NEW ISSUE-BOOK-ENTRY ONLY

Insured Ratings:	**Underlying Ratings:**
Moody's: Aaa	**Moody's: A1**
Standard & Poor's: AAA	**Standard & Poor's: A+**
Fitch: AAA	**Fitch: A+**
	(See "Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$122,170,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
REVENUE BONDS, SERIES 2005
(CITY OF OAKLAND GENERAL OBLIGATION BOND PROGRAM)

Dated: Date of Delivery **Due: June 15, as shown on the inside cover**

The Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) of the Oakland Joint Powers Financing Authority (the "Authority"), in the aggregate principal amount of $122,170,000 (the "Bonds"), are issuable in fully registered form initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Individual purchases of Bonds will be made in book-entry form in denominations of $5,000 or any integral multiples thereof. Purchasers of Bonds will not receive physical delivery of Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made pursuant to a Trust Agreement, dated as of June 1, 2005 (the "Trust Agreement"), by and between the Authority and Wells Fargo Bank, National Association, as trustee for the Bonds, to Cede & Co., as nominee of DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC participants and thereafter to the beneficial owners of the Bonds, all as further described herein. Interest on the Bonds is payable semiannually on June 15 and December 15 in each year, commencing December 15, 2005.

The Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

The Bonds are being issued to (i) purchase the Oakland GO Bonds (as defined herein), (ii) finance certain public capital improvements to be acquired and/or constructed by the Authority (the "Project"), (iii) pay the premium for a financial guaranty insurance policy, and (iv) pay certain costs of issuance associated with the Bonds.

The Bonds are special obligations of the Authority. The Bonds are payable solely from the Revenues pledged under the Trust Agreement, consisting primarily of debt service payments received with respect to the Oakland GO Bonds, which payments are secured by *ad valorem* taxes of the City of Oakland (the "City") as more fully described herein. The Oakland GO Bonds are being issued simultaneously with issuance of the Bonds primarily to defease all of the Refunded GO Bonds (as defined herein).

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Bonds. See "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" herein.

Ambac

The Bonds are special obligations of the Authority and, to the extent set forth in the Trust Agreement, are payable solely from and secured by a first lien on and pledge of the Revenues and certain other moneys and securities held by the Trustee as provided in the Trust Agreement. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues and such other moneys and securities, and the Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other moneys and securities as provided in the Trust Agreement. Neither the Bonds nor the obligation of the Authority to pay the principal of and interest on the Bonds constitutes a legal obligation of the City, the State of California or any of its political subdivisions.

This cover page contains information for general reference only. It is not intended to be a summary of the security or terms of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Authority and the City of Oakland by John Russo, Counsel to the Authority and City Attorney of the City of Oakland. Gibbs & Gonzalez LLP served as special counsel to the City Attorney. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Sacramento, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about June 16, 2005.

M♦R♦Beal & Company **Banc of America Securities LLC**

Dated: June 2, 2005

MATURITY SCHEDULE

$107,780,000 Series 2005 Serial Bonds
(Base CUSIP No. 67227RA†)

Maturity (June 15)	Principal Amount	Interest Rate	Yield	CUSIP No.†
2006	$5,205,000	3.00%	2.67%	C0
2007	5,310,000	4.00	2.79	D8
2008	5,575,000	4.00	2.90	E6
2009	5,835,000	4.00	2.94	F3
2010	6,090,000	5.00	3.02	G1
2011	6,420,000	5.00	3.13	H9
2012	6,775,000	5.00	3.25	J5
2013	7,150,000	5.00	3.38	K2
2014	7,550,000	5.00	3.47	L0
2015	7,990,000	5.00	3.57	M8
2016*	7,335,000	5.00	3.65	N6
2017*	7,785,000	5.00	3.72	P1
2018*	8,195,000	5.00	3.78	Q9
2019*	8,650,000	5.00	3.84	R7
2020*	7,915,000	5.00	3.89	S5
2021	4,000,000	4.00	4.22	T3

$14,390,000 – 5.00% Term Bond due June 15, 2025* – Priced to Yield: 4.07%
(CUSIP No. 67227RAU0†)

† CUSIP numbers are provided for convenience of reference only. Neither the Authority, the City nor the Underwriters assume any responsibility for the accuracy of such numbers.

* Priced to the June 15, 2015 redemption date at a redemption price of 100%.

OAKLAND JOINT POWERS FINANCING AUTHORITY

AUTHORITY GOVERNING BOARD

EDMUND G. BROWN, JR., PRESIDENT

DESLEY BROOKS
JANE BRUNNER
HENRY CHANG, JR.
IGNACIO DE LA FUENTE
PATRICIA KERNIGHAN
NANCY NADEL
JEAN QUAN
LARRY REID

CITY OF OAKLAND, CALIFORNIA

CITY COUNCIL

EDMUND G. BROWN, JR. MAYOR

IGNACIO DE LA FUENTE, *President*
DESLEY BROOKS
HENRY CHANG, JR.
PATRICIA KERNIGHAN
JANE BRUNNER, *Vice-Mayor*
NANCY NADEL
JEAN QUAN
LARRY REID

AUTHORITY AND CITY OFFICIALS

DEBORAH A. EDGERLY, Executive Director and City Administrator
CHERYL A.P. THOMPSON, Assistant City Administrator
WILLIAM E. NOLAND, Treasurer and Director, Finance and Management Agency
JOHN RUSSO, City Attorney
LATONDA SIMMONS, Secretary and City Clerk
ROLAND E. SMITH, City Auditor
KATANO KASAINE, Treasury Manager

BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

FINANCIAL ADVISOR

Kelling, Northcross & Nobriga
A Division of Zions First National Bank
Oakland, California

TRUSTEE

Wells Fargo Bank, National Association
San Francisco, California

VERIFICATION AGENT

Grant Thornton LLP
Minneapolis, Minnesota

No dealer, broker, salesperson or any other person has been authorized to give any information or make any representation, other than as contained in this Official Statement, and, if given or made, any such information or representation must not be relied upon as having been authorized by the Authority, the City or the Underwriters. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The Official Statement is not to be construed as a contract with the purchasers of the Bonds.

The information set forth herein has been furnished by the City or other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the City or the Insurer since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in the following information constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the City's forecasts in any way. Except as set forth in the Continuing Disclosure Agreement (as defined herein), neither the City nor the Authority plans to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur or do not occur.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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OFFICIAL STATEMENT

$122,170,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
REVENUE BONDS, SERIES 2005
(CITY OF OAKLAND GENERAL OBLIGATION BOND PROGRAM)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Trust Agreement. See APPENDIX C – "SUMMARY OF TRUST AGREEMENT" herein.

General

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to set forth certain information concerning the sale and delivery by the Oakland Joint Powers Financing Authority (the "Authority") of its Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) in the aggregate principal amount of $122,170,000 (the "Bonds").

The Bonds are being issued to (i) purchase the City of Oakland General Obligation Refunding Bonds, Series 2005 (the "Oakland GO Bonds") in the aggregate principal amount of $122,476,041 which are being issued simultaneously with the issuance of the Bonds to defease all of the City's outstanding Refunded GO Bonds (as defined herein), see "PLAN OF FINANCE - The Refunding" herein, (ii) finance certain public capital improvements to be acquired and/or constructed by the Authority (the "Project"), (iii) pay the premium for a financial guaranty insurance policy and (iv) pay certain costs of issuance associated with the Bonds. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Bonds are secured by Revenues pledged under the Trust Agreement, consisting primarily of debt service payments received with respect to the Oakland GO Bonds, which payments are secured by *ad valorem* taxes of the City. The Oakland GO Bonds are general obligations of the City of Oakland (the "City"). The City Council of the City (the "Council") has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of said Bonds and the interest thereon. See "SECURITY AND SOURCES OF PAYMENT FOR THE OAKLAND GO BONDS" and APPENDIX A – "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" herein. For information on the City's tax base, tax collection system and property tax revenues, see "SECURITY AND SOURCES OF PAYMENT FOR THE OAKLAND GO BONDS" and APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" herein.

City of Oakland

The City was incorporated as a town in 1852 and became a charter city in 1889. The City is located in the County of Alameda, California (the "County") across the San Francisco Bay, approximately seven miles east of San Francisco. The City contains approximately 53.8 square miles in total area and had a population estimated at 411,600 as of January 1, 2004. See "THE CITY" herein and APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" attached hereto.

The Authority

The Authority is a joint exercise of powers agency organized under the laws of the State of California (the "State") in February, 1993, with the City and the Redevelopment Agency of the City of Oakland (the "Agency") as its two constituent members. The Authority was formed to assist in the financing and refinancing of public capital improvements, such as the Project. The City and the Agency are each sometimes referred to herein as a "Member" of the Authority. See "THE AUTHORITY" herein.

Authority for the Issuance of the Bonds

The Bonds are being issued pursuant to Article 1 through 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including the Marks-Roos Local Bond Pooling Act of 1985 (the "Act"), and the Trust Agreement, dated as of June 1, 2005 (the "Trust Agreement"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms used herein and not defined herein shall have the meanings prescribed in the Trust Agreement.

Security and Sources of Payment for the Bonds

The Bonds are special obligations of the Authority. The Bonds are payable solely from the Revenues pledged under the Trust Agreement, consisting primarily of payments on the Oakland GO Bonds, pursuant to a resolution adopted by the City Council on May 17, 2005 (the "Resolution"), which payments are secured by *ad valorem* taxes of the City, and the payments on the Oakland GO Bonds will be used solely for the punctual payment of the interest on and principal of the Bonds while any of the Bonds remain Outstanding. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Bond Insurance

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds. See "BOND INSURANCE" herein and APPENDIX H – "SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" attached hereto.

Special Obligations

The Bonds are special obligations of the Authority and, to the extent set forth in the Trust Agreement, are payable solely from and secured by a first lien on and pledge of the revenues and certain other moneys and securities held by the trustee as provided in the Trust Agreement. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the revenues and such other moneys and securities, and the revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest on the Bonds. The full faith and credit of the Authority is not pledged for the payment of the principal of or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the revenues and such other moneys and securities as provided in the Trust Agreement. Neither the Bonds nor the obligation of the Authority to pay the principal of and interest on the Bonds constitutes a legal obligation of the City, the State of California or any of its political subdivisions.

Continuing Disclosure

The Authority and the City have covenanted in the Continuing Disclosure Agreement, dated as of June 1, 2005 (the "Continuing Disclosure Agreement"), by and among the Authority, the City and the Trustee for the benefit of the Owners and the beneficial owners of the Bonds to provide certain financial information and operating data relating to the City and the Authority and notices of material events. See "CONTINUING DISCLOSURE" herein and APPENDIX F –"FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

Reference to Original Documents

Brief descriptions of the Bonds, the Authority and the City are included in this Official Statement, together with a summary of the Trust Agreement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Bonds and the Trust Agreement are qualified in their entirety by reference to the actual documents, or with respect to the Bonds, the forms thereof included in the Trust Agreement, copies of all of which are available for inspection at the corporate trust office of the Trustee at 555 Montgomery Street, 10th Floor, San Francisco, California 94111, Attention: Corporate Trust Department.

Additional Information

The City regularly prepares a variety of reports, including audits, budgets and related documents, as well as certain periodic activity reports. Any Owner may obtain a copy of any such report, as available, from the Trustee or the City. Additional information regarding this Official Statement may be obtained by contacting the Trustee or the Treasury Manager, City of Oakland, Treasury Division, 150 Frank H. Ogawa Plaza, 5th Floor, Oakland, California 94612, (510) 238-3201.

PLAN OF FINANCE

Purchase of Oakland GO Bonds

A portion of the proceeds of the Bonds will be used to purchase the Oakland GO Bonds in the aggregate principal amount of $122,476,041 which are being issued simultaneously with the issuance of the Bonds. The Authority will purchase the Oakland GO Bonds pursuant to a purchase contract between the City and the Authority. The purchase contract pursuant to which the Authority is purchasing the Oakland GO Bonds from the City provides that the Authority will purchase all of the Oakland GO Bonds if any are purchased. The obligation of the Authority to make such purchase is subject to certain terms and conditions set forth in such purchase contract. The Trustee will hold the Oakland GO Bonds under the Trust Agreement as the principal security for the Bonds. See "DEBT SERVICE ON THE BONDS AND THE OAKLAND GO BONDS" herein.

