpended bond proceeds restricted for construction	4,543
Deposits in escrow	962
Cash and investments with City:	
Passenger facility charges	37,749
Other	191
Restricted deposits with fiscal agents for current debt service	<u>263</u>
TOTAL RESTRICTED CASH AND INVESTMENTS	<u>81,602</u>
TOTAL	<u>\$189,092</u>

NOTES TO FINANCIAL STATEMENTS

The carrying amount of Port cash and investments is as follows at June 30, 1999 (in thousands):

Cash on hand and at bank	\$ 2,158
Government securities money market mutual funds	4,914
U.S. Treasury obligations	19,979
Guaranteed investment contracts	17,808
Cash and investments with the City of Oakland	<u>144,233</u>
TOTAL	<u>\$189,092</u>

Cash and Investments With the City of Oakland

Pursuant to the City Charter, Port operating revenues are deposited in the City treasury. These funds are commingled in the City cash and investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments. All investments deposited in the City treasury are insured or registered, or held by the City or its agent in the City's name.

Restricted Cash and Investments

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

Deposits and Investments

The carrying amount of Port deposits with banks and fiscal agents was \$1,197,000 at June 30, 1999. The bank balances of \$304,000 are insured or collateralized with securities held by the pledging financial institution in the Port's name, in accordance with Section 53652 of the California Government Code.

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

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

**(4) DUE FROM/DUE TO OTHER FUNDS**

The following were the current interfund balances at June 30, 1999 (in thousands):

	Due from	Due to
General Fund	<u>\$ 74,039</u>	<u>\$ 14,934</u>
Special Revenue Funds		
Federal and State Grants	12,590	33,615
Traffic Safety and Control	—	27
State Gas Tax	—	36
Landscape and Lighting Assessment District	300	107
Other Assessment Districts	—	1
Other Special Revenue	1,961	1,132
Oakland Redevelopment Agency	<u>312</u>	<u>—</u>
	<u>15,163</u>	<u>34,918</u>
Debt Service Funds		
Tax Allocation Bonds	—	20,579
Lease Financings	—	9,942
Civic Improvement	1,594	144
Other Assessment Bonds	5,253	2,227
JPFA Fund	<u>—</u>	<u>269</u>
	<u>6,847</u>	<u>33,161</u>
Capital Projects Funds		
Parks and Recreation	2,930	156
Municipal Improvement Capital	9,849	14,024
Emergency Services	—	80
Oakland Redevelopment Agency	<u>2,228</u>	<u>7,168</u>
	<u>15,007</u>	<u>21,428</u>
Enterprise Funds		
Sewer Service	<u>7</u>	<u>293</u>
	<u>7</u>	<u>293</u>
Internal Service Funds		
Equipment	1	26
Radio	—	2
Facilities	45	2,469
Reproduction	128	1
Central Stores	<u>—</u>	<u>1,131</u>
	<u>174</u>	<u>3,629</u>
Trust and Agency Funds		
Expendable Trust Funds		
Oakland Redevelopment Agency Projects	246	3,264
Parks, Recreation and Cultural Trust	12	121
Pension Annuity	33	—
Other Expendable Trust	<u>221</u>	<u>1</u>
	<u>512</u>	<u>3,386</u>
TOTAL	<u><u>\$111,749</u></u>	<u><u>\$111,749</u></u>

(5) MEMORANDUMS OF UNDERSTANDING

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

Pursuant to the Sixth Supplemental Agreement to the MOUs, the City and the Port agreed that the total remaining obligation of the Port to the City arising out of or related to any and all general obligation bonds issued by the City for the benefit of the Port was \$31,749,000, of which \$0 is remaining at June 30, 1999.

Payments for Special Services are treated as a cost of Port operations and have priority over certain other expenditures of Port revenues. At June 30, 1999, \$6,607,000 in Special Services expenditures have been accrued as a current liability by the Port and as a receivable by the City.

The Port's legal counsel advised the Port that payments for General Services and Lake Merritt to the City are payable only to the extent the Port determines annually that surplus monies are available. Subject to final approvals by the Port and the City, and subject to availability of surplus monies, the Port will reimburse the City annually for General Services and Lake Merritt tideland trust properties. At June 30, 1999, \$481,000 and approximately \$1,000,000, respectively, have been accrued as a current liability by the Port and as a receivable by the City.

The City and Port are in the process of negotiating an MOU for payments to be made by the Port to the City in consideration for services provided by the City on Tidelands Trust properties. Such payments are expected to amount to \$3,000,000 per year, and represent a portion of the total expenses incurred by the City in the provision of services within the Lake Merritt Tidelands boundaries. Included in the amount recorded as a receivable from the Port of Oakland is \$3.0 million for fiscal year 1997, which the Port has also recorded as an obligation due to the City. Any additional amount due to the City will be recorded when an MOU has been executed.

**(6) NOTES AND LOANS RECEIVABLE**

Notes and loans receivable at June 30, 1999, consisted of the following (in thousands):

Grant-in-aid loans at various interest rates and due dates (0% to 10% at June 30, 1999)	\$ 41.180
Pacific Renaissance Associates II, bearing interest at 10%, principal and interest due July 30, 2015	7.000
Oakland Hotel Associates, Ltd., bearing interest at 7.67%, principal and interest due July 1, 2013, or earlier under certain provisions of the note	7.986
Mar Associates, bearing interest at 8%, principal and interest due March 9, 2002	3.103
Oakland Hotel Associates, Ltd., bearing interest at Bank of America reference rate (6% at June 30, 1999), no principal and interest payable until December 30, 2026	3.379
Oakland Business Development Corporation-Dufwun Towers, bearing interest at 6%, principal and interest due September 8, 1999	2.353
Foothill Plaza Partnership, bearing interest at 3%, principal and interest payable in equal monthly installments through July 20, 2017	1.176
Oakland Renaissance Ltd., bearing interest at 7.72%, principal and interest due August 12, 2031	1.770
Oakland Business Development Corporation Neighborhood Economic Development Fund revolving loan program, non-interest bearing, various borrowers	1.291
Hillary Development, bearing interest at 3%. Final maturity is currently under negotiation.	1.747
Harrison Hotel Associates, bearing interest at 6%, principal and interest due December 15, 2048	2.186
Woodrow Hotel, bearing interest at 6.50%, principal and interest due December 3, 2023	1.514
Other pass-thru loans at various interest rates and maturities (0% to 10% at June 30, 1999)	16.793
Other notes and loans receivable at various interest rates and maturities	17.979
E.M. Health Service, bearing interest at 8.75%, principal and interest payable in equal monthly installments through April 1, 2004	1.100
Granny Goose Foods, \$1,782 bearing interest at 8.5%, principal and interest payable in equal monthly installments through October 1, 2016	1.718
Cahon, Inc., bearing interest at 9%, through June 30, 1993, and zero interest thereafter, principal and interest due December 31, 2000, or earlier under certain provisions of the note	1.100
Women's Economic Agenda, bearing interest at 6%, principal and interest due August 14, 2000	2.409
Eastmont Town Center, bearing interest at 9.51%, principal and interest payable in equal monthly installments through April 1, 2008	3.626
Alvingroom Court, bearing interest at 3.0%, principal and interest due December 24, 2026	2.422
Fruitvale Development Corporation bearing interest at 6.0%, interest only payments until June 1, 2002, principal and interest payable in equal monthly installments through June 1, 2016	1.160
Allen Temple Housing Corporation IV bearing interest at 6.0%, principal and interest due November 7, 2035	<u>1.063</u>
TOTAL	<u>\$ 124.055</u>

NOTES TO FINANCIAL STATEMENTS

(7) FIXED ASSETS

A summary of changes in general fixed assets for the year ended June 30, 1999, follows (in thousands):

	Balance July 1, 1998	Transfers/ Additions	Deletions	Balance June 30, 1999
Land	\$ 68,511	\$ 2,116	\$ —	\$ 70,627
Facilities and improvements	555,407	33,737	—	589,144
Furniture, machinery and equipment	33,376	4,843	98	38,121
Investments in joint venture	—	17,637	—	17,637
Construction in progress	<u>18,062</u>	<u>8,495</u>	<u>13,017</u>	<u>13,540</u>
TOTAL	<u>\$675,356</u>	<u>\$66,828</u>	<u>\$13,115</u>	<u>\$729,069</u>

A summary of property and equipment at June 30, 1999, for proprietary fund types and discretely presented component units follows (in thousands):

	Enterprise Funds	Internal Service Funds	<u>Component Unit</u> Port of Oakland
Land	\$ 220	\$ 310	\$ 174,439
Facilities and improvements	—	210	825,603
Container cranes	—	—	95,531
Furniture, machinery and equipment	92,282	55,705	30,000
Construction in progress	<u>—</u>	<u>—</u>	<u>166,274</u>
	92,502	56,225	1,291,847
Less accumulated depreciation and amortization	<u>(17,596)</u>	<u>(41,410)</u>	<u>(343,653)</u>
TOTAL	<u>\$74,906</u>	<u>\$14,815</u>	<u>\$ 948,194</u>

**(8) PROPERTY HELD FOR RESALE**

Property held for resale at June 30, 1999, consisted of the following (in thousands):

Chinatown	\$ 2,100
City Center	3,336
Housewives Market	1,611
Rotunda Building	1,850
Multi-Service Center	5,100
Plaza Building	613
Swans Market	4,426
Taldan Site	1,302
State Building	3,026
City Hall Annex	2,880
Preservation Park	6,448
City Center Garage West	21,447
Fox Theater	3,000
11th-12th Broadway & Franklin	3,153
U.S. Ice Skating Rink	10,588
819 Clay Street	145
Acorn Shopping Center	2,970
529—20th Street, 1901 Telegraph Avenue, 538-544 & 562-570 William Street	1,791
550 William Street	192
562-570 William Street	121
584 William Street	<u>36</u>
Total	<u>\$76,135</u>

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

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

NOTES TO FINANCIAL STATEMENTS

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

(9) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

During the fiscal year ended June 30, 1999, the City issued tax and revenue anticipation notes payable of \$60,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 4.25%. Principal and interest were due and repaid on June 30, 1999.

(10) LONG-TERM OBLIGATIONS

General Long-Term Obligations

The following is a summary of changes in general long-term obligations for the year ended June 30, 1999 (in thousands):

	Balance at July 1, 1998	Additional Obligations and Net Increases	Maturities and Retirements	Balance at June 30, 1999
General obligation bonds	\$ 136,135	\$ —	\$ 3,175	\$ 132,960
Tax allocation bonds	191,794	560	7,515	184,839
Lease financings	326,853	187,500	5,705	508,648
Special assessment debt with governmental commitment	10,925	—	875	10,050
Special revenue bonds	598,041	—	175,191	422,850
Notes payable	22,998	10,899	4,861	29,036
Accrued vacation and sick leave	28,952	1,562	—	30,514
Self-insurance liability for workers' compensation	33,892	10,488	—	44,380
Estimated claims payable	9,815	3,942	—	13,757
Contingent liability for Authority debt (Note 15)	<u>96,105</u>	<u>—</u>	<u>1,355</u>	<u>94,750</u>
TOTAL	<u>\$1,455,510</u>	<u>\$214,951</u>	<u>\$ 198,677</u>	<u>\$1,471,784</u>



General long-term obligations at June 30, 1999, consisted of the following (in thousands):

	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 1999
General Obligation Bonds			
General Obligation Bonds Series 1991A (a)	1999-2015	5.50%-8.50%	\$ 10,395
General Obligation Bonds Series 1995B (a)			
Serial bonds	1999-2013	5.30%-8.25%	8,055
Term bonds	2015	5.875%	1,760
Term bonds	2019	5.875%	4,190
General Obligation Bonds Series 1997C (a)			
Serial bonds	1999-2019	5.50%-6.00%	17,085
Term bonds	2022	5.90%	4,660
General Obligation Bonds Series 1992 (b)			
Serial bonds	1999-2012	4.25%-6.00%	17,575
Term bonds	2017	6.00%	10,435
Term bonds	2022	6.00%	14,460
General Obligation Bonds Series 1997 (c)			
Serial bonds	1999-2016	5.25%-5.75%	27,185
Term bonds	2019	5.75%	5,075
Term bonds	2022	5.85%	<u>12,085</u>
			<u>132,960</u>
Tax Allocation Bonds			
Acorn Refunding Series 1988 (d)			
Serial bonds	2000-2000	6.90%-7.00%	220
Term bonds	2007	7.40%	2,075
Central District Tax Allocation Refunding Series 1989A (e)			
Serial bonds	1999-2000	6.40%-6.55%	6,760
Capital appreciation bonds	2001-2009	6.60%-6.65%	11,899
Central District Senior Tax Allocation Refunding Series 1992 (f)			
Serial bonds	2000-2008	5.10%-6.00%	41,840
Term bonds	2009-2014	5.50%-6.15%	35,910
Central District Subordinated Tax Allocation Refunding Series 1992A (g)	1999-2019	5.95%	52,800
Central District Subordinated Tax Allocation Series 1993A (h)			
Serial bonds	1999-2004	4.00%-4.90%	3,765
Term bonds	2005-2009	5.30%	4,075
Term bonds	2010-2013	5.00%	4,080
Term bonds	2014-2021	5.00%	11,025
Central District Subordinated Tax Allocation Bonds, Series 1995A (i)			
Serial bonds	1999	5.25%	195
Serial bonds	2001	5.50%	225
Term bonds	2008	7.20%	1,010
Term bonds	2015	7.50%	1,340
Term bonds	2021	7.60%	7,060
General Obligations - Tribune Tower	2011	5.643%	<u>560</u>
			<u>184,839</u>

NOTES TO FINANCIAL STATEMENTS

	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 1999
Lease Financings			
Oakland JPFA Lease Revenue Bonds, Series 1996 (j)			
Serial bonds	2000-2011	4.60%-5.50%	\$ 28,125
Term bonds	2016	5.90%	18,395
Term bonds	2021	5.75%	24,610
Term bonds	2026	5.75%	32,815
California Statewide Communities Development Authority Bonds (k)			
Serial bonds	1999-2007	5.40%-6.20%	57,095
Term bonds	2010	6.00%	31,900
Term bonds	2014	5.50%	52,630
Oakland Museum 1992 Series A (l)			
Serial bonds	1999-2003	5.60%-6.00%	8,455
Term bonds	2005	6.25%	5,020
Term bonds	2012	6.00%	15,900
Capital appreciation bonds	2006-2007	6.45%-6.55%	2,203
Civic Improvement Corporation (m)	1999-2015	Variable	44,000
Oakland JPFA Lease Revenue Bonds, Series 1998 (n)			
Swapped	2000-2021	5.6775%	170,000
Variable Rate	2000-2021	Variable	17,500
			<u>508,648</u>
Special Assessment Debt with Governmental Commitment			
Medical Hill Parking District Refunding Improvement Bonds 1994 (o)			
Serial bonds	1999	5.50%	190
Term bonds	2004	6.00%	1,145
Rockridge Area Water Improvement Series 1994 (p)	1999-2024	6.25-7.5%	840
Fire Area Utility Underground Assessment District (q)			
Series 1994A	2024	7.5%	3,625
Series 1994B (Taxable)			
Term bonds	2004	9.625%	600
	2009	9.875%	785
	2014	10.125%	1,275
Oakland JPFA Special Assessment Pooled Revenue Bonds 1996 Series A (r)	1999-2020	4.20-6.70%	415
Oakland Special Assessment Pooled Revenue Bonds 1997 (s)			
Serial Bonds	1999-2007	4.20-5.20%	665
Term bonds	2012	5.65%	510
			<u>10,050</u>
Special Revenue Bonds			
Taxable Pension Obligation Bonds Series 1997 (t)	2000-2010	5.63%-7.31%	422,850
Notes Payable			
Koch Financial Corporation (u)	1999-2003	4.11%	11,872
Department of Housing Urban Development (v)	N/A	N/A	15,938
Light-Emitting Diode Traffic Signal Conversion Project (w)			1,226
			<u>29,036</u>