The City will deposit the proceeds from the sale of the Oakland GO Bonds, together with certain other available moneys, into respective escrow funds to defease all of the outstanding City of Oakland, Alameda County, California, General Obligation Bonds, Series 1992 (the "Series 1992 Bonds"), City of Oakland, Alameda County, California, General Obligation Bonds, Series 1995B (the "Series 1995 Bonds"), City of Oakland General Obligation Bonds (Series 1997, Measure I) (the "Series 1997 Bonds"), City of Oakland General Obligation Bonds (Series 1997C, Measure K) (the "Series 1997C Bonds"), City of Oakland General Obligation Bonds, Series 2000D (1991 Measure K) (the "Series 2000D Bonds") and City of Oakland General Obligation Bonds, Series 2000E (1991 Measure K) (the "Series 2000E Bonds," and collectively, with the Series 1992 Bonds, the Series 1995 Bonds, the Series 1997 Bonds, the Series

1997C Bonds, and the Series 2000D Bonds, the "Refunded GO Bonds"), pursuant to separate escrow agreements, each executed and entered into as of June 1, 2005 (collectively, the "Escrow Agreements"), by and between the City and the respective escrow agents for the Refunded GO Bonds.

The Project

A portion of the proceeds of the Bonds will be used to finance public capital improvements of the Authority located within the boundaries of the City, including seismic retrofit projects, infrastructure projects, deferred maintenance and improvements to public facilities, minor capital projects and other capital improvements designated by the Authority.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds, including proceeds from the sale of the Bonds. See "PLAN OF FINANCE" herein.

Sources of Funds	
Principal Amount of Bonds	$122,170,000.00
Original Issue Premium	10,147,940.30
Total Sources of Funds	$132,317,940.30
Uses of Funds	
Purchase of Oakland GO Bonds (1)	$122,476,041.00
Deposit to Project Fund	8,460,215.24
Costs of Issuance (2)	1,381,684.06
Total Uses of Funds	$132,317,940.30

(1) Represents proceeds of the Bonds used to purchase the Oakland GO Bonds. See "PLAN OF FINANCE" herein.
(2) Includes fees and expenses of Bond Counsel, Financial Advisor, Trustee, Escrow Agents, Verification Agent, Underwriters' discount, printing costs, rating agency fees, bond insurance premium and other miscellaneous costs of issuance.

THE BONDS

General

The Bonds will be delivered in fully registered form and will be executed and delivered in the denominations of $5,000 and any integral multiple thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Payments of principal, premium, if any, and interest on the Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any and interest on the Bonds to its DTC Participants for subsequent disbursement to the Beneficial Owners of the bonds. See "DTC and the Book-Entry System" below and APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto. The Bonds will be dated their date of delivery, will mature on June 15 of each of the years and in the amounts, and will bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates per annum as set forth on the inside cover page hereof.

Principal of the Bonds is payable annually on June 15 in the years as set forth in the Maturity Schedule on the inside cover. Interest on the Bonds will be payable semiannually on June 15 and December 15 in each year, commencing December 15, 2005 (each, an "Interest Payment Date") subject to the redemption provisions as set forth herein.

Interest on the Bonds is payable from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated during the period from the day after the Record Date for an Interest Payment Date to and including such Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) it is authenticated on or prior to the Record Date for the first Interest Payment Date, in which event it will bear interest from its dated date; provided, however, that if at the time of authentication of any Bond interest with respect to such Bond is in default, such Bond will bear interest from the Interest Payment Date to which interest has been paid or made available for payment with respect to such Bond.

For a more complete description of the Bonds and the basic documents pursuant to which they are being executed and delivered, see APPENDIX C – "SUMMARY OF TRUST AGREEMENT" attached hereto.

DTC and the Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds are being issued in fully-registered form and, when issued, will be registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the owners of the Bonds shall mean Cede & Co. and shall not mean the actual purchasers of the Bonds (the "Beneficial Owners"). The information in this section and in Appendix G attached hereto concerning DTC and DTC's book-entry system is based solely on information provided by DTC, and no representations can be made by the Authority, the City or the Trustee concerning the accuracy thereof. See APPENDIX G – "DTC AND THE BOOK-ENTRY ONLY SYSTEM" attached hereto for a further description of DTC and its book-entry system.

Redemption

Optional Redemption. The Bonds maturing on or before June 15, 2015, are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after June 15, 2016, shall be subject to redemption prior to their respective stated maturity dates, from any available funds, as a whole or in part, on any date on or after June 15, 2015, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 15, 2025 are subject to mandatory redemption in part on June 15 in each year, commencing June 15, 2021, from sinking fund payments on deposit in the Principal Account pursuant to the Trust Agreement, at a redemption price equal to the principal amount thereof to be redeemed plus interest accrued thereon to the date of redemption, without premium, in the aggregate respective principal amounts and in the respective years as set forth below; provided, however, that if some but not all of the such Bonds have been redeemed pursuant to the Optional Redemption subsection above, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Bonds so redeemed, to be allocated among such sinking fund payments to the extent practicable on a pro rata basis in integral multiples of $5,000 as determined by the Trustee.

Bonds Maturing June 15, 2025

Sinking Fund Redemption Date (June 15)	Principal Amount of Bonds to be Redeemed
2021	$4,345,000
2022	8,750,000
2023	410,000
2024	425,000
2025*	460,000

* Maturity.

Notice of Redemption. The Trustee will mail, by first class mail, postage prepaid, notice of any redemption to the respective Bond Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; provided that such notice may be conditional as described in the immediately following paragraph; and provided, further, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Series 2005 Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and will require that such Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Trustee's notice of redemption with respect to an optional redemption of the Bonds may provide that such redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds or portion thereof, including moneys to pay any redemption premium (a "Conditional

Redemption"). The Trustee is required to rescind any Conditional Redemption if sufficient moneys have not been deposited with the Trustee on or before the redemption date. The Trustee will give notice of rescission to the Bond Owners of any Bonds designated for redemption by the same means and in the same manner described in the preceding paragraph. The optional redemption will be canceled once the Trustee has given notice of rescission. Any portion of the Bonds subject to Conditional Redemption where such redemption has been rescinded will remain Outstanding, and neither the rescission nor the failure of funds being made available in part or in whole on or before the redemption date will constitute an Event of Default.

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds are to be redeemed, the Trustee will select the Bonds to be redeemed from all of the Bonds not previously called for redemption, among the maturities as are designated by the Authority to the Trustee or on a pro rata basis, if not so designated (and by lot within any maturity). For purposes of such selection, all Bonds will be deemed to be comprised of separate $5,000 portions and such portions will be treated as separate Bonds, which may be separately redeemed.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest on the Bonds so called for redemption have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Trust Agreement other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date. All moneys held by or on behalf of the Trustee for the payment of principal of or interest on Bonds, whether at redemption or maturity, will be held in trust for the account of the Bond Owners thereof and the Trustee will not be required to pay Bond Owners any interest on, or be liable to Bond Owners for any interest earned on, moneys so held.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY AND, TO THE EXTENT SET FORTH IN THE TRUST AGREEMENT, ARE PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN ON AND PLEDGE OF THE REVENUES AND CERTAIN OTHER MONEYS AND SECURITIES HELD BY THE TRUSTEE AS PROVIDED IN THE TRUST AGREEMENT. ALL OF THE BONDS ARE EQUALLY SECURED BY A PLEDGE OF, AND CHARGE AND LIEN UPON, ALL OF THE REVENUES AND SUCH OTHER MONEYS AND SECURITIES, AND THE REVENUES AND SUCH OTHER MONEYS AND SECURITIES CONSTITUTE A TRUST FUND FOR THE SECURITY AND PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS. THE FULL FAITH AND CREDIT OF THE AUTHORITY IS NOT PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS. THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, LIEN OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE AUTHORITY OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE REVENUES AND SUCH OTHER MONEYS AND SECURITIES AS PROVIDED IN THE TRUST AGREEMENT. NEITHER THE BONDS NOR THE OBLIGATION OF THE AUTHORITY TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS CONSTITUTES A LEGAL OBLIGATION OF THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS.

Revenues

The Bonds are secured by a first lien on and pledge of all of the Revenues and a pledge of all of the moneys in the funds and accounts held by the Trustee under the Trust Agreement (other than the Rebate Fund) and the payment of the interest on and principal of the Bonds are secured by a pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys will not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Trust Agreement.

Assignment of Oakland GO Bonds

The Oakland GO Bonds and all right, title and interest of the Authority to the Oakland GO Bonds and to all payments on the Oakland GO Bonds, are irrevocably assigned and pledged and transferred to the Trustee for the benefit of the Owners of the Bonds and the payments on the Oakland GO Bonds will be used for the punctual payment of the interest on and principal of the Bonds and the Oakland GO Bonds will not be used for any other purpose while any of the Bonds remain Outstanding. This assignment, transfer and pledge constitute a first lien on the principal and interest payments of and all other rights under the Oakland GO Bonds for the foregoing purpose in accordance with the terms of the Trust Agreement.

All principal and interest payments on the Oakland GO Bonds will be paid directly by the City to the Trustee. All principal and interest payments on the Oakland GO Bonds received by the Trustee will be held in trust by the Trustee under the terms of the Trust Agreement and will be deposited by it, as and when received, in the Revenue Fund, and all money in such fund will be held in trust by the Trustee for the benefit and security of the Owners.

Additional Bonds

The Authority may issue Additional Bonds, payable from the Revenues, and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing any Outstanding Bonds, but only subject to specific conditions set forth in the Trust Agreement. See APPENDIX C – "SUMMARY OF TRUST AGREEMENT" attached hereto.

Investment of Bond Proceeds

All moneys in any of the funds or accounts established with the Trustee pursuant to the Trust Agreement will be invested by the Trustee solely in Permitted Investments (as defined in see APPENDIX C – "SUMMARY OF TRUST AGREEMENT" attached hereto). For further details regarding the investment of Bond proceeds, see APPENDIX C – "SUMMARY OF TRUST AGREEMENT" attached hereto.

BOND INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. Reference is made to Appendix H hereto for a specimen of the Financial Guaranty Insurance Policy.

Payment Pursuant to Financial Guaranty Insurance Policy

The Insurer has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Bonds effective as of the date of issuance of the Bonds. Under the terms of the Financial Guaranty Insurance Policy, the Insurer will pay to The Bank of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest represented by the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Authority (as such terms are defined in the Financial Guaranty Insurance Policy). The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by the Insurer.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Bonds, the Insurer will remain obligated to pay principal of and interest represented by outstanding Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest represented by a Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.

2. payment of any redemption, prepayment or acceleration premium.

3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Insurer to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the

Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal or interest represented by such Bond and will be fully subrogated to the surrendering Holder's rights to payment.

In the event that the Insurer were to become insolvent, any claims arising under the Financial Guaranty Insurance Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately $8,585,000,000 (unaudited) and statutory capital of approximately $5,251,000,000 (unaudited) as of March 31, 2005. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an Bond by the Insurer will not affect the treatment for federal income tax purposes of interest represented by such Bond and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in its financial guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Authority of the Bonds.

The Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Insurer and presented under the heading "Bond Insurance" herein.

Available Information

The parent company of the Insurer, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company . These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of the Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;

2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;

3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;

4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005; and

5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

THE OAKLAND GO BONDS

General

The Oakland GO Bonds shall be in fully registered form in denominations of $5,000 or any multiple of one dollar in excess thereof. The amount of debt service paid on the Oakland GO Bonds will be received by the Trustee as Revenues which are pledged to pay debt service on the Bonds. See "DEBT SERVICE ON THE BONDS AND THE OAKLAND GO BONDS" herein. Interest on the Oakland GO Bonds shall be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Redemption

Optional Redemption. The Oakland GO Bonds maturing on or before June 15, 2015, shall not be subject to redemption prior to their respective stated maturity dates. The Oakland GO Bonds maturing on and after June 15, 2016, shall be subject to redemption prior to their respective stated maturity dates, at the option of the City, from any source of available funds, as a whole or in part (provided that, if the Oakland GO Bonds are to be redeemed in part, the City shall deliver to the Trustee a certificate of the City, together with a verification report, demonstrating that the debt service payments on the Oakland GO Bonds remaining Outstanding will be sufficient to pay principal of and interest when due on the Authority Bonds remaining Outstanding) on any date on or after June 15, 2015. If less than all of the Oakland GO Bonds are called for redemption, such Oakland GO Bonds shall be redeemed among the maturities as are designated by the City or on a pro rata basis if not so designated, and if less than all of the Oakland GO Bonds of any given maturity are called for redemption, the portions of such Oakland GO Bonds of a given maturity to be redeemed shall be determined by lot. The Oakland GO Bonds shall be redeemed at the option of the City at the prices set forth in the Resolution, together with interest accrued thereon to the date of redemption.

Notice. Notice of any redemption of Oakland GO Bonds shall be mailed, postage prepaid not less than thirty (30) nor more than sixty (60) days prior to the Redemption Date, to the respective registered owners thereof at the addresses appearing on the bond registration books maintained by the paying agent. The notice of redemption shall specify the Oakland GO Bonds or the designated portion thereof to be redeemed, shall state the date of the notice, the Redemption Date, the redemption price, the numbers of the Oakland GO Bonds to be redeemed, and the place or places where the redemption will be made, shall provide descriptive information concerning the Oakland GO Bonds, including the date of issue, interest rate and stated maturity date, shall require that such Oakland GO Bonds be surrendered by the registered owners thereof at the Principal Office, and shall state that further interest on such Oakland GO Bonds will not accrue after the Redemption Date designated in such notice.

Defeasance

If the City shall pay or cause to be paid or there shall otherwise be paid to the registered owner of all outstanding Oakland GO Bonds the interest thereon and principal thereof and redemption premiums, if any, thereon at the times and in the manner stipulated in the Resolution and therein, and the City shall pay in full all other amounts due under the Resolution then the registered owner of such Oakland GO Bonds shall cease to be entitled to the security provided in the Resolution, and all agreements, covenants and other obligations of the City to the registered owner of such Oakland GO Bonds under the Resolution shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Treasurer of the City (the "Paying Agent") shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Paying Agent shall pay over or deliver to the City all money or securities held by it pursuant to the Resolution which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Oakland GO Bonds and for the payment of all other amounts due under the Resolution.

Any Outstanding Oakland GO Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the immediately preceding paragraph if (1) in case any of such Oakland GO Bonds are to be redeemed on any date prior to their maturity date, the City shall have given to the Paying Agent in form satisfactory to it irrevocable instructions to provide notice in accordance with the Resolution, (2) there shall have been deposited with the Paying Agent (A) money in an amount which shall be sufficient and/or (B) Defeasance Securities the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay when due the interest to become due on such Oakland GO Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Oakland GO Bonds, and (3) in the event such Oakland GO Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the City shall have given the Paying Agent in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the registered owner of such Oakland GO Bonds that the deposit required by clause (2) above has been made with the Paying Agent and that such Oakland GO Bonds are deemed to have been paid in accordance with the Resolution and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Oakland GO Bonds. In the event that the deposit of money or Defeasance Securities with the Paying Agent described in the immediately preceding sentence is not in an amount sufficient on the date of such deposit to pay all of the principal of and interest and redemption premiums, if any, on such Oakland GO Bonds on their respective redemption dates or maturity dates, as the case may be, then at the time of such deposit with the Paying Agent, the City shall also deposit a report of an independent certified public accountant or a firm of such accountants to the effect that such deposit, together with the interest to accrue thereon and the principal thereof, will be fully sufficient to pay when due the principal of and interest and redemption premiums, if any, on such Oakland GO Bonds.

"Defeasance Securities" means (1) cash; (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series--"SLGS"); (3) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, such as CATS, TIGRS and similar securities; (4) Resolution Funding Corp. (REFCORP) strips (interest component only) which have been stripped by request to the Federal Reserve Bank of New York in book entry form; (5) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P, or if not rated by Moody's, then pre-refunded bonds that have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA-rated pre-refunded municipal obligations; (6) obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (a) U.S. Export-Import Bank direct obligations or fully guaranteed certificates of beneficial ownership, (b) Farmers Home Administration (FmHA) certificates of beneficial ownership, (c) Federal Financing Bank, (d) General Services Administration participation certificates, (e) U.S. Maritime Administration Guaranteed Title XI financing, (f) U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds, New Communities Debentures--U.S. government guaranteed debentures, and U.S. Public Housing Notes and Bonds--U.S. government guaranteed public housing notes and bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE OAKLAND GO BONDS

General

The Oakland GO Bonds are general obligations of the City payable from ad valorem taxes levied upon all taxable property in the City. The City Council has the power and is obligated to levy ad valorem taxes for the payment of the Oakland GO Bonds and interest thereon upon all property within the City that is subject to taxation by the City without limitation as to rate or amount (except certain property which is taxable at limited rates) for the payment of the Oakland GO Bonds and interest thereon. Pursuant to the Resolution, the City has covenanted that for the purpose of paying principal of and interest on the Oakland GO Bonds, the City Council will, at the time of setting the general tax levy after incurring the bonded indebtedness, and annually thereafter until the Oakland GO Bonds are paid or until there is a sum in the treasury of the City set apart for that purpose sufficient to meet all payments of principal and interest on the Oakland GO Bonds as they become due, levy and collect a tax sufficient to pay the interest on the Oakland GO Bonds and such part of the principal as will become due before the proceeds of a tax levied at the next general tax levy will be available; provided, however, that if it is expected that all or any part of the Oakland GO Bonds will be sold at such time that the principal of or interest on such Oakland GO Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal or interest, the City Council, at the time of fixing the annual tax levy, may levy a tax in an amount clearly sufficient to pay that portion of the principal of and interest on the Oakland GO Bonds which it is expected will become due before the proceeds of the next succeeding tax levy will be available. Such taxes will be levied and collected in the same manner as other City taxes and will be in addition to all other taxes and will be used only for payment of the principal of the Bonds and interest thereon. Such taxes as collected will be paid into the Debt Service Fund for the Oakland GO Bonds, and all sums to become due for the principal of and interest on the Oakland GO Bonds will be paid from such Debt Service Fund.

Assessed Value of Taxable Property

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

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

Outstanding Indebtedness

As of June 16, 2005, the City will have outstanding $225,725,000 aggregate principal amount of general obligation bonds. The City also has outstanding a variety of other indebtedness. For a description of such indebtedness, see APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" attached hereto.

Use of Proceeds of the Oakland GO Bonds

The proceeds from the Oakland GO Bonds will be used to defease the Refunded GO Bonds, whose proceeds were used generally to finance and refinance public improvements within the City.

The Series 1992 Bonds were issued by the City on August 4, 1992 to provide funds for the enhancement of emergency response capabilities and seismic reinforcement of public facilities and infrastructure, in the original principal amount of $50,000,000, of which $34,940,000 is currently outstanding.

The Series 1995 Bonds were issued by the City on March 16, 1995 to finance the acquisition of land for use as open space and the development of park and recreational facilities within the City, in the original principal amount of $15,000,000, of which $11,315,000 is currently outstanding.

The Series 1997 Bonds were issued by the City on April 9, 1997 to provide funds for the repair, acquisition, construction and improvement of libraries, museums and other cultural and recreational facilities within the City, in the original principal amount of $45,420,000, of which $38,030,000 is currently outstanding.

The Series 1997C Bonds were issued by the City on April 30, 1997 to finance the acquisition of land for use as open space and the development of park and recreational facilities within the City, in the original principal amount of $22,250,000, of which $18,790,000 is currently outstanding.

The Series 2000D Bonds were issued by the City on July 25, 2000 to finance the development of park and recreational facilities within the City, in the original principal amount of $10,750,000, of which $9,825,000 is currently outstanding.

The Series 2000E Bonds were issued by the City on July 25, 2000 to refund a portion of the City of Oakland, Alameda County, California, General Obligation Bonds, Series 1991A, in the original principal amount of $9,000,000, of which $7,985,000 is currently outstanding with respect to the Series 2000E Bonds.

DEBT SERVICE ON THE BONDS AND THE OAKLAND GO BONDS

Upon delivery of the Bonds, Grant Thornton LLP, independent certified public accountants (the "Verification Agent") will provide a letter dated the date of delivery which will verify that the receipts from the Oakland GO Bonds will be sufficient to pay, when due, the debt service payments on the Bonds. The amount of debt service paid on the Oakland GO Bonds will be received by the Trustee as Revenues which are pledged to pay debt service on the Bonds. See APPENDIX C – "SUMMARY OF TRUST AGREEMENT" attached hereto.

The following table sets forth the amount of scheduled debt service on the Oakland GO Bonds in each Bond Year and the amount of scheduled debt service on the Bonds in each Bond Year. Debt service on the Oakland GO Bonds and the Bonds are shown without regard to any redemption of Oakland GO Bonds or the Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Scheduled Debt Service on the Authority's Revenue Bonds, Series 2005

Date	Principal	Interest	Semi-Annual Debt Service Payments on the Bonds	Annual Debt Service Payments on the Bonds
12/15/2005	--	$2,882,496.67	$2,882,496.67	$ 2,882,496.67
06/15/2006	$5,205,000.00	2,898,600.00	8,103,600.00	
12/15/2006	--	2,820,525.00	2,820,525.00	10,924,125.00
06/15/2007	5,310,000.00	2,820,525.00	8,130,525.00	
12/15/2007	--	2,714,325.00	2,714,325.00	10,844,850.00
06/15/2008	5,575,000.00	2,714,325.00	8,289,325.00	
12/15/2008	--	2,602,825.00	2,602,825.00	10,892,150.00
06/15/2009	5,835,000.00	2,602,825.00	8,437,825.00	
12/15/2009	--	2,486,125.00	2,486,125.00	10,923,950.00
06/15/2010	6,090,000.00	2,486,125.00	8,576,125.00	
12/15/2010	--	2,333,875.00	2,333,875.00	10,910,000.00
06/15/2011	6,420,000.00	2,333,875.00	8,753,875.00	
12/15/2011	--	2,173,375.00	2,173,375.00	10,927,250.00
06/15/2012	6,775,000.00	2,173,375.00	8,948,375.00	
12/15/2012	--	2,004,000.00	2,004,000.00	10,952,375.00
06/15/2013	7,150,000.00	2,004,000.00	9,154,000.00	
12/15/2013	--	1,825,250.00	1,825,250.00	10,979,250.00
06/15/2014	7,550,000.00	1,825,250.00	9,375,250.00	
12/15/2014	--	1,636,500.00	1,636,500.00	11,011,750.00
06/15/2015	7,990,000.00	1,636,500.00	9,626,500.00	
12/15/2015	--	1,436,750.00	1,436,750.00	11,063,250.00
06/15/2016	7,335,000.00	1,436,750.00	8,771,750.00	
12/15/2016	--	1,253,375.00	1,253,375.00	10,025,125.00
06/15/2017	7,785,000.00	1,253,375.00	9,038,375.00	
12/15/2017	--	1,058,750.00	1,058,750.00	10,097,125.00
06/15/2018	8,195,000.00	1,058,750.00	9,253,750.00	
12/15/2018	--	853,875.00	853,875.00	10,107,625.00
06/15/2019	8,650,000.00	853,875.00	9,503,875.00	
12/15/2019	--	637,625.00	637,625.00	10,141,500.00
06/15/2020	7,915,000.00	637,625.00	8,552,625.00	
12/15/2020	--	439,750.00	439,750.00	8,992,375.00
06/15/2021	8,345,000.00	439,750.00	8,784,750.00	
12/15/2021	--	251,125.00	251,125.00	9,035,875.00
06/15/2022	8,750,000.00	251,125.00	9,001,125.00	
12/15/2022	--	32,375.00	32,375.00	9,033,500.00
06/15/2023	410,000.00	32,375.00	442,375.00	
12/15/2023	--	22,125.00	22,125.00	464,500.00
06/15/2024	425,000.00	22,125.00	447,125.00	
12/15/2024	--	11,500.00	11,500.00	458,625.00
06/15/2025*	460,000.00	11,500.00	471,500.00	
12/15/2025	--	--	--	471,500.00
Total	$122,170,000.00	$58,969,196.67	$181,139,196.67	$181,139,196.67

* Final Maturity.