	Maturities (Calendar Year)	Interest Rates	Balance at June 30, 1999
Other Long-Term Liabilities			
Accrued vacation and sick leave			\$ 30,514
Self-insurance liability for workers' compensation (Note 12)			44,380
Estimated claims payable (Note 12)			13,757
Contingent liability for Authority debt (Note 15)			<u>94,750</u>
			<u>183,401</u>
TOTAL GENERAL LONG-TERM OBLIGATIONS			<u>\$ 1,471,784</u>

General Obligation Bonds

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

The City received authorization to issue \$60 million of General Obligation Bonds by a two-thirds vote of the electorate at the November 6, 1990, general election. The bonds were authorized for the purpose of financing the acquisition of land and to expand and develop park and recreation facilities. On February 19, 1991, the City issued \$12,000,000 of General Obligation Bonds Series 1991A. On March 1, 1995, the City issued a second series, \$15,000,000 General Obligation Bonds Series 1995B. On April 1, 1997, the City issued a third series, \$22,250,000 General Obligation Bonds Series 1997C, leaving the authorized but unissued amount of \$10,750,000. The City is obligated to levy ad valorem taxes upon all property subject to taxation within the City, without limitation of rate or amount, for the payment of the principal and interest on the bonds.

(b) General Obligation Bonds Series 1992

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

(c) General Obligation Bonds Series 1997

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

Tax Allocation Bonds**(d) Acorn Tax Allocation Refunding Bonds Series 1988**

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

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

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

As discussed under Central District Subordinated Tax Allocation Refunding Series 1992A, the Agency refunded all of the \$51,600,000 term portion and \$2,000,000 of the serial portion of the Series 1989A bonds.

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

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

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

On July 9, 1992, the Agency issued \$53,600,000 of Central District Subordinated Tax Allocation Refunding Bonds Series 1992A, at an interest rate of 5.95% to provide a bond equivalent yield of 6.02%. These bonds were used to refund the \$51,600,000 term bond portion and \$2,000,000 of the serial bond portion of the Agency's Central District Tax Allocation Refunding Bonds Series 1989A. These bonds are on parity with the Central



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

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

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

(i) Central District Subordinated Tax Allocation Series 1995A

On August 1, 1995, the Agency issued \$10,000,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds Series 1995A, at an interest cost of 7.80%. The bonds mature on September 1, 2021.

Proceeds of the bonds provide the Agency's portion of the construction costs of the City Administration facilities. Remaining proceeds may be used for other capital expenditures within the Central District Project.

These bonds are issued on parity with the Redevelopment Agency's Central District Redevelopment Project Subordinated Tax Allocation Bonds Series 1993A, the Agency's Subordinated Tax Allocation Refunding Bonds, Series 1992A and the Agency's Central District Subordinated Tax Allocation Refunding Bonds Series 1989A.

Lease Financings

(j) Oakland JPFA Lease Revenue Bonds Series 1996

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

(k) California Statewide Communities Development Authority Bonds

On November 1, 1992, the California Statewide Communities Development Authority (CSCDA) issued \$149,825,000 of 1992 Lease Revenue Bonds to purchase the Kaiser Convention Center (Kaiser) and the George P. Scotlan Memorial Convention Center (Scotlan). The City concurrently leased Kaiser and Scotlan from CSCDA.

Due to the substance of the financing transaction, the effect of the issuance of the Bonds has been recorded directly as an issuance of debt by the City to finance the reacquisition of the Kaiser and Scotlan Convention Centers. Accordingly, the Bonds are recorded in the General Long-Term Obligations Account Group. The City's capital lease obligation is not reflected in the City's General Purpose Financial Statements.

The serial bonds maturing on or after October 1, 2002, the term bonds maturing on October 1, 2010, and the term bonds maturing on October 1, 2014, are subject to optional redemption, in such order of maturity as the City shall direct, commencing October 1, 2002. The bonds maturing on October 1, 2010, and October 1, 2014, will be subject to mandatory redemption, or in part by lot, on October 1 in each year, commencing on October 1, 2008, and October 1, 2001, respectively.

(l) Oakland Museum 1992 Series A

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

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

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

(m) Civic Improvement Corporation

On December 1, 1985, the City entered into various simultaneous agreements to finance the acquisition and construction of capital improvements on City property, such as traffic control devices, street resurfacing, parking lots, garages and the rehabilitation of various



City buildings. The following is a summary of the agreements that have been entered into.

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

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

Letter of Credit—The letter of credit (LC) is an irrevocable direct-pay obligation of National Westminster Bank PLC (Bank). The LC was due to expire on September 24, 1995, but has been extended annually, most recently through September 24, 1999. In aggregate, the City has available under the LC \$44,925,808 as of June 30, 1999, of which \$44,000,000 may be drawn for the payment of the unpaid principal amount of the certificates, and \$925,808 may be drawn for payment of interest accrued on the certificates. In order to obtain the LC, the City became obligated to pay commission fees of three-eighths of one percent per annum on the available amount outstanding on the LC. For the year ended June 30, 1999, the City paid a total letter of credit fee of approximately \$172,070.

(n) Oakland Joint Powers Financing Authority, Series 1998

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

Special Assessment Debt with Governmental Commitment**(o) Medical Hill Parking District Refunding Improvement Bonds 1994**

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

(p) Rockridge Area Water Improvement Bonds Series 1994

In December 1994, the City issued \$876,000 of Rockridge Area Water Improvement Bonds Series 1994 for the purpose of certain acquisitions and improvements within Assessment District No. 1994-2 (Rockridge Area Water Improvements). The Bonds were issued pursuant to Resolution No. 71071 and the Improvement Bond Act of 1915. Amounts equal to \$76,700 and \$86,000 were designated for the Reserve and the Cost of Issuance accounts, respectively. The Bonds are a limited obligation of the City and are secured by the unpaid portion of special assessments levied upon the lands benefited by the improvements to be acquired and constructed with the proceeds.

(q) Fire Area Utility Underground Bonds Series 1994A and Series 1994B (Taxable)

In December 1994, the City issued \$3,950,000 of Fire Area Utility Underground Assessment District Bonds Series 1994A and \$3,420,000 of Fire Area Utility Assessment District Bonds Series 1994B (Taxable). The Bonds were issued pursuant to Resolution No. 69877 and the Improvement Bond Act of 1915 for the purpose of raising funds for the installation of certain underground utilities within the Fire Area Utility Assessment District 1994-1. Amount equals to \$395,000 and \$295,000 were transferred to the Reserve Accounts for Series A and B, respectively, from the proceeds of \$7,183,000 (net of original issue and underwriter discounts). An additional amount of \$156,000 was transferred from the proceeds to the Cost of Issuance Account. The bonds are a limited obligation of the City and are secured by the unpaid portion of special assessments levied upon the land parcels benefited by the improvements to be acquired and constructed with the proceeds.

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

In August 1996, the Oakland Joint Powers Financing Authority ("JPFA") issued \$465,000 of Special Assessment Pooled Revenue Bonds 1996 Series A. The Bonds were issued pursuant to Resolution No. 96-02 of the JPFA to provide funds for a loan to the City (pursuant to City Resolution No. 72830) for the purpose of funding (1) the



installation of certain underground utilities and street light fixtures within four districts in the City of Oakland, and (2) the construction of a sewer line in the Skyline Sewer District. Loan repayment will be secured exclusively by the unpaid portion of special assessments levied upon the properties benefited by the improvements acquired and constructed with the loan proceeds.

(s) Oakland Special Assessment Pooled Revenue Bonds 1997

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

(t) Taxable Pension Obligation Bonds Series 1997

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

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

Notes Payable

(u) Koch Financial Corporation

The City entered into a financing agreement with Oracle Credit Corporation in March 1998 for financing costs associated with implementing a new financial and human resources/payroll system. That agreement was subsequently assigned to Koch Financial

Corporation. This project will be financed over a five-year period with quarterly payments of \$894,950 beginning August 1, 1998, at an interest rate of 4.11%. The total amount to be financed is \$15.8 million. The City made an initial down payment of \$2.0 million in March 1998. As of June 30, 1999, \$8.6 million in costs had been incurred related to implementing these new systems. It is anticipated that this project will be completed prior to the end of the 1999-00 fiscal year.

(v) Department of Housing and Urban Development

On July 14, 1995, the City of Oakland and IDG/Banner Urban Ventures, a California Corporation, entered into a Disposition and Development Agreement pursuant to which the City agreed to sell City-owned real property located on Martin Luther King, Jr. Way. The agreement provided that the developer would acquire and renovate the core and shell of buildings on the property. The City borrowed Housing and Urban Development (HUD), Section 108 loan funds in its own name to finance the project. On February 9, 1996, the City terminated the Disposition and Development Agreement with IDG/Banner Urban Ventures and assumed full responsibility in the development of the property to commercial and high technology oriented companies. The total amount of the note was \$10,945,000. On July 28, 1998, the City Council passed Resolution No. 12074 C.M.S. authorizing the sale of the property to Children's Hospital Oakland. The balance of the note as of June 30, 1999 was \$5,800,000.

In addition to the above note to the City, an additional \$10,138,000 remain outstanding in Section 108 loans provided to private sector recipients for housing, business enterprises, and other eligible purposes. These loans are secured by Community Development Block Grant (CDBG) funds with the City.

As of June 30, 1999, the total balance outstanding under the HUD Section loan program was \$15,938,000.

(w) Light-Emitting Diode Traffic Signal Conversion Project

The City entered into a financing agreement with Banc One Leasing Corporation in November 1998 for financing costs associated with replacement of incandescent traffic light bulbs. The notes carry an interest rate of 4.3% and a final maturity of July 15, 2003.



Current Year Defeasance

In July 1998, the City refunded the Special Refunding Revenue Bonds, 1988 Series A with the \$187,500,000 Oakland Joint Power Financing Authority Lease Revenue Bonds, Series 1998. The Lease Revenue Bonds have maturities from 1999 through 2021 and were sold as variable rate bonds. The net proceeds of \$186,168,000 (after payment of underwriting fees, insurance and other issuance costs) along with other legally available funds of \$15,353,000 were issued to fund the 1998 reserve fund in the amount of \$18,039,000 and to purchase direct obligations of the United States Government in the amount of \$183,482,000. Those securities, which include a premium of \$3,300,000, were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded bonds and to repay matured bonds and interest accrued at June 30, 1998, in the amount of \$14,943,000 which had not been paid prior to the defeasance. The bonds were subsequently called on August 1, 1998. This refunding was undertaken to reduce total debt service payments over the next 23 years by \$37,419,000 and to obtain an economic gain (the difference between the present value of the debt service payments of the refunded and refunding bonds) of \$15,638,000.

Proprietary and Fiduciary Fund Long-Term Debt

Proprietary and fiduciary fund long-term debt at June 30, 1999, was as follows (in thousands):

	Maturity	Interest Rates	Balance at June 30, 1999
Sewer Service Enterprise Fund			
Construction Loans	1992-2011	3.50%	\$ 750
	1992-2011	3.50%	5,195
	1993-2015	3.00%	<u>3,577</u>
			\$ 9,522
Pension Trust Fund			
Oakland Municipal Employees' Retirement System Revenue Bonds 1976	2002	6.50%	\$ 1,150

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

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

Discretely Presented Component Unit - Port of Oakland

The Port of Oakland debt at June 30, 1999, was as follows (in thousands):

	Maturity	Interest Rates	Balance at June 30, 1999
Parity Bonds (a)			
1990 Revenue Bonds Series D	2003	6.125-8.00%	\$ 28.015
1992 Revenue Bonds Series E	2022	5.00-6.50%	143.790
1993 Revenue Bonds Series F	2009	2.75-5.75%	40.192
1997 Revenue Bonds Series G	2025	3.60-6.00%	83.965
1997 Revenue Bonds Series H	2015	3.60-5.50%	76.855
1997 Revenue Bonds Series I	2019	5.40-5.60%	84.820
1997 Revenue Bonds Series J	2026	5.50%	<u>14.845</u>
Total Parity Bonds			<u>472.482</u>
Department of Boating and Waterways (DBW) Loans (b)			
Small Craft Harbor Revenue Bonds Series A-D	2009	4.50%	1.833
Small Craft Harbor Revenue Bonds Series 1981	2010	4.50%	1.207
Small Craft Harbor Revenue Bonds Series 1982	2019	4.50%	961
Small Craft Harbor Revenue Bonds Series 1983	2020	4.50%	363
Small Craft Harbor Revenue Bond Series 1993	2028	4.50%	2,743
1991 Marina Planning Loan	2002	4.70%	<u>44</u>
Total DBW Loans			<u>7,151</u>
GE Capital Tax Exempt Loan	2005	4.89%	4.646
Mitsubishi Note	2000	9.00%	335
Taxable Commercial Paper 1998 Series C	2003		45.768
Special Facilities Revenue Bonds 1992 Series A (c)	2019	5.00%-6.80%	49,500
Unamortized Bond Discount/Premium			<u>(9,985)</u>
TOTAL PORT OF OAKLAND LONG-TERM DEBT			<u>\$ 569,897</u>

(a) Parity Bonds

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



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

The Port has covenanted in the 1989 Indenture to achieve in each fiscal year Net Revenues (as defined) of at least 125% of the actual debt service (as defined) becoming due on the outstanding Parity Bonds less debt service paid in such year from the proceeds of other borrowings. For the year ended June 30, 1999, Net Revenues exceeded this requirement.