Scheduled Debt Service on the Oakland GO Bonds

Date	Principal	Interest	Semi-Annual Debt Service Payments on the Oakland GO Bonds	Annual Debt Service Payments on the Oakland GO Bonds
12/15/2005	--	$2,959,633.54	$2,959,633.54	$ 2,959,633.54
06/15/2006	5,101,852.00	2,976,167.80	8,078,019.80	
12/15/2006	--	2,852,192.79	2,852,192.79	10,930,212.59
06/15/2007	5,289,826.00	2,852,192.79	8,142,018.79	
12/15/2007	--	2,723,650.02	2,723,650.02	10,865,668.81
06/15/2008	5,551,048.00	2,723,650.02	8,274,698.02	
12/15/2008	--	2,588,759.56	2,588,759.56	10,863,457.58
06/15/2009	5,859,618.00	2,588,759.56	8,448,377.56	
12/15/2009	--	2,446,370.83	2,446,370.83	10,894,748.39
06/15/2010	6,170,846.00	2,446,370.83	8,617,216.83	
12/15/2010	--	2,296,419.28	2,296,419.28	10,913,636.11
06/15/2011	6,492,231.00	2,296,419.28	8,788,650.28	
12/15/2011	--	2,138,658.07	2,138,658.07	10,927,308.35
06/15/2012	6,842,418.00	2,138,658.07	8,981,076.07	
12/15/2012	--	1,972,387.31	1,972,387.31	10,953,463.38
06/15/2013	7,211,286.00	1,972,387.31	9,183,673.31	
12/15/2013	--	1,797,153.05	1,797,153.05	10,980,826.36
06/15/2014	7,603,358.00	1,797,153.05	9,400,511.05	
12/15/2014	--	1,612,391.46	1,612,391.46	11,012,902.51
06/15/2015	8,013,865.00	1,612,391.46	9,626,256.46	
12/15/2015	--	1,417,654.54	1,417,654.54	11,043,911.00
06/15/2016	7,415,350.00	1,417,654.54	8,833,004.54	
12/15/2016	--	1,237,461.54	1,237,461.54	10,070,466.08
06/15/2017	7,809,778.00	1,237,461.54	9,047,239.54	
12/15/2017	--	1,047,683.93	1,047,683.93	10,094,923.47
06/15/2018	8,217,233.00	1,047,683.93	9,264,916.93	
12/15/2018	--	848,005.17	848,005.17	10,112,922.10
06/15/2019	8,657,037.00	848,005.17	9,505,042.17	
12/15/2019	--	637,639.16	637,639.16	10,142,681.33
06/15/2020	7,912,291.00	637,639.16	8,549,930.16	
12/15/2020	--	445,370.50	445,370.50	8,995,300.66
06/15/2021	8,328,872.00	445,370.50	8,774,242.50	
12/15/2021	--	242,978.91	242,978.91	9,017,221.41
06/15/2022	8,761,321.00	242,978.91	9,004,299.91	
12/15/2022	--	30,078.81	30,078.81	9,034,378.72
06/15/2023	390,047.00	30,078.81	420,125.81	
12/15/2023	--	20,600.67	20,600.67	440,726.48
06/15/2024	411,294.00	20,600.67	431,894.67	
12/15/2024	--	10,606.22	10,606.22	442,500.89
06/15/2025*	436,470.00	10,606.22	447,076.22	
12/15/2025	--	--	--	447,076.22
Total	$122,476,041.00	$58,667,924.98	$181,143,965.98	$181,143,965.98

* Final Maturity.

Note: The interest rate for the Oakland GO Bonds is 4.86%.

Debt Service Cashflow Sufficiency Table

Date	Total Debt Service on the Oakland GO Bonds	Surplus Fund Draw	Total Available Revenues for the Bonds	Total Debt Service Payments on the Bonds	Surplus Fund Deposit	Coverage[1]
12/15/2005	$2,959,633.54	--	$2,959,633.54	$2,882,496.67	$77,136.87	1.03x
06/15/2006	8,078,019.80	$77,136.87	8,155,156.67	8,103,600.00	51,556.67	1.01
12/15/2006	2,852,192.79	51,556.67	2,903,749.46	2,820,525.00	83,224.46	1.03
06/15/2007	8,142,018.79	83,224.46	8,225,243.25	8,130,525.00	94,718.25	1.01
12/15/2007	2,723,650.02	94,718.25	2,818,368.27	2,714,325.00	104,043.27	1.04
06/15/2008	8,274,698.02	104,043.27	8,378,741.29	8,289,325.00	89,416.29	1.01
12/15/2008	2,588,759.56	89,416.29	2,678,175.85	2,602,825.00	75,350.85	1.03
06/15/2009	8,448,377.56	75,350.85	8,523,728.41	8,437,825.00	85,903.41	1.01
12/15/2009	2,446,370.83	85,903.41	2,532,274.24	2,486,125.00	46,149.24	1.02
06/15/2010	8,617,216.83	46,149.24	8,663,366.07	8,576,125.00	87,241.07	1.01
12/15/2010	2,296,419.28	87,241.07	2,383,660.35	2,333,875.00	49,785.35	1.02
06/15/2011	8,788,650.28	49,785.35	8,838,435.63	8,753,875.00	84,560.63	1.01
12/15/2011	2,138,658.07	84,560.63	2,223,218.70	2,173,375.00	49,843.70	1.02
06/15/2012	8,981,076.07	49,843.70	9,030,919.77	8,948,375.00	82,544.77	1.01
12/15/2012	1,972,387.31	82,544.77	2,054,932.08	2,004,000.00	50,932.08	1.03
06/15/2013	9,183,673.31	50,932.08	9,234,605.39	9,154,000.00	80,605.39	1.01
12/15/2013	1,797,153.05	80,605.39	1,877,758.44	1,825,250.00	52,508.44	1.03
06/15/2014	9,400,511.05	52,508.44	9,453,019.49	9,375,250.00	77,769.49	1.01
12/15/2014	1,612,391.46	77,769.49	1,690,160.95	1,636,500.00	53,660.95	1.03
06/15/2015	9,626,256.46	53,660.95	9,679,917.41	9,626,500.00	53,417.41	1.01
12/15/2015	1,417,654.54	53,417.41	1,471,071.95	1,436,750.00	34,321.95	1.02
06/15/2016	8,833,004.54	34,321.95	8,867,326.49	8,771,750.00	95,576.49	1.01
12/15/2016	1,237,461.54	95,576.49	1,333,038.03	1,253,375.00	79,663.03	1.06
06/15/2017	9,047,239.54	79,663.03	9,126,902.57	9,038,375.00	88,527.57	1.01
12/15/2017	1,047,683.93	88,527.57	1,136,211.50	1,058,750.00	77,461.50	1.07
06/15/2018	9,264,916.93	77,461.50	9,342,378.43	9,253,750.00	88,628.43	1.01
12/15/2018	848,005.17	88,628.43	936,633.60	853,875.00	82,758.60	1.10
06/15/2019	9,505,042.17	82,758.60	9,587,800.77	9,503,875.00	83,925.77	1.01
12/15/2019	637,639.16	83,925.77	721,564.93	637,625.00	83,939.93	1.13
06/15/2020	8,549,930.16	83,939.93	8,633,870.09	8,552,625.00	81,245.09	1.01
12/15/2020	445,370.50	81,245.09	526,615.59	439,750.00	86,865.59	1.20
06/15/2021	8,774,242.50	86,865.59	8,861,108.09	8,784,750.00	76,358.09	1.01
12/15/2021	242,978.91	76,358.09	319,337.00	251,125.00	68,212.00	1.27
06/15/2022	9,004,299.91	68,212.00	9,072,511.91	9,001,125.00	71,386.91	1.01
12/15/2022	30,078.81	71,386.91	101,465.72	32,375.00	69,090.72	3.13
06/15/2023	420,125.81	69,090.72	489,216.53	442,375.00	46,841.53	1.11
12/15/2023	20,600.67	46,841.53	67,442.20	22,125.00	45,317.20	3.05
06/15/2024	431,894.67	45,317.20	477,211.87	447,125.00	30,086.87	1.07
12/15/2024	10,606.22	30,086.87	40,693.09	11,500.00	29,193.09	3.54
06/15/2025	447,076.22	29,193.09	476,269.31	471,500.00	4,769.31	1.01
Total	$181,143,965.98			$181,139,196.67		

[1] The Bonds are payable solely from Revenues pledged under the Trust Agreement, consisting primarily of debt service payments received with respect to the Oakland GO Bonds, which payments are secured by ad valorem taxes of the City. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” herein.

THE CITY

The City ranges from industrialized lands bordering the Bay in the west to suburban foothills in the east. Historically the industrial heart of the Bay Area, the City has developed into a financial, commercial and governmental center. The City is the hub of an extensive transportation network which includes freeway systems and the western terminals of major railroads and trucking firms, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines which connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State. See APPENDIX A – "CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B – "CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2004 AND CERTAIN OTHER INFORMATION EXCERPTED FROM THE CITY'S ANNUAL FINANCIAL REPORT" attached hereto.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated as of February 1, 1993, by and between the City and the Agency. The Authority is authorized pursuant to the Act to borrow money for the purpose of financing or refinancing the cost of any public capital improvement. The Authority functions as an independent entity and its policies are determined by its governing board. The governing board is comprised in its entirety of members of the Council. The Authority has no employees and all staff work is done by the City staff or by consultants to the Authority. The current officers of the Authority are Deborah A. Edgerly, Executive Director, William E. Noland, Treasurer and LaTonda Simmons, Secretary.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Bonds and certain other legal matters are subject to the approval of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel expects to deliver an approving opinion at the time of issuance of the Bonds substantially in the form set forth in APPENDIX E hereto, subject to the matters discussed under "TAX MATTERS" herein. Bond Counsel takes no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed on for the Authority by John Russo, Esq., Counsel to the Authority. Gibbs & Gonzalez LLP served as special counsel to the City Attorney. Certain legal matters will be passed on for the Underwriters by their counsel, Hawkins Delafield & Wood LLP, Sacramento, California.

CONTINUING DISCLOSURE

The Authority and the City have each covenanted for the benefit of the Owners and the beneficial owners of the Bonds in the Continuing Disclosure Agreement to provide certain financial information and operating data relating to the City no later that 270 days following the end of the City's fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the 2004-05 fiscal year, and to provide notices of the occurrence of certain enumerated events, if deemed by the Authority or the City to be material under federal securities laws. The Annual Report will be filed by the City on behalf of both entities with each National Repository and each State Repository. The notices of material events will be filed by the City on behalf of both entities with each National Repository and each State Repository or the Municipal Securities Rulemaking Board. Any filing pursuant to the Continuing Disclosure Agreement may be made by filing the same with any agent, including a central post office, which is responsible for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the Securities and Exchange Commission or Securities and Exchange Commission staff. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in APPENDIX F – "FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto. These covenants have been made in order to assist the Underwriters in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5).

Neither the Authority nor the City has ever failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is also of the opinion that such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating corporate alternative minimum taxable income. A complete copy of the proposed opinion of Bond Counsel is set forth in APPENDIX F hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a purchaser's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such purchaser. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The Authority has covenanted to comply with certain restrictions designed to ensure that interest on the Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds.

Certain requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

In addition, no assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent Bondholders from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the Internal Revenue Service ("IRS"), including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds, or obligations which present similar tax issues, will not affect the market price for the Bonds.

UNDERWRITING

The Bonds were purchased through negotiation by M.R. Beal & Company, on behalf of itself and as representative of Banc of America Securities LLC (collectively, the "Underwriters") at a price of $131,625,768.60 (consisting of the $122,170,000 aggregate principal amount of the Bonds, plus original issue premium of $10,147,940.30 and less Underwriters' discount of $692,171.70). The purchase contract pursuant to which the Underwriters are purchasing the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such purchase contract. The Bonds may be offered and sold by the Underwriters to certain dealers and others at yields lower than the public offering prices indicated on the inside cover hereof, and such public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

Kelling, Northcross & Nobriga, Oakland, California, has served as Financial Advisor to the Authority and the City with respect to the sale of the Bonds. The Financial Advisor has assisted the Authority and the City in the preparation and review of this Official Statement, including Appendix A hereto, and in other matters relating to the planning, structuring, execution and delivery of the Bonds. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Authority or the City to determine the accuracy or completeness of this Official Statement. The Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The Financial Advisor will receive compensation with respect to the Bonds which is contingent upon the sale and delivery of the Bonds.

LITIGATION

At the time of delivery of and payment for the Bonds, the Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or regulatory authority, against the Authority affecting its existence or the titles of its officers or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Bonds, the Trust Agreement or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the Bonds or any action of the Authority contemplated by any of said documents, nor, to the knowledge of the Authority, is there any basis therefor.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Ratings have rated the Bonds "Aaa," "AAA" and "AAA," respectively, with the understanding that upon delivery of the Bonds, the Financial Guaranty Insurance Policy guaranteeing the payment of principal of and interest on the Bonds will be issued by the Insurer. In addition, Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Ratings have assigned underlying ratings of "A1," "A+" and "A+," respectively, to the Bonds. Any desired explanation of the significance of such ratings should be obtained from the respective rating agencies. Generally, rating agencies base their ratings on the information and materials furnished to them and on their own investigations, studies and assumptions. There is no assurance that such ratings will continue for any given period of time or that they will not be lowered or withdrawn entirely if, in the judgment of the respective rating agency, circumstances so warrant. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the City for the Fiscal Year ended June 30, 2004, pertinent sections of which are included in Appendix B to this Official Statement, have been audited by Macias Gini & Company LLP, independent certified public accountants, as stated in their report appearing in Appendix B. Macias Gini & Company LLP has not consented to the inclusion of its report as Appendix B and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias Gini & Company LLP with respect to any event subsequent to its report dated February 4, 2005.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof and do not purport to be complete or definitive and reference is hereby made to such documents and reports for a full and complete statement of the contents thereof.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Authority or the City and the purchasers or registered owners of any of the Bonds. The delivery and distribution of this Official Statement have been duly authorized by the Authority.