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

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

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

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

(b) Department of Boating and Waterways Loans

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

(c) Special Facilities Revenue Bonds 1992 Series A

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

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

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



Repayment Schedule

The annual requirements to amortize all long-term debt as of June 30, 1999, are as follows (in thousands):

Years Ending June 30,	General Long-Term Debt			
	General Obligation Bonds	Tax Allocation Bonds	Lease Financings	Special Assessment Debt with Governmental Commitment
2000	\$ 11,030	\$ 17,874	\$ 23,859	\$ 1,474
2001	10,970	18,846	27,320	1,121
2002	10,894	18,043	27,336	1,114
2003	10,775	18,003	27,406	1,097
2004	10,706	18,029	27,437	1,097
Thereafter	<u>186,715</u>	<u>212,846</u>	<u>411,407</u>	<u>15,197</u>
	241,090	303,641	544,765	21,100
Less amounts representing interest and discounts	<u>(108,130)</u>	<u>(118,802)</u>	<u>(36,117)</u>	<u>(11,050)</u>
Principal due at June 30, 1999	<u>\$132,960</u>	<u>\$184,839</u>	<u>\$508,648</u>	<u>\$ 10,050</u>

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

NOTES TO FINANCIAL STATEMENTS

Special Revenue Bonds	Notes Payable	Enterprise Fund Debt	Pension Trust Fund Debt	Total Primary Government	Component Unit Port of Oakland
\$ 41,964	\$ 6,374	\$ 1,153	\$ 215	\$ 103,943	\$ 46
42,122	6,441	1,153	545	108,518	43
44,437	6,503	1,153	224	109,704	43
46,884	6,435	1,153	309	112,062	90
49,461	1,878	1,153	—	109,761	44
<u>431,392</u>	<u>11,772</u>	<u>7,003</u>	<u>—</u>	<u>1,276,332</u>	<u>784</u>
656,260	39,403	12,768	1,293	1,820,320	1,050
<u>(233,410)</u>	<u>(10,367)</u>	<u>(3,246)</u>	<u>(143)</u>	<u>(521,265)</u>	<u>(470)</u>
<u>\$ 422,850</u>	<u>\$ 29,036</u>	<u>\$ 9,522</u>	<u>\$ 1,150</u>	<u>\$1,299,055</u>	<u>\$ 580</u>

**Conduit Debt**

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the General Long-Term Obligations Account Group. The debt issued and outstanding at June 30, 1999, follows (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 1999
Housing Mortgage Programs			
Housing Revenue Bonds Series D, 1991	\$ 112,890	2010-2024	\$ 6,230
City of Oakland Insured Refunding Revenue Bonds (Children's Hospital Medical Center of Northern California), 1994 Series A	19,490	05/01/09	16,050
City of Oakland Weekly Variable Rate Demand Revenue Bonds (Children's Hospital Medical Center of Northern California), 1994 Series B	22,800	07/01/99	4,900
County of Alameda/City of Oakland Variable Rate Demand Revenue Bonds (The Old Oakland Company Project), December 1984	9,900	12/04/04	9,900
City of Oakland Variable Rate Demand Revenue Bonds (The Delger Block/Ross House Company Project), December 1984	9,500	12/04/04	9,500
County of Alameda/City of Oakland Variable Rate Demand Revenue Bonds (The Wilcox/Leimert Company Project), December 1984	9,500	12/04/04	9,500
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,955
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1987	23,000	12/01/15	19,070
City of Oakland Insured Health Facility Revenue Bonds (East Oakland Health Center Project), Series 1990	2,500	10/01/20	2,320
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	6,245
City of Oakland Revenue Bonds (Oakland YMCA Project), Series 1990	8,700	06/01/10	7,580
City of Oakland Variable Economic Development Revenue Bond 1997 Series A (Allen Temple Family Life Center Project)	5,000	08/01/04	<u>4,900</u>
TOTAL			<u>\$ 98,150</u>

(11) CONTRIBUTED CAPITAL

A summary of changes in contributed capital for the year ended June 30, 1999, follows (in thousands):

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Internal Service Funds</u>	<u>Port of Oakland</u>
BALANCE AT JUNE 30, 1998	\$ 17,382	\$176,763
Grants from governmental agencies	—	6,624
Passenger facility charges	—	14,070
Depreciation of property and equipment acquired with contributed capital	<u>—</u>	<u>(6,357)</u>
BALANCE AT JUNE 30, 1999	<u>\$ 17,382</u>	<u>\$191,100</u>

(12) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 1999 and 1998, are as follows (in thousands):

	1999	1998
Unpaid claims, beginning of fiscal year	\$60,581	\$54,179
Current year claims and changes in estimates	32,556	24,716
Claim payments	<u>(13,283)</u>	<u>(18,314)</u>
Unpaid claims, end of fiscal year	<u>\$79,854</u>	<u>\$60,581</u>

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents.

The City is self-insured for its general liability, workers' compensation, malpractice liability, general and auto liability.

Property Damage

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



General Liability

Numerous lawsuits are pending or threatened against the City. The City Attorney estimates that as of June 30, 1999, the amount of liability determined to be probable of occurrence is approximately \$24,357,000. Of this amount, claims and litigation approximating \$10,600,000 are estimated to be payable with current expendable resources and are included as accrued liabilities of the General Fund (\$9,973,000), the Capital Fund (\$492,000), and the Sewer Fund (\$135,000). The remainder of \$13,757,000 is included in the General Long-Term Obligations Account Group. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The Agency is involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the Agency's in-house counsel, the City Attorney's Office for the City of Oakland, none of these claims are expected to have a significant impact on the financial condition of the Agency or its operations.

The City is self-insured for general liability. The City has not accumulated or segregated assets or reserved fund balance for the payment of estimated claims and judgments.

Workers' Compensation

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

Discretely Presented Component Unit

Workers' Compensation

The Port is exposed to risk of loss related to injuries to employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of \$350,000 per accident. Effective February 7, 1996, the Port carries commercial insurance for claims in excess of \$350,000.

Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses are based on actuarial estimates and include an estimate of claims that have been incurred but not reported. Changes in the reported liability resulted from the following (in thousands):

	1999	1998
Workers' compensation liability at beginning of fiscal year	\$ 3000	\$3,000
Current year claims and changes in estimates	1,076	1,012
Claim payments	<u>(1,076)</u>	<u>(1,012)</u>
Workers' compensation liability at end of fiscal year	<u><u>\$3,000</u></u>	<u><u>\$3,000</u></u>

General Liability

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

**(13) RESERVATIONS AND DESIGNATIONS OF FUND BALANCES**

The components of the City's reserved and unreserved-designated fund balances at June 30, 1999, follow (in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds
RESERVED			
Pension obligations	\$ —	\$ —	\$ —
Capital projects	—	—	—
Property held for resale	—	—	21,447
Employees' retirement systems	—	—	—
Debt service	—	—	55,788
Reserved for non-current receivables	—	6,500	—
Encumbrances	<u>4,378</u>	<u>10,713</u>	<u>—</u>
TOTAL RESERVED FUND BALANCES	<u><u>\$ 4,378</u></u>	<u><u>\$ 17,213</u></u>	<u><u>\$ 77,235</u></u>
UNRESERVED-DESIGNATED			
Capital improvement projects	\$ 3,902	\$ 6,778	\$ —
Recycling program	6,172	—	—
Multi-purpose reserve	1,748	—	—
Telecommunications reserve	<u>535</u>	<u>—</u>	<u>—</u>
TOTAL UNRESERVED- DESIGNATED FUND BALANCES	<u><u>\$ 12,357</u></u>	<u><u>\$ 6,778</u></u>	<u><u>\$ —</u></u>

NOTES TO FINANCIAL STATEMENTS

Capital Projects Funds	Pension Trust Funds	Total
\$ —	\$ 175,171	\$ 175,171
246,196	—	246,196
54,688	—	76,135
—	884,469	884,469
—	—	55,788
—	—	6,500
—	—	15,091
<u>\$300,884</u>	<u>\$1,059,640</u>	<u>\$1,459,350</u>
\$ —	\$ —	\$ 10,680
—	—	6,172
—	—	1,748
—	—	535
<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,135</u>

**(14) SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City accounts for operations which provide parks and recreation programs and sewage treatment as enterprise funds. These operations are financed by user charges or interest income. Segment information as of and for the year ended June 30, 1999, follows (in thousands):

	Parks and Recreation	Sewer Service	Total Enterprise Funds
For Year Ended June 30, 1999			
Operating revenues	\$ 525	\$ 17,726	\$ 18,251
Operating income (loss)	(118)	4,355	4,237
Depreciation and amortization	281	2,629	2,910
Grants from governmental agencies	—	1	1
Operating transfers out	—	(659)	(659)
Interest and other non-operating revenues (expenses), net	—	(802)	(802)
Net income (loss)	(118)	2,894	2,776
Property and equipment - additions (deletions)	(240)	12,151	11,911
As of June 30, 1999			
Net working capital	\$ 156	\$ 3,763	\$ 3,919
Total assets	418	79,902	80,320
Total equity	380	68,923	69,303
Long-term obligations and advances - Payable from operating revenues	—	9,522	9,522

Parks and Recreation

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

Sewer Service

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

(15) JOINT VENTURE**Oakland-Alameda County Coliseum**

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

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

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority on behalf of the City and County. These revenues consist of certain football revenues from the sale of seat rights as well as annual seat maintenance fees, a portion of net parking and concession revenues and concessionaires' initial fees. In the event that such football revenues are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate \$11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$22 million annually in the event of default by the County.

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

Under the original Warriors Agreements, the Arena Bonds are limited obligations of the Authority payable solely from base rental revenues of the Authority received by the Authority on behalf of the City and the County. These revenues consist of payments from the Warriors of up to \$7,428,000 annually from premium seating revenues, the sale of personal seat licenses by the Authority, concessionaire payments and the Arena naming rights. If necessary to prevent a default, additional premium seating revenues up to \$10,000,000 may be pledged to service



Arena debt. If the above revenues are not sufficient to cover the debt service requirements in any fiscal year, the City and County are obligated to make up the shortfall in the base rental payment from their respective General Funds. The City and the County each have covenanted to appropriate up to \$9,500,000 annually to cover such revenue shortfalls; however, the City and the County are jointly and severally liable to cover such shortfalls, which means that the City would have to pay up to \$19,000,000 annually in the event of default by the County.

The Coliseum Authority has entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum Complex beginning July 1, 1998.

On September 27, 1997, the City of Oakland, the County of Alameda, and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage. The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium, (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement, and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs. The Raiders have filed a cross-complaint seeking the right to rescind the Master Agreement and for breaches of the Master Agreement. They are not seeking damages. The City is optimistic about the outcome of this suit and countersuit and expects to recover all attorney costs related to the complaint filed.

In November 1998, the Authority brought an arbitration proceeding against the Golden State Warriors to collect: (1) past due rents for use of the arena; (2) past due amounts of revenue sharing required by the License Agreement; and (3) facility use fees collected by the Warriors for the Authority. The arbitration demand also seeks damages for the Warriors breach of the License Agreement for failure to sell seat rights in the new Arena, a major source of revenue to the Authority. The arbitration was divided into two phases. In the first phase on the collection issues, on October 6, 1999, the arbitrator found that the Golden State Warriors owed in excess of \$17 million to the Authority, net of some \$720,000 in offsets granted to the Warriors. The second phase of the arbitration is currently scheduled to begin in February, 2000, and will concern the breach of contract claim for damages.

NOTES TO FINANCIAL STATEMENTS

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

In 1995-96 for \$140,000,000 of the variable rate Stadium Bonds at a fixed rate of 6.75%. The agreement expires February 1, 2006. The market value of the swap at June 30, 1999 is \$(5,889,176), reflecting the cost to the Authority to terminate the swap as of such date.

In 1996-97, for \$84,000,000 of the variable rate Arena Bonds at a fixed rate of 6.85%. The agreement expires on September 1, 2001. The market value of the swap at June 30, 1999 is \$(1,762,930), representing the cost to the Authority to terminate the swap as of such date.

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

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

Years Ending June 30,	Stadium Debt	Arena Debt
2000	\$ 15,648	\$ 10,520
2001	15,715	10,521
2002	15,681	10,517
2003	15,636	10,589
2004	15,686	10,649
2005-2009	78,180	53,352
2010-2014	78,340	54,060
2015-2019	78,814	54,829
2020-2024	79,568	55,892
2025	16,019	22,840
Less interest	<u>(219,787)</u>	<u>(157,369)</u>
Total	<u>\$189,500</u>	<u>\$136,400</u>

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



The City has a 50% equity interest in the Joint Venture. The City's portion of net liability is calculated from the unaudited June 30, 1999, financial activity of the Authority as follows:

Total Assets	\$672,748
Less: Amounts to be provided for retirement of long-term debt	<u>298,569</u>
Adjusted total assets	374,179
Less: Total liabilities	<u>338,906</u>
Net liability	<u>\$ 35,273</u>
50% interest	<u>\$ 17,637</u>

The City's share of cumulative net equity in the operation of the Authority was \$17,637,000 as of June 30, 1999, the date of the latest available unaudited financial statements. This amount is included in the General Fixed Asset Account Group. Under the joint exercise of power agreement which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs, to the extent such funding is necessary. During the year ended June 30, 1999, the City made contributions of approximately \$18,270,000 to fund its share of operating deficits, as well as its share of the final construction costs of the Arena.

The Authority has anticipated a deficit for repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the \$20.5 million appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute \$15,000,000 for the 1999-00 fiscal year. It is expected the 2000-2001 General Fund contributions will be approximately \$10,000,000. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future, therefore the City has established a contingent liability to fund the JPA deficit in the General Long-Term Obligations Account Group at an amount equal to its contingent share (50% of the outstanding Stadium bonds in the amount of \$94,750,000. The City has not established a contingent liability for the Arena debt because management is of the opinion that revenues from the Arena, including payments from the Warriors, will be sufficient to cover the debt payments.

(16) PENSION PLANS AND DEFERRED COMPENSATION PLANS

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

Member and employer contributions are recognized in the period in which the contributions are due, and benefits and refunds are recognized when payable.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current

NOTES TO FINANCIAL STATEMENTS

exchange rates. Mortgages are reported based on the remaining principal balances which approximate the value of future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on prices in a competitive market as determined by a specialist.

Investments representing 5% or more of the market value of the OMERS net assets for pension benefits as of June 30, 1999, are as follows:

Stocks	Shares	Market Value
American Telephone and Telegraph Company	8,000	\$1,041,000
Avista Corporation	20,000	340,000
Bristol Myers Squibb	6,000	845,250
Chase Manhattan Corporation	10,000	865,000
Duke Energy Corporation	14,000	972,125
Emerson Electric Company	6,000	377,625
Ford Motor Company	6,000	338,625
Hibernia Corporation	25,000	392,188
Marsh & McLennan Companies, Inc.	6,000	454,125
Phillips Petroleum Company	8,000	402,500
Shared Medical Services	10,000	652,500
Sherwin-Williams Company	12,000	333,000
Southern Company Electric	20,000	<u>530,000</u>
		7,543,938
Bonds		
Mountain States Telephone and Telegraph Company	400,000	<u>385,171</u>
Total		<u><u>\$7,929,109</u></u>

No investments in any one non-federal organization represented 5% or more of PFRS net assets for pension benefits as of June 30, 1999.

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

Complete financial statements of the Plans can be obtained from:

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



	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 1, 1998	July 1, 1998	June 30, 1998

Significant actuarial assumptions

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

	PFRS	OMERS	PERS
General wage increase:			
Inflation	4.0%	4.0%	4.5%
Post-retirement benefit increase	4.0%	3.0%	2.0%
Investment return	8.0%	8.0%	8.5%

	PFRS	OMERS	PERS	Total
Employees covered as of June 30, 1999				
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not currently receiving them	1,485	169	1,789	3,443
Current employees—vested	199	2	2,303	2,305

Police and Fire Retirement System

PFRS provides death, disability and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter).