OAKLAND JOINT POWERS FINANCING AUTHORITY

By: /s/Deborah A. Edgerly
Executive Director

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APPENDIX A
CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND

General Information

Overview. The City of Oakland (the "City") is located in the County of Alameda (the "County") on the east side of the San Francisco Bay, approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. The City ranges from industrialized lands bordering the Bay on the west to suburban foothills in the east. Formerly the industrial heart of the San Francisco Bay Area, the City has developed into a diversified 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 operations, 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 that connect it with most of the Bay Area. The City is the seat of government for the County and is the eighth most populous city in the State of California (the "State").

City Government. The City was incorporated as a town in 1852 and as a city in 1854. In 1889, the City of Oakland became a charter city. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchises, licenses, permits, leases and sales; employees' pension funds; and the creation and organization of the Port of Oakland (the "Port"). An eight-member City Council, seven of whom are elected by district and one of whom is elected on a city-wide basis, governs the City. The Mayor is not a member of the City Council but is the City's chief elective officer. The current Mayor, Jerry Brown, is serving his second consecutive term, which expires in January 2007. No person can be elected Mayor for more than two consecutive terms. The Mayor and Council members serve four-year terms staggered at two-year intervals. The City Auditor, currently Roland E. Smith, is elected for a four-year term at the same time as the Mayor. The City Attorney is elected to a four-year term, two years following the election of the Mayor. The term of the current City Attorney, John Russo, expires in January 2009.

The Mayor appoints a City Administrator who is subject to confirmation by the City Council. The City Administrator is responsible for daily administration of City affairs and preparation of the annual budget for the Mayor to submit to the City Council. Subject to civil service regulations, the City Administrator appoints all City employees who are not elected officers of the City.

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.

Additional Information. Additional information on the City, including financial information, can be found on the City's website at http://www.ci.oakland.ca.us; such information is not incorporated herein by reference.

Financial Information

City Budget Process

The City's budget cycle is a two-year process that is intended to promote long-term decision-making, increase funding stability and allow for greater performance evaluation. The City's budget is developed on the Generally Accepted Accounting Principles ("GAAP") basis (modified accrual for governmental funds and accrual for proprietary and pension trust funds). The City Charter requires that the City Council adopt a balanced budget by June 30, preceding the start of the fiscal year on July 1.

In advance of each two-year cycle, the City Administrator 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.

During the off-year of the two-year budget cycle, the City conducts a mid-cycle (end of year one) budget review limited to significant variances in estimated revenue and/or revised mandates arising from Federal, State or court actions.

The City's Adopted Policy Budget for Fiscal Years 2003-2005 was approved on June 19, 2003, and a mid-cycle review was conducted in June 2004. To preserve core programs and services and to minimize the necessity for employee layoffs or service reductions, the City has utilized strategies that reduce the cost of doing business and raise certain fees and fines. At the core of the budget is restructuring and streamlining of City government to maximize the efficient delivery of services while minimizing reductions in such services.

Proposed 2005-07 Budget

On May 6, 2005, the City Administrator released the City's FY 2005-07 Proposed Policy Budget. The two-year proposed budget recommended appropriations just under $2 billion, including $937 million for FY2005-06, and just over $1 billion for FY 2006-07. Appropriations for General Purpose Funds, representing the discretionary portion of the City's General Fund, were $441 million and $463 million, respectively. In preparing the budget, a $32 million funding shortfall was identified for the General Purpose Fund for FY 2005-06, reflecting a number of factors including negotiated employee salary increases and higher retirement plan premiums. Among the measures recommended for achieving budget balance were the closure of the City's jail, the closure of the Kaiser Convention Center, and various revenue adjustments, recognizing various revenue increases including proceeds from the repayment of Vehicle License Fees (the "VLF") funds from the State and savings attributable to the refinancing of pension-related obligations. The FY 2005-07 Proposed Budget was balanced, addressed Council priorities, and followed the City's various adopted financial management policies.

City Financial Statement

The City Council employs an independent certified public accountant who examines books, records, inventories, and reports of all officers and employees who receive, control, handle or disburse public funds and those of any other employees or departments as the City Council directs. These duties are performed both annually and upon request. The City's independent auditor for Fiscal Year 2003-2004 was Macias, Gini & Company, LLP, who is also serving as auditor for Fiscal Year 2004-2005.

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.

State Budget

Several of the City's revenue streams, including property tax, sales tax and the motor vehicle license fee, are collected or allocated in accordance with State law. In the past, the State has amended such laws, in part to address its own budgetary requirements. The following information concerning the State of California's budget has been obtained from publicly available information which the City believes to be reliable; however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the budget may be found at the Department of Finance website, www.dof.ca.gov, under the heading "California Budget." An impartial analysis of the budget is posted by the Office of the Legislative Analyst at www.lao.ca.gov. In addition, various State of California official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, www.treasurer.ca.gov. The information referred to is prepared by the respective State agency maintaining each website and not by the City and the City can take no responsibility for the continued accuracy of the internet addresses or for the accuracy or timeliness of information posted there, and such information is not incorporated herein by these references.

State Budget for Fiscal Year 2004-05. On July 31, 2004, Governor Schwarzenegger signed the 2004-05 Budget Act into law. Certain of the features of the 2004-05 Budget Act affecting local governments include the following:

1. The VLF rate is lowered from 2.0% to 0.65% and the VLF backfill was eliminated. The State will provide increased property tax revenues to compensate for the reduction in revenues local governments previously received from VLF.

2. A diversion of $1.3 billion from local governments in Fiscal Years 2004-05 and 2005-06, including $350 million from counties, $350 million from cities, $350 million from special districts and $250 from redevelopment agencies. Each city's reduction reflected its proportionate share of statewide county VLF revenues, property taxes and sales taxes.

3. The 2004-05 Budget Act proposed a constitutional amendment to protect certain local government revenues ("Proposition 1A"), which was approved by the voters in November 2004. Pursuant to Proposition 1A, the State may not reduce local governments' share of the property tax below current levels, but may borrow up to 8% of local property tax revenues in the event of a fiscal emergency, provided the amount borrowed would be repaid within three years and certain other conditions are satisfied. Proposition 1A also prohibits the State from reallocating local sales taxes. See **"CONSTITUTIONAL AND STATUTORY LIMITS ON TAXES AND APPROPRIATIONS– Proposition 1A"** herein.

Governor's Proposed Budget for Fiscal Year 2005-06. On January 10, 2005, Governor Schwarzenegger released his proposed budget for Fiscal Year 2005-06 (the "2005-06 Proposed Budget"). The 2005-06 Proposed Budget identifies a budget shortfall of $9.1 billion without implementation of the policy changes proposed in the 2005-06 Proposed Budget. Certain of the features of the 2005-06 Proposed Budget affecting the City include the following:

1. The 2005-06 Proposed Budget includes funding in various budgets that support activities by local government agencies where the local agencies have significant discretion over the use of the funds. Such programs include law enforcement, realigned health and mental health services, public health, property tax administration, Williamson Act open space preservation contracts, libraries, recreational facilities, flood control, and housing. Funding for these programs will be approximately $5.6 billion in 2005-06, which represents a reduction of $368 million from the amount expected to be received in Fiscal Year 2004-05.

2. The 2005-06 Proposed Budget includes funding for local governments to make up the difference between the 0.65% rate of the VLF and the previous 2% rate through a reallocation of property

tax from schools and community colleges to cities and counties. The General Fund expenditures for Proposition 98, which guarantees K-14 schools a minimum share of funding from General Fund revenues, are increased to offset the reduction in property taxes for schools.

On May 13, 2005, the Governor released the May Revision to the 2005-06 Proposed Budget (the "May Revision"). The May Revision includes approximately $6.6 billion in additional revenues for the current and budget years than was assumed in the 2005-06 Proposed Budget. The Governor proposes no new borrowing in the May Revision. Certain of the features of the May Revision affecting the City include the following:

1. The May Revision assumes the State will accelerate repayment by one year of approximately $593 million owed to cities and counties for VLF revenues withheld by the State in Fiscal Year 2003-04. The May Revision also proposes $108 million in increased funding for State mandate reimbursements.

2. The May Revision proposes to reinstate the transfer, eliminated in the 2005-06 Proposed Budget, of gasoline sales tax revenue from the General Fund to transportation purposes pursuant to Proposition 42, in the amount of $1.3 billion, with $254 million to be provided to cities and counties for local streets and roads.

On May 17, 2005, the LAO released an analysis of the May Revision entitled Overview of the 2005-06 May Revision (the "LAO Overview"). The LAO Overview indicates that the May Revision has eliminated some of the risky assumptions set forth in the 2005-06 Proposed Budget, but that the May Revision continues to include significant risks with respect to, among other things, employee compensation and retirement costs. The LAO concludes that, absent long-term solutions, the State would face a major budget problem in fiscal year 2006-07 and beyond.

Future State Budgets. No prediction can be made by the City as to whether the State will continue to encounter budgetary problems in this or in any future Fiscal Years, and if it were to do so, it is not clear what measures would be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control.

City Investment Policy

The authority to invest the City's pooled moneys (the "Pooled Operating Portfolio") is derived from Council Resolution No. 56127, which delegates to the Treasurer/Director, Finance and Management Agency the authority to invest these funds within the guidelines of Section 53600 et seq. of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. The City expects to adopt an investment policy for fiscal year 2005-2006 by the end of June 2005. The City Council adopted an investment policy for Fiscal Year 2004-2005 on June 15, 2004. The investment policy may be revised by the City Council at any time.

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

Current Investment Portfolio

The City currently maintains approximately $327 million in operating funds, excluding certain restricted special revenue and pension trust funds. The Pooled Operating Portfolio is composed of different types of investment securities and is invested in accordance with the investment policy. The composition of the securities comprising the Pooled Operating Portfolio, including the average term and days to maturity, is provided below as of March 31, 2005.

Fitch Inc. ("Fitch") has assigned a managed fund credit rating of "AAA" and a market-risk rating of "V-1+" to the City's Pooled Operating 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's managed-funds 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.

Table 1
City of Oakland
Pooled Operating Portfolio
March 31, 2005

						--Yield to Maturity--	
Investments	Market Value	Book Value	Percent of Portfolio	Term	Days to Maturity	360-Day Equivalent	365-Day Equivalent
Federal Agency Issues – Coupon	$174,941,679.37	$176,575,337.22	53.97%	1,267	839	2.928%	2.969%
Federal Agency Issues – Discount	5,946,000.37	5,938,882.33	1.82	145	39	2.509	2.543
LAIF Bond Proceeds	16,194,672.01	16,194,672.01	4.95	1	1	1.479	1.500
Medium Term Notes	12,088,947.11	12,061,724.00	3.69	466	282	2.364	2.397
Money Market	34,310,000.00	34,310,000.00	10.49	1	1	2.555	2.590
Local Agency Investment Funds	37,000,000.00	37,000,000.00	11.31	1	1	2.150	2.180
Certificates of Deposit	199,000.00	199,000.00	0.06	182	80	2.424	2.457
Commercial Paper - Discount	44,909,744.44	44,906,577.77	13.73	29	15	2.746	2.784
Total	$325,590,043.30	$327,186,193.33	100.00%	708	466	2.675%	2.713%

Source: City of Oakland, Finance and Management Agency.

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General Fund Revenues

The City's General Fund receives revenues from a variety of sources, including local taxes, taxes imposed by the State, intergovernmental transfers and fees and charges for services. The major General Fund revenues are discussed below.

Property Taxation

Ad Valorem Property Taxes. Property taxes are assessed and collected by the County. Taxes arising from the general one percent levy are apportioned among local taxing agencies on the basis of a formula established by State law, which reflects the average tax rate levied by the taxing agency for the three years before Proposition 13 was adopted. Taxes relating to voter-approved indebtedness are allocated to the relevant taxing agency. The City levies taxes for two forms of voter-approved indebtedness, general obligation bonds and for pension obligations.

The County is permitted under State law to pass on costs for certain services provided to local government agencies including the collection of property taxes. The County imposed a fee on the City of approximately 0.54% of taxes collected for tax collection services provided in Fiscal Year 2003-2004.

The State Budget has resulted in various reallocations affecting property tax revenues, including the "triple flip" involving property tax and sales tax, the replacement of VLF revenues, and the temporary ERAF transfers (see "***State Budget,***" and "***Other Taxes***," herein).

Assessed Valuations. All property is assessed using full cash value as defined by Article XIIIA of the State Constitution. State law provides exemptions from *ad valorem* property taxation for certain classes of property such as churches, colleges, nonprofit hospitals and charitable institutions. State law also allows exemptions from *ad valorem* property taxation at $7,000 of full value of owner-occupied dwellings and 100% of business inventories. Revenue losses to the City from the homeowner's exemption are replaced by the State.

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

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

Table 2
City of Oakland
Assessed Valuations
(in $000s)

Fiscal Year	Local Secured[(1)]	Utility	Unsecured	Total
2000-01	$18,453,636	$62,398	$2,574,565	$21,090,599
2001-02	20,529,197	53,823	2,719,940	23,302,960
2002-03	22,468,401	49,548	2,655,756	25,173,705
2003-04	24,592,384	66,993	2,755,382	27,414,759
2004-05	26,812,360	79,048	2,750,645	29,642,053

(1) Net of exemptions other than homeowners' exemptions.

Source: Alameda County Auditor-Controller.

Tax Levies, Collections and Delinquencies

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

Secured property taxes are due on November 1 and March 1 and become delinquent if not paid by December 10 and April 10, respectively. A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll with respect to which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus interest at 1.5% per month from the July 1 first following the default. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax Collector.

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

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The following table represents a five-year history of the secured tax levy and of uncollected amounts in the City. Included in these collections are the City's share of the 1% tax rate and levies for voter-approved indebtedness.

Table 3
City of Oakland
Property Tax Levies and Collections
(in $000s)

	Levy					
Fiscal Year	City's Share of 1%	Voter-Approved	Total	Total Collected	Percent Collected	Delinquent Collections
1999-00	$49,855	$45,245	$95,100	$91,396	96.11%	$3,704
2000-01	53,376	42,225	95,601	91,868	96.10	3,733
2001-02	56,947	49,024	105,921	102,119	96.37	3,851
2002-03	61,164	48,441	109,605	105,277	96.05	4,328
2003-04	65,248	61,760	127,008	123,148	96.96	3,860

Source: Alameda County Auditor-Controller.

Tax Rates

The City is divided into 33 Tax Rate Areas ("TRAs"). TRA 17-001 is the largest tax rate area in the City. TRA 17-001 provides almost 50% of the City's *ad valorem* revenues and the distribution of its tax rates among the City, the County, and other taxing jurisdictions is typical for most of the City's TRAs. A five-year history of the property tax rates for TRA 17-001 is shown below.

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Table 4
City of Oakland
Property Tax Rates (TRA 17-001) [1]

Fiscal Year Ended June 30	City of Oakland	Alameda County	Others[2]	Total
2001	0.4694%	0.1570%	0.6775%	1.3039%
2002	0.4856	0.1570	0.6817	1.3243
2003	0.4625	0.1570	0.6845	1.3040
2004	0.5054	0.1570	0.6761	1.3385
2005	0.4777	0.1570	0.6710	1.3057

(1) Includes the allocation of the 1% basic property tax rate to various taxing entities pursuant to State law (AB 8), as adjusted for transfers to the Education Revenue Augmentation Fund (ERAF). Also includes local levies for voter approved indebtedness.

(2) Includes: Oakland Unified School District, Peralta Community College District, Bay Area Rapid Transit District, East Bay Regional Park District, East Bay Municipal Utility District, and the Oakland Knowland Park & Zoo. Also includes allocations to ERAF.

Sources: Alameda County, Office of the Auditor-Controller and City of Oakland, Finance and Management Agency.

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Principal Property Taxpayers

A summary of the City's Fiscal Year 2004-2005 largest secured taxpayers is presented below:

Table 5
City of Oakland
Top Ten Taxpayers, 2004 – 2005[(1)]

	Property Owner	Type of Business	2004-05 Assessed Valuation	Percentage of Total Local Secured Valuation
1.	OCC (Oakland City Ctr.) Venture LLC	Office Building	$ 197,942,820	0.74%
2.	Prentiss Properties Acquisition Partners/Prentiss Properties Lake Merritt LLC	Office Building	131,109,990	0.49
3.	Kaiser Foundation Health Plan	Office Building	124,064,347	0.46
4.	Kaiser Center	Office Building	114,481,609	0.43
5.	1800 Harrison Foundation	Office Building	110,439,090	0.41
6.	KSL Claremont Resort Inc.	Hotel	105,439,090	0.39
7.	LMP I LLC	Office Building	101,636,154	0.38
8.	555 Twelfth Street, Venture LLC	Office Building	101,276,440	0.38
9.	Clorox Company	Office Building	90,520,920	0.34
10.	Webster Street Partners	Office Building	75,329,865	0.28
	Subtotal – Top Ten		$ 1,152,451,291	4.29%
	All Others		25,659,908,797	95.71
	TOTAL		$26,812,360,088[(2)]	100.00%

(1) Net of Exemptions.
(2) Represents 2004-05 Local Secured Assessed Valuation (net of exemptions other than homeowners' exemptions).

Source: California Municipal Statistics, Inc.

Other Taxes

The City's General Fund has eight other sources of taxes, in addition to property taxes. They are sales and use, utility consumption, business license, real estate transfer, transient occupancy, motor vehicle in lieu, and parking taxes.

Sales & Use Taxes. The current Sales Tax rate in Alameda County is 8.75%. The City's General Fund traditionally receives one percent of the 8.75% under State "Bradley-Burns" law, which is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Burns 1% city sales tax was modified by a State budgetary change known as the "triple flip." The "triple flip" puts in place a complex revenue swap to fund the State's deficit bonds approved by the electorate in March 2004 to balance the State budget. The "triple flip" trades 0.25% of the 1% city share of the Bradley-Burns sales tax for an equal share of property taxes from the countywide Education Revenue Augmentation Fund (ERAF) until the State's deficit bonds are retired. See **"State Budget"** herein.

The City's General Fund also receives as a portion of the 0.50% sales tax for public safety authorized by Proposition 172 in 1993 for public safety. The City also receives a portion of the 0.50% countywide transportation sales tax, which are deposited in a special revenue fund.

Utility Consumption. The City's Utility Consumption Tax is a surcharge on the use of electricity, gas (including alternative fuels), telephone and cable television. The tax rate is 7.5%. Low-income ratepayers have been exempted from certain rate increases on gas and electric bills and pay 5.5%.

Business License. The City's Business License Tax is charged annually to businesses based in the City, and is applied to gross receipts or payroll, depending on the type of business. The Business License Tax rate ranges from 0.06% for grocers to 2.40% for firearm dealers when applied to gross receipts, and is 0.048% when applied to payroll.

Real Estate Transfer. Real Estate Transfer Tax revenues are generated by the transfer of ownership of existing properties. The tax is applied to the sale price of the property, and the cost is split between the buyer and seller. The tax rate is 1.61%, and is comprised of a City and a county portion: 0.11% is allocated to Alameda County and the remaining 1.50% is allocated to the City. Historically, this revenue has been the City's most volatile as it is directly dependent on the number and value of real estate sales. Recently, Real Estate Transfer Tax revenues have exceeded budgeted expectations, but it is unlikely that such revenues will be sustained at current levels.

Transient Occupancy. The Transient Occupancy Tax ("TOT") represents a surcharge on room rates imposed by hotels and motels operating within the City. The tax is levied on persons staying 30 days or less in a hotel, motel, inn or other lodging facility, and is collected by the lodging facility operator, who then remits the collected tax to the City. The City's TOT rate is 11%.

Motor Vehicle In-Lieu Fee. Motor vehicle license fees are collected by the State in lieu of property taxes on vehicles and apportioned to cities and counties based on their population. The fee applies to all vehicles subject to registration in the State.

In 1999, the State started implementing a gradual, multi-phase reduction in the VLF fee, backfilling lost local receipts out of its general fund. As part of the State's Fiscal Year 2004-05 Budget, the VLF rate was permanently reduced to 0.65%, with the lost revenue replaced by an incremental allocation of property tax. The City is considering assigning a $6.99 million VLF receivable from the State to a joint powers authority in exchange for proceeds of a bond issue.

Parking. The Parking Tax is imposed on the occupant of an off-street parking space for the privilege of renting the space within the City. The tax is collected by the parking facility operators who then remit the collected tax to the City. The current parking tax rate is 10 % and is applied to the gross receipts of parking facility operators.

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General Fund Revenues and Expenditures

The following table describes revenues and expenditures for the General Fund Group for five fiscal years. The City's fiscal year ends on June 30.

Table 6
City of Oakland
Revenues and Expenditures
General Fund
(in $000s)

	Fiscal Years				
	2000	2001	2002	2003	2004
Revenues					
Taxes					
Property [1]	$85,872	$95,440	$94,306	$114,742	$109,927
Sales and Use	38,470	42,256	38,447	38,162	36,464
Motor Vehicle In-Lieu	19,314	21,361	22,854	24,259	18,178
Business License	35,845	38,738	42,094	42,020	44,243
Utility Consumption	41,592	48,703	49,547	46,581	48,056
Real Estate Transfer	34,359	38,309	37,272	42,088	55,665
Transient Occupancy	12,100	12,766	10,530	10,863	9,857
Parking	5,686	6,762	7,525	8,242	9,799
Franchise	9,086	10,396	10,944	10,824	11,592
Total Taxes	282,322	314,731	313,519	337,781	343,761
Licenses and Permits	9,088	11,418	11,738	13,074	13,453
Traffic Fines and Various	14,129	16,150	12,277	18,543	26,817
Interest Income (Loss) [2]	10,019	6,530	11,442	16,996	(5,100)
Revenue from Current Services	36,506	40,962	48,442	51,708	56,883
Grant Revenue	7,265	5,385	2,842	1,794	2,147
Other Revenue, incl. Transfers	8,813	11,056	14,025	17,927	23,276
Annuity Income	--	--	16,568	15,851	--
Total Revenues	$368,142	$406,232	$434,899	$473,674	$461,237
Expenditures					
General Government[3]	$41,245	$44,110	$47,219	$44,251	$51,673
Public Safety[4]	190,782	207,392	225,407	238,568	247,630
Public Works[5]	25,050	24,185	26,052	23,261	27,475
Life Enrichment[6]	31,749	37,149	36,320	37,526	41,359
Economic and Community Development[7]	18,954	20,288	22,512	26,701	20,152
Other[8]	23,462	33,112	28,889	21,353	24,902
Transfers/other sources and uses	581	364	--	--	--
Total Expenditures	$331,823	$366,600	$386,399	$391,660	$413,191
Excess of Revenues and Other Sources over Expenditures and Other Uses	$ 36,319	$ 39,362	$ 48,500	$ 82,014	$ 48,046

(1) Includes voter-approved tax override for pension obligation, but excludes tax levy for general obligation bonds.
(2) Loss relates to mark-to-market accounting.
(3) Includes elected and appointed officials, general governmental agencies and administrative services.
(4) Includes police and fire services.
(5) Includes Design and Construction Services, Infrastructure and Operations, Facilities and Environment.
(6) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.
(7) Includes Planning and Building, Housing and Neighborhood Development, and Economic Development and Employment.
(8) Includes capital outlays and certain debt service charges.

Source: Comprehensive Annual Financial Reports, Fiscal Year Ended June 30.

Table 7
City of Oakland
Balance Sheet
General Fund
(in $000s)

	Fiscal Years				
	2000	2001	2002	2003	2004
ASSETS					
Cash and investments	$ 19,613	$ 8,073	$ 16,837	$ 38,566	$ 51,902
Receivables					
Accrued interest	170	108	345	87	429
Property taxes	2,348	17,411	10,391	7,125	3,161
Accounts receivable	43,660	58,739	53,367	51,391	49,669
Due from component unit	10,263	12,172	19,573	11,377	24,527
Due from other funds	82,415		89,147	87,652	67,378
Notes and loans receivable	13,709	28,295	14,826	15,034	37,059
Restricted cash and investments (1)	24	9	181,055	196,035	172,468
Other	1,509	1,498	33	35	35
TOTAL ASSETS	173,711	210,063	385,574	407,302	406,628
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable and other accrued liabilities	77,905	101,479	84,027	92,433	114,151
Due to other funds	12,124	1,474	1,267	451	23,571
Deferred revenue	50,562	83,971	73,463	57,483	31,633
Other	886	343	1,084	3,817	3,965
TOTAL LIABILITIES	141,477	187,267	159,841	154,184	173,320
Fund Balances					
Reserved:					
Encumbrances	--	--	1,744	3,227	4,779
Long term receivables	--	--	--	--	6,000
Debt service (1)	--	--	181,679	198,058	--
Capital project	--	--	12,644	13,032	--
Total Reserved	3,708	1,664	196,067	214,317	10,799
Unreserved(1)	28,526	21,132	29,666	38,801	222,529
TOTAL FUND BALANCES	$32,234	$ 22,796	$225,733	$253,118	$233,328
TOTAL LIABILITIES AND FUND BALANCES	$ 173,711	$210,063	$385,574	$407,302	$406,628

(1) The large increase in restricted cash in FY 2002, and corresponding increases in reservation for debt service for FY 2002 and FY 2003 and for unreserved fund balance for FY 2004 represent changes in accounting recording. The unreserved fund balance for FY 2004 includes $174.47 million retirement annuity and debt service, $39.80 million in undesignated fund balance, and $8.26 million in designations for capital projects.