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

NOTES TO FINANCIAL STATEMENTS

The City's annual contribution to PFRS was determined by calculating the total pension liability for public safety employees under both PFRS and PERS. The amount to be contributed to both plans was allocated between years such that a level percentage of payroll (60.49% in fiscal year 1999-00) will amortize the unfunded liabilities by 2026 and 2000 for PFRS and PERS, respectively. The City issued pension obligation bonds in February 1997 to fund the PFRS until the year 2011. Bond proceeds in the amount of \$417,173,000 were transferred to the plan for investment. The bonds are an obligation of the City. Contributions to PFRS are deducted and the difference is used to make debt service payments.

For the year ended June 30, 1999, employee contributions to PFRS totaling \$1,296,000 were made in accordance with actuarially determined contribution requirements. Employer contributions were not required in fiscal year 1999.

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

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

Schedule of Employer Contributions

Fiscal Year Ended June 30,	Annual Required Contributions (\$ in millions)	Percentage (%) Contributed
1997	34.8	1199
1998	—*	—
1999	—*	—

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

Oakland Municipal Employees Retirement System

OMERS provides death, disability and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 10 years of service and reach the age of 60, or have reached the age of 70, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter.

Employee contributions to OMERS totaling \$7,776 were made during 1999 in accordance with actuarially determined contribution requirements. Employee contributions are refundable with



interest at 4.5% per annum if an employee elects to withdraw from the plan upon termination of employment with the City. For the years ended June 30, 1999, 1998 and 1997, the City, in accordance with actuarially determined contribution requirements, was not required to make contributions to OMERS. The actuarial calculations are computed using the projected unit credit cost method and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter. The most recent actuarial valuation determined the funding status to be 174%.

California Public Employees Retirement System

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office—400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 3.57% for non-safety employees and 6.2564% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

Annual Pension Cost

For 1998-99, the City's annual pension cost of \$19,368,000 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 1998, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends June 30, 2011.

NOTES TO FINANCIAL STATEMENTS

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

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
1997	\$16.4	100%	\$ 0
1998	14.6	100	0
1999	19.4	100	0

Deferred Compensation Plans

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

On August 16, 1997, federal legislation was passed requiring that all amounts deferred under a Section 457 plan must be held in trust or custodial accounts for the exclusive benefit of participants and their beneficiaries. This trust requirement had been satisfied by January 1, 1999. As a result, as of July 1, 1998, the deferred compensation assets of \$125,101,000 are no longer reflected in the accompanying financial statements.

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

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

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

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

In March 1997, the City entered into a debt service deposit agreement with a third party whereby the City received approximately \$8.1 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal 1997 when received on a budgetary basis. On a GAAP



basis, the revenue was deferred and is being recognized over the 14-year life of the agreement. Amortization for the year ended June 30, 1999, was \$637,000.

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

	General Fund
Excess of revenues over expenditures - GAAP basis	\$56,407
Amortization of debt service deposit agreement	<u>(637)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses - budgetary basis	<u>\$55,770</u>

The General Fund Balance on a Budgetary Basis reconciled to that on a GAAP basis as of June 30, 1999, is as follows (in thousands):

	General Fund
Fund Balance, June 30, 1999 - GAAP Basis	\$42,872
Prior year debt service deposit agreement recorded on Budgetary Basis in the year of receipt	<u>6,906</u>
Fund Balance, June 30, 1999 - Budgetary Basis	<u>\$49,778</u>

General Fund Budgetary Basis Fund Balance at June 30, 1999, is composed of the following (in thousands):

	General Fund
Reserved	\$ 4,378
Unreserved, designated for:	
Capital improvement projects	3,902
Recycling program	6,172
Other	<u>2,283</u>
Total designated	12,357
Unreserved, undesignated	<u>33,043</u>
Fund Balance, June 30, 1999 - Budgetary Basis	<u>\$49,778</u>

(18) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan. The City contribution constituted an average of approximately 5% of health insurance premium charges for retirees. Approximately \$798,000 was paid on behalf of 1,789 retirees under this program for the year ended June 30, 1999.

A City Council resolution, dated November 12, 1985, and a related City Administrative Instruction, dated May 1, 1991, established a quarterly payment of \$225 to qualifying retirees from City employment who were active, full-time or permanent part-time, unrepresented City employees at the time of retirement on or after July 1, 1985. Such payments commenced the last quarter of the year ended June 30, 1991, and constitute premium payment required for approximately 474 retirees. An expendable trust fund was set up to finance these benefits and the City has made contributions to this fund to finance future payments. For the year ended June 30, 1999, \$111,000 in benefit payments were made under this program. The trust fund balance was \$213,000 as of June 30, 1999.

(19) EXCESS OF EXPENDITURES OVER APPROPRIATIONS

As of June 30, 1999, the following fund reported excess expenditures over appropriations:

Special Revenue Funds

Landscape and Lighting Assessment District	\$327
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The Landscape and Lighting Assessment District experienced minor cost overruns in street lighting replacements.

(20) COMMITMENTS AND CONTINGENT LIABILITIES

Grants and Subventions

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

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

COUNTY OF ALAMEDA, CALIFORNIA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
 (Amounts in tables expressed in thousands)
JUNE 30, 1999

Charity Care

Counties are required by federal statute, Section 17000 of the Health and Welfare Act, to provide charity care to patients who are unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigency standard has been established and for which the patient qualifies. Inability to pay may be determined through an interview process by APMC or by an outside collection agency. Determinations of charity care may be made prior to or at the time of service, or any time thereafter. The total amount of such charity care provided by APMC for fiscal year 1998/99, based on established rates, is as follows (in thousands):

Gross charges foregone for charity care	\$64,100
Estimated costs and expenses to provide charity care	53,126

Accounts Receivable

Accounts receivable at June 30, 1999 comprised the following:

Gross patient accounts receivable	\$ 21,307
Other accounts receivable	53,135
Contractual and doubtful accounts allowance	(5,709)
Total	<u>\$ 68,733</u>

Gross patient accounts receivable include amounts due from third party payors, patients and other agencies for patient services rendered and certain federal aid programs. Other receivables include professional and other fees earned on patient services and services provided to various outside agencies.

13. CONTINGENCIES

Self-Insurance and Purchased Insurance

The County of Alameda is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; natural disasters; medical malpractice; unemployment coverage and dental benefits provided to employees. The County uses a combination of self-insurance and purchased insurance programs for protection against adverse losses. The County maintains established risk financing internal service funds in which assets are set aside for claim settlements associated with general automobile and medical malpractice liability, workers' compensation, unemployment and dental benefits to employees. The County also purchases various types of insurance to supplement self-insured retention levels and reserves and to provide protection at various self-insured retention levels. The County

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
(Amounts in tables expressed in thousands)

JUNE 30, 1999

purchases primary all risk property including earthquake insurance for all of the County's real and personal property, equipment and vehicles. During 1997/98, the County purchased insurance (reinsurance) for Workers' Compensation claims for the period November 21, 1979 through June 30, 1997. Excess liability and workers' compensation coverages are provided by the California State Association of Counties - Excess Insurance Authority (CSAC-EIA), a joint powers authority whose purpose is to develop and fund programs of excess insurance for its member counties. A Board of Directors consisting of representatives of the Member Counties governs the Authority. Self-insured retention levels and purchased insurance per occurrence are as follows (not in thousands):

<u>Type of Coverage</u>	<u>Self-Insurance Retention</u>	<u>Insurance Authority/Purchased Insurance</u>
General and Auto Liability	Up to \$1,000,000	\$1,000,000 to \$10,000,000
Medical Malpractice	Up to \$100,000	\$1,250,000 to \$18,000,000
All Risk Property	Up to \$50,000	(separate insurance policy covers from \$100,000 to \$1,250,000)
Flood	Up to \$100,000	\$50,000 to \$200,000,000 (Max. Declared Value)
Earthquake	Greater of \$100,000 or 5% of loss	\$100,000 to \$200,000,000 (Max. Declared Value)
Workers' Compensation (7/1/97 forward)	Up to \$300,000	up to \$50,000,000
Workers' Compensation Reinsurance	-0-	Statutory - no limit
Employer's Liability	Up to \$300,000	Statutory - no limit
		\$300,000 to \$5,000,000

Amounts in excess of these limits are self-insured. None of the insurance settlements over the past three years have exceeded the amount of insurance coverage. There have been no reductions in insurance coverage from the 1997/98 fiscal year.