Source: Comprehensive Annual Financial Reports, Fiscal Year Ended June 30.

Debt Obligations

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

General Obligation Debt. As of June 30, 2004, the City had outstanding a total of $232,045,000 aggregate principal amount of general obligation bonds. The bonds are general obligations of the City, approved by at least two-thirds of the voters. The City has the power and is obligated to levy *ad valorem* taxes upon all property within the City subject to taxation without limitation as to the rate or the amount (except certain property taxable at limited rates) for the payment of principal and interest on these bonds.

Table 8
City of Oakland
General Obligation Bonds
As of June 30, 2004
(in $000's)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
General Obligation Bonds, Series 1992 (Measure I) *	8/4/1992	2022	$50,000	$36,195
General Obligation Bonds, Series 1995B (Measure K) *	3/16/1995	2019	15,000	11,835
General Obligation Bonds, Series 1997 (Measure I) *	4/9/1997	2022	45,420	39,230
General Obligation Bonds, Series 1997C (Measure K) *	4/30/1997	2022	22,250	19,360
General Obligation Bonds, Series 2000D (Measure K) *	7/25/2000	2025	10,750	10,075
General Obligation Bonds, Series 2000E (Measure K) *	7/25/2000	2015	9,000	8,510
General Obligation Bonds, Series 2002A (Measure G)	11/6/2002	2032	38,000	37,975
General Obligation Bonds, Series 2003A (Measure DD)	8/6/2003	2033	71,450	68,865
Total				$232,045

* To be refunded by the GO Refunding Bonds.

All of the City's general obligation debt is authorized by voter approval of certain measures. The table below summarizes all of the voter-approved measures that have outstanding general obligation debt. The City has a total of $147,800,000 remaining in bond authorizations under Measures G and DD.

Table 9
City of Oakland
General Obligation Bond Remaining Authorization
As of June 30, 2004
(in $000's)

			Bond Authorization	
Authorization	Date Passed	Use	Total	Remaining
Measure K	11/6/1990	Park and recreation facilities	$ 60,000	$ 0
Measure I	7/15/1992	Emergency response and seismic retrofitting	50,000	0
Measure I	11/5/1996	Life enrichment improvements	45,420	0
Measure G	3/5/2002	Museum and zoo facilities	59,000	21,000
Measure DD	11/5/2002	Recreational and aquatic facilities	198,250	126,800
Total				$147,800

Short-Term Obligations. The City has issued short-term notes to finance general fund temporary cash flow deficits during the fiscal year (July 1 through June 30) for each of the last 12 fiscal years, including the issuance of $65,000,000 Tax and Revenue Anticipation Notes for the fiscal year ending June 30, 2005. The City anticipates issuing Tax and Revenue Anticipation Notes in the fiscal year ending June 30, 2006. The City has never defaulted on the payment of any of these notes. The following table shows a five-year history of the par amount of tax and revenue anticipation notes issued each year.

Table 10
City of Oakland
Tax and Revenue Anticipation Notes
(in $000's)

Fiscal Year	Par Amount
2000-01	$65,000
2001-02	65,000
2002-03	53,965
2003-04	76,325
2004-05	65,000

Lease Obligations. The City has entered into various long-term lease arrangements that secure lease revenue bonds or certificates of participation, under which the City must make annual payments, payable by the City from its General Fund, to occupy public buildings or use equipment. The table below summarizes the City's outstanding long-term lease obligations.

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Table 11
City of Oakland
Lease Obligations
As of June 30, 2004
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding	Leased Asset
Civic Improvement Corporation Variable Rate Demand COPs, 1985	1/13/1986	2015	$ 52,300	$ 35,900	Portion of sewer system
City of Oakland Refunding COP, (Oakland Museum), Series 1992	6/9/1992	2012	39,408	4,788	Oakland Museum
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds (Arena Project), Series 1996[(1)]	8/2/1996	2026	70,000	63,050	Coliseum Arena
Oakland Joint Powers Financing Authority Lease Revenue Bonds, Series 1998[(2) (3)]	7/16/1998	2021	187,500	152,400	Portion of sewer system
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, Series 2000 C-1, C-2, & D[(1)]	5/25/2000	2025	100,050	93,950	Coliseum Stadium
Oakland Joint Powers Financing Authority Lease Revenue Bonds, Series 2001	6/14/2001	2014	134,890	116,900	Oakland Convention Center
City of Oakland Refunding Certificates of Participation, Series 2002	3/21/2002	2012	16,295	16,295	Oakland Museum
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Administration Buildings), Series 2004[(2)]	6/10/2004	2026	117,200	117,200	Oakland Administration Buildings
Total				$600,483	

(1) The lease payments securing these bonds are joint and several obligations of both the City and the County of Alameda. Each entity has covenanted to budget and appropriate one-half of the annual lease payments, and to take supplemental budget action if required to cure any deficiency. Principal amounts shown represent half of total original and outstanding par, representing the amount that is directly attributable to the City.

(2) The City entered into a floating-to-fixed swap in conjunction with this bond issue to create a “synthetic-fixed-rate” obligation. Please see **“Swaps”** section for additional detail.

(3) The City expects to use the proceeds from the sale of the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 to refund these bonds on a current basis on or about June 21, 2005.

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In addition, the City executed a note with GE Capital in the amount of $3.9 million to fund the acquisition of a computer server. The final payment will be made in 2009.

The table below summarizes the City's payments for lease revenue bonds and certificates of participation for the next five years. Payments for the Coliseum assume that the City will only pay its one-half share, although the obligations relating to the Coliseum are the joint and several obligations of the City and Alameda County. Payments for lease obligations for which there is a corresponding swap reflect the expected all-in payments.

Table 12
City of Oakland
Annual Payments for Lease Revenue Bonds and Certificates of Participation

Fiscal Year	Annual Payment
2005-06	$55,091,414
2006-07	54,203,701
2007-08	53,592,293
2008-09	53,115,320
2009-10	52,648,332

Swaps. The City has entered into several swap agreements in conjunction with variable-rate bond issues to create "synthetic-fixed-rate" obligations. The City entered into a $170,000,000 forward-starting, floating-to-fixed-rate swap with Goldman Sachs in conjunction with the $187,500,000 Oakland Joint Powers Financing Authority, 1998 Series A-1/A-2 bonds, which were issued in variable-rate mode. The agreement commenced on July 31, 1998 and terminates on July 31, 2021. On March 27, 2003, the City entered into an Amended and Revised Confirmation with GS Financing Products, U.S., L.P., which changed the index on which the swap is based. The City now receives 65% of the one-month London Interbank Offer Rate ("LIBOR") and still pays the fixed rate of 5.6775%. As a result of the change in the index, the City received an up-front payment, which partially compensates the City for assuming a potentially greater basis risk. Although the City expects to refund the underlying bonds with proceeds from the sale of the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2, the City has no current plans to terminate the swap.

The City has entered into two interest rate swap agreements in conjunction with the $117,200,000 Series A-1/A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Series 2004 which were sold as auction rate securities. The swap agreements are with Bank of America, N.A. and UBS AG relating to the 2004 Series A-1 Bonds and the 2004 Series A-2 Bonds, respectively, to create a synthetic fixed interest rate until August 1, 2026, for Base Rental Payments corresponding to the $117,600,000 initial principal amounts of each Series of the 2004 A Bonds. The City pays each of the counterparties a fixed rate of 3.533% and receives 58% of the one-month LIBOR rate plus 35 basis points.

For further discussion of the structure and risks associated with these swaps, please see the City's Comprehensive Annual Financial Report for the Year Ended June 30, 2004.

Pension Obligation Bonds. The City has issued two series of pension obligation bonds to fund 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"). The second series, issued in 2001, was part of a plan of finance undertaken by the City to extend the maturity of the 1997 pension obligation bonds and to reduce the annual debt service on the bonds and so minimize the need for the City to use general fund revenues other than property tax override funds to pay such debt service on the 1997 and 2001 Bonds. The 1997 and 2001 Bonds are "secured" by a senior pledge of certain tax override revenues. The Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1 and A-2 will be secured, in part, by a subordinate pledge of such tax override revenues. The table below summarizes the two currently outstanding pension obligation bond issues.

Table 13
City of Oakland
Pension Obligation Bonds
As of June 30, 2004
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
City of Oakland Taxable Pension Obligation Bonds, Series 1997 A&B	2/25/1997	2010	$436,289	$218,625
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	$195,636	195,636
Total				$414,261

The table below summarizes the City's payments for pension obligation bonds for the next five years. The maximum debt service payment for these bonds is $53,130,000 in Fiscal Year 2022-23.

Table 14
City of Oakland
Annual Payments for Pension Obligation Bonds

Fiscal Year	Annual Payment
2005-06	$34,947,586
2006-07	35,967,615
2007-08	37,011,289
2008-09	38,082,816
2009-10	39,181,314

In addition, the City undertook a lease revenue bond financing in 1998 (the Oakland Joint Powers Financing Authority Lease Revenue Bonds, Series 1998, dated 7/16/1998) to refund the City of Oakland Special Refunding Revenue Bonds (Pension Financing) 1988 Series A. The City expects to refund on a current basis the 1998 bonds with proceeds from the sale of the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, Series A, on or about June 21, 2005. See **"Lease Obligations"** section herein.

For additional information on the City's pension systems, please see section entitled "**Retirement Programs**."

Limited Obligations. The City has incurred other obligations that are neither general obligations nor payable from the General Fund of the City. These obligations are summarized below.

Redevelopment Agency of the City of Oakland. The City's Redevelopment Agency has issued several series of tax allocation bonds to provide funding for blight alleviation and economic development in parts of the City, or for the construction of low-income housing. The bonds are payable from the tax increment received from the specific redevelopment project areas which they support. Existing tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area and the Coliseum Area Redevelopment Project Area. The following table summarizes the City's outstanding tax allocation bonds.

Table 15
City of Oakland
Redevelopment Agency
As of June 30, 2004
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Redevelopment Agency of the City of Oakland, Acorn Redevelopment Project,1988 Tax Allocation Refunding Bonds	11/16/1988	2007	$ 3,375	$ 1,030
Redevelopment Agency of the City of Oakland, Central District Project, Senior Tax Allocation Refunding Bonds, Series 1992	12/17/1992	2014	97,655	57,235
Redevelopment Agency of the City of Oakland, Central District Project, Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	115,745
Redevelopment Agency of the City of Oakland, Coliseum Area Project Tax Allocation Bonds, Series 2003	1/9/2003	2033	23,085	23,085
Redevelopment Agency of the City of Oakland, Subordinated Housing Set Aside Revenue Bonds, Series 2000T	5/16/2000	2018	39,395	38,070
Total				$235,165

Special Assessments. The City has debt outstanding for three bond issues supported by assessment districts. Debt service on each of these assessment and reassessment bond issues is paid solely from assessments levied on real property within the respective districts. The City is not responsible for debt service on the bonds in the event that assessment collections are not sufficient. The table below summarizes the City's outstanding assessment bonds.

Table 16
City of Oakland
Special Assessments
As of June 30, 2004
(in $000s)

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/22/1996	2020	$ 465	$ 265
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997	12/3/1997	2012	1,250	790
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	6,550
Total				$7,605

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Enterprise Revenue Bonds. The City has also issued bonds secured by revenues of its sewer system. These bonds, issued on December 14, 2004 in the par amount of $62,330,000, mature in June 2029.