The County is totally self-insured for dental benefits to employees and their families. Coverage for each family member is limited to \$1,000 per year for covered services.

The unpaid claims liability included in the Risk Management Internal Service Funds is based on the results of actuarial studies and include amounts for claims incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of pay-outs, and other economic and social factors. It is the County's practice to obtain full actuarial studies annually. Annual premiums are charged by each self-insurance fund using various allocation methods which include actual costs, trends in claims experience and number of participants.

Changes in the balances of claims liabilities during the past two fiscal years for all self-insurance funds combined are as follows (in thousands):

<u>Outstanding Liabilities</u>	<u>1998/99</u>	<u>1997/98</u>
Unpaid claims and claim adjustment expenses at the beginning of the fiscal year	\$66,436	\$66,120
Incurred claims and claim adjustment expenses	38,592	21,534
Payments	(17,032)	(21,218)
Worker's Compensation Reinsurance	(39,500)	-
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	<u>\$48,496</u>	<u>\$66,436</u>

During 1999, the County purchased reinsurance for its workers' compensation liability for all claims incurred prior to and including June 30, 1997.

Litigation

Various lawsuits have been instituted and claims have been made against the County, with provisions for potential losses included in the combined financial statements. In the opinion of County Counsel, it is not possible to accurately predict the County's liability under these actions, but final disposition should not materially affect the financial position of the County.

COUNTY OF ALAMEDA, CALIFORNIA

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED

(Amounts in tables expressed in thousands)

JUNE 30, 1999

On September 29, 1997, the City of Oakland, the County of Alameda and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A. D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage. The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium; (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement; and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs. Raiders management has filed a cross-complaint seeking to rescind the master agreement. The County currently expects the matter to go to trial in the first half of 2000.

The County is optimistic about the outcome of this suit and expects to recover all attorney costs related to the complaint filed.

Federal and State Grants

The County participates in a number of Federal and State grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs for or including the year ended June 30, 1999, have not yet been conducted or settled. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, management does not believe that any audit disallowances would have a significant effect on the financial position of the County.

Medicare and Medi-Cal Reimbursements

Alameda County Medical Center's Medicare and Medi-Cal cost reports for certain prior years are in various stages of review by the third-party intermediaries and have not been settled as a result of certain unresolved reimbursement issues. The County believes that it has adequately provided for any potential liabilities which may arise from the intermediaries' reviews.

14. OPERATING AND RESIDUAL EQUITY TRANSFERS

A summary of operating transfers for the year ended June 30, 1999 is as follows:

	Operating Transfers In	Operating Transfers Out
General Fund	\$101,042	\$ 19,237
Special Revenue Funds	2,017	85,122
Capital Projects Fund	-	751
Debt Service Fund	26,452	17,648
Internal Service Funds	38,931	47,259
Expendable Trust Fund	-	30
Total operating transfers	168,442	170,047
Reconciling items	1,876	271
Total	\$170,318	\$170,318

Operating transfers do not balance for the following reasons:

\$ 259,000	operating transfer from the Investment Trust was transferred to the General Fund for interest earnings credited to external pool participants that were not eligible to retain the interest.
12,000	operating transfer from the Investment Trust because the previously-dissolved Cherryland Water District assets were transferred to the General Fund.

COUNTY OF ALAMEDA, CALIFORNIA
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
(Amounts in tables expressed in thousands)
JUNE 30, 1999

1,407,000 operating transfer out of the Special Revenue Funds was transferred to the Investment Trust for the trial courts.
469,000 operating transfer out of the General Fund was transferred to the Investment Trust for the Children and Families Commission.

Transfers between the primary government and the discretely presented component unit for the year ended June 30, 1999 as follows:

	Transfers In	Transfers Out
General Fund	\$95,906	\$ -
Discretely presented component unit	-	95,906
Total	<u>\$95,906</u>	<u>\$95,906</u>

A summary of residual equity transfers for the year ended June 30, 1999 is as follows:

	Residual Equity Transfers In	Residual Equity Transfers Out
General Fund	\$ 225	\$ 825
Special Revenue Funds	529	694
Internal Service Funds	24,850	9,425
Debt Service Fund	-	14,660
Total residual equity transfers	<u>\$ 25,604</u>	<u>\$ 25,604</u>

The Alameda County Medical Center Hospital Authority has shown a residual equity transfer out the amount of \$6,367,000. This represents the transfer of some land, structures, improvements and construction in progress net of related debt from the Alameda County Medical Center Authority to the General Fixed Asset Account Group and the General Long-term Obligation Account Group (Note 12). Residual equity transfers net to \$6,367,000 because they affect the account groups of the County.

The Workers' Compensation and Risk Management Internal Service Funds were merged in 1998/99. Accordingly, the County has shown an operating transfer of \$38,931,000 from Risk Management to Workers' Compensation to eliminate the accumulated deficit at July 1, 1998 and a residual equity transfer of \$9,425,000 from Workers' Compensation to Risk Management to transfer the remaining balance.

15. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 8, 1999, the County issued \$70 million in tax and revenue anticipation notes to finance the seasonal cash flow requirements of the County during the 1999-2000 fiscal year. The notes bear interest at a rate of 4.0% and become due on July 7, 2000. Tax revenues received during the 1999-2000 fiscal year have been pledged to repay the notes.



COUNTY OF ALAMEDA, CALIFORNIA
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 1999

YEAR 2000 ISSUES

The Year 2000 issue (Y2K) is one of great concern to all. The County, like other large-scale organizations, is not immune to the potential disruption of business arising from computer failures or malfunctions because of Y2K.

GASB Technical Bulletin No. 99-1, Disclosure About Year 2000 Issues, identifies the following four principal stages as being necessary to implement a Y2K-compliant system:

- Awareness Stage - establishing a budget and project plan
- Assessment Stage - preparing an inventory of systems and components of systems on an overall or mission-critical basis
- Remediation Stage - making the technical adjustments to correct the existing systems or changing to a Y2K-compliant system
- Validation/Testing Stage - testing the Y2K conversion process and reviewing test results.

The County, under the direction of the Information Technology Department, began planning for Y2K during the 1996/97 fiscal year. As of June 30, 1999, all stages have been completed. A total of \$611,000 in Y2K-related costs were incurred.

While the County is confident that its computer systems will be fully Y2K-compliant, there is no guarantee that the County will not experience problems associated with the Y2K. Vendors, customers, other governmental units and others upon whom the County relies for computerized information or commerce, may not be Y2K-compliant. The failure of these other businesses to be Y2K-compliant could adversely affect the County's ability to conduct daily operations on or after January 1, 2000.