Estimated Direct and Overlapping Debt

Located 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 January 1, 2005, according to California Municipal Statistics, Inc., is shown below. The City makes no representations as to the accuracy of the following table; inquiries concerning the scope and methodology of procedures carried out to complete the information presented should be directed to California Municipal Statistics, Inc. Self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

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Table 17
City of Oakland
Statement of Direct and Overlapping Debt, as of January 1, 2005

2004/05 Assessed Valuation:	$29,642,053,558
Redevelopment Incremental Valuation:	5,248,555,311
Adjusted Assessed Valuation:	$24,393,498,247

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable	Debt 1/1/05
East Bay Municipal Utility District	20.656%	$ 813,846
East Bay Municipal Utility District, Special District No. 1	52.479	21,159,533
East Bay Regional Park District	10.755	15,738,329
Chabot-Las Positas Community College District	1.415	1,415,000
Peralta Community College District	55.081	80,517,406
Berkeley and Castro Valley Unified School Districts	0.005 & 0.147	71,491
Oakland Unified School District	99.996	310,956,540
San Leandro Unified School District	13.414	6,426,818
City of Oakland	**100.000**	**229,500,000**(1)
City of Oakland 1915 Act Bonds	100.000	7,330,000
City of Emeryville 1915 Act Bonds	4.183	501,542
TOTAL GROSS DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$674,430,505

DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Alameda County and Coliseum Authority General Fund Obligations	18.285%	$ 119,262,815
Alameda County Pension Obligations	18.285	56,109,934
Alameda County Board of Education Public Facilities Corporation	18.285	419,641
Alameda-Contra Costa Transit District Certificates of Participation	21.804	4,521,059
Chabot-Las Positas Community College District General Fund Obligations	1.415	118,789
Oakland Unified School District Certificates of Participation	99.996	27,033,919
San Leandro Unified School District Certificates of Participation	13.414	259,561
Castro Valley Unified School District Certificates of Participation	0.147	2,470
City of Oakland and Coliseum Authority General Fund Obligations	**100.000**	**576,178,025**
City of Oakland Pension Obligations	**100.000**	**366,494,842**
TOTAL DIRECT OVERLAPPING GENERAL FUND OBLIGATION DEBT		$1,150,401,055
GROSS COMBINED TOTAL DEBT		$1,824,831,560 (2)
NET COMBINED TOTAL DEBT		$1,824,017,714

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

Ratios to 2004/05 Assessed Valuation:
Direct Debt ($229,500,000) 0.77%
Total Gross Direct and Overlapping Tax and Assessment Debt 2.27%
Total Net Direct and Overlapping Tax and Assessment Debt 2.27%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt($1,172,172,867) 4.81%
Gross Combined Debt 7.48%
Net Combined Total Debt 7.48%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: $187,276

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $20,000,000 after a $2,000,000 per occurrence self-insured retention for the risks of general liability, malpractice liability, and auto liability. All properties are insured at full replacement value after a $25,000 deductible to be paid by the City. As of June 30, 2004, the amount of all general liability exposure is valued at approximately $48,716,000. Of this amount, approximately $17,196,000 is estimated to be due within one year. The City is self-insured for its Workers' Compensation liabilities. Payment of Worker's Compensation claims is provided through annual appropriations. As of June 30, 2004, the amount of Workers' Compensation liability determined to be probable is approximately $94,847,000. Of this amount, $24,384,000 is estimated to be due within one year.

Labor Relations

City employees are represented by seven labor unions and associations, identified in the table below, the largest one being the Service Employees International Union (Local 790), which represents approximately 57% of all City employees. Approximately 95% of all City employees are covered by negotiated agreements, as detailed below. Memoranda of Understanding effective July 1, 2002, were entered into with all non-sworn employee organizations. The City has never experienced an employee work stoppage. Pursuant to the Meyers-Milias-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.

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Table 18
City of Oakland
Labor Relations
As of April 29, 2005

Employee Organization/Bargaining Unit *	Number of Employees	Contract Termination
International Association of Firefighters (Local 55)	466	6/30/07
International Brotherhood of Electrical Workers (Local 1245)	24	6/30/08
International Federation of Professional and Technical Engineers (Local 21)/Units A, W, and F	495	6/30/08
IFPTE, Local 21 Units H (Supervisors) & M (Managers)	385	6/30/08
IFPTE, Local 21 (Deputy City Attorneys)	27	6/30/08
Oakland Police Officers Association	718	6/30/06
Service Employees International Union (Local 790)/full-time	1,414	6/30/08
Service Employees International Union (Local 790)/part-time	1,254	6/30/08
Oakland Park Rangers Association	10	6/30/06
Deputy City Attorney V & Special Counsel Association	9	6/30/05
	4,802	

* The City has negotiated the following cost of living adjustments with employee organizations:
- Local 55, based on CPI;
- Locals 1245, 21 & 790, increases of 4% each year until contact termination;
- Oakland Police Officers Association, increase of 5% on 1/1/06; and,
- Oakland Park Rangers Association, increase of 4% on 7/2/05.

Source: City of Oakland Office of Personnel and Resource Management

Retirement Programs

The City maintains two closed pensions systems, the Police and Fire Retirement System ("PFRS") and the Oakland Municipal Employees Retirement System. In addition, the City is a member of the California Public Employees' Retirement System ("PERS"), a multiple-employer pension system that provides a contributory defined-benefit pension for most current employees.

Police and Fire Retirement System. PFRS is a defined benefit plan administered by a seven-member Board of Trustees (the "Retirement Board"). The PFRS is a closed plan and covers uniformed employees hired prior to July 1, 1976. As of June 30, 2004, PFRS covered three current employees and 1,395 retired employees. In November 2000, the voters of the City amended the City Charter to give active members of the Retirement System the option to terminate their membership and transfer to PERS upon certain conditions. As a result, 104 former members transferred to PERS.

In accordance with voter-approved measures adopting the City Charter provisions that govern PFRS, the City annually levies an *ad valorem* tax (the "Tax Override") on all property within the City subject to taxation by the City to help fund its pension obligations. State law limits the City's tax rate for this purpose at the rate of 0.1575%, the level at which the City has levied the tax since 1983. The City is allowed to levy the Tax Override through 2026.

In 1997, the City of Oakland issued $436.3 million in Pension Obligation Bonds, sized to represent the actuarial present value of the City's expected contributions to PFRS from March of 1997 through June of 2011. PFRS received a deposit of $417 million from the bond proceeds. In return for this payment, PFRS agreed in a Funding Agreement, dated as of June 1, 1996, between the City and PFRS, that the City will not be required to make any further payments to PFRS for UAAL through June 30, 2011. The next City contribution to PFRS will be in July of 2011, if necessary, as determined by the actuarial valuation as of July 1, 2010. The City pays debt service on the Pension Obligation Bonds from proceeds of the Tax Override.

On October 3, 2001, the City issued $195.6 million in Pension Obligation Bonds, the proceeds of which were primarily used to purchase at tender for cancellation and to defease a portion of the outstanding 1997 Pension Obligation Bonds. As a result of this purchase and defeasance, annual debt service through 2010 on the City's Pension Obligation Bonds was reduced, but total debt service on the bonds was increased because the final maturity date was extended from 2010 to 2022.

An actuarial valuation on the PFRS benefit plan is conducted every two years; the most recent complete valuation was for the period ended June 30, 2004. PFRS utilizes the aggregate actuarial cost method for its actuarial calculations. Under this method, the excess of the actuarial present value of projected benefits of the group included in an actuarial valuation over the actuarial value of assets is allocated on a level basis over the earnings of the group between the valuation date and assumed exit. The allocation is performed for the group as a whole, not as a sum of individual allocations. The City's actuaries do not make an allocation of the contribution amount between normal cost and the UAAL because the PFRS plan is closed. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 4.5%, and a general inflation rate of 3.5%.

The following schedule shows PFRS's recent funding progress.

Table 19
Schedule of Funding Progress
Police and Fire Retirement System
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll [(1)]
2002	$875.5	$674.7	$200.8	77.1%	$2.6
2003	890.6	615.1	275.5	69.1%	0.4
2004	890.2	621.6	268.6	69.8%	0.3

(1) Because this is a closed system with few employees, UAAL as a % of payroll is not presented

Source: Actuary's Report as of June 30, 2004.

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In light of the contribution holiday funded by bond proceeds, the purpose of the actuarial valuations prior to 2010 is primarily to track the relationship between the available assets and the estimated liabilities so that the City will be prepared for the necessary contributions, if any, in July of 2011. The Actuary's Report, as of June 30, 2004, contains a projection of the annual contributions necessary beginning in 2011 based on the valuation assumptions. The results of that projection are in the table below.

Table 20
Police and Fire Retirement System
Projection of Future Contributions

	Valuation Assumptions	Unfavorable Experience	Favorable Experience
Investment Return	8.00%	8.00%	8.00%
Wage Growth	4.50%	5.00%	4.00%
Annual City Contribution			
2011-2012 Amount	$41 million	$50 million	$39 million

Source: Actuary's Report as of June 30, 2004.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is a second closed system, which covers active non-uniformed employees hired prior to September 1, 1970 who have not transferred to PERS. The program covers no active employees and 96 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every two years; the most recent complete valuation was for the period ended June 30, 2003. OMERS utilizes the aggregate actuarial cost method for its actuarial calculations. Significant actuarial assumptions used to compute the contribution requirement include an 8% investment rate of return, average salary increases of 3.0%, and a general inflation rate of 3.5%. As of June 30, 2003, the actuarially determined surplus was $4.95 million. For the fiscal year ended June 30, 2004, the City, in accordance with actuarially determined contribution requirements, did not contribute to OMERS as the plan is fully funded.

California Public Employees Retirement System. PERS is a defined benefit plan administered by the State and covers all uniformed employees hired after June 30, 1976 and all non-uniformed employees hired after September 1, 1970, as well as former members of PFRS and OMERS except those who have not elected to transfer from OMERS. PERS acts as a common investment and administrative agent for public entities participating with the state of California. PERS is a contributory plan deriving funds from employee contributions as well as from employer contributions and earnings from investments. A menu of benefit provisions is established by State statutes within the Public Employees' Retirement Law. The City selects its optional benefit provisions from the benefit menu by contract with PERS.

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 8% and 9%, respectively, of their annual salary to PERS. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by PERS. Historically, the City had paid the entire amount of its employees' contributions for miscellaneous and safety employees. However, under current bargaining agreements, sworn fire personnel contribute at a 4% rate and all non-sworn personnel make a 3% contribution since July 2002.

In FY 2002, the City increased its benefits for public safety employees to provide 3.0% of highest salary per year of employment at age 55. In FY 2004, benefits were further increased for safety members to provide 3.0% of highest salary at age 50. In FY 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.75% of highest salary at age 55. The following represents the City of Oakland's employer contribution rates as determined by PERS for the past four years, as well as PERS' projection for FY 2006-07.

Table 21
Contribution Rates
Public Employees Retirement System
City of Oakland

	2002-03	2003-04	2004-05	2005-06	2006-07 (Projected)
Miscellaneous Plan	0.00%	0.00%	15.04%	18.55%	18.40%
Safety Plan	15.17%	25.29%	29.83%	29.71%	29.80%

Source: California Public Employees' Retirement System.

PERS uses an actuarial method that 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. Major actuarial assumptions include a 3% inflation rate and a 7.75% investment return.

The schedules of funding progress below show the recent funding progress of both the public safety and miscellaneous employees. The increases in unfunded liability are due to increases in benefits, and prior asset losses in PERS investments recognized on an actuarial basis over a three-year "smoothing" period.

Table 22
Schedule of Funding Progress
Public Employees Retirement System
Public Safety Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2001	$432.1	$363.7	$ 68.4	84.2%	$92.1	74.2%
2002	563.2	373.7	189.9	66.3	104.0	183.5
2003	631.5	454.7	176.8	72.0	111.0	159.2

Source: Comprehensive Annual Financial Report for the fiscal year ending June 30, 2004.

Table 23
Schedule of Funding Progress
Public Employees Retirement System
Miscellaneous Employees
($millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
2001	$ 883.3	$1,059.6	$(176.3)	120.0%	$171.9	(102.6%)
2002	952.4	1,003.3	(50.9)	105.3	197.4	(25.8)
2003	1,197.3	1,010.7	186.7	84.4	207.9	89.8

Source: Comprehensive Annual Financial Report for the fiscal year ending June 30, 2004.

The following table represents the City's annual contribution to PERS over the past five years:

Table 24
Annual Pension Cost
Public Employees Retirement System
($millions)

Fiscal Year Ended July 30	Annual Cost
2000	$23.6
2001	$24.0
2002	$26.9
2003	$37.0
2004	$48.4

Source: Comprehensive Annual Financial Reports for the fiscal years ending June 30, 2002, 2003 and 2004.

Post-Retirement Health Benefits

The City has been paying part of the health insurance premiums for all retirees from City employment who receive a pension annuity earned through City service and who participate in a City-sponsored PERS health benefit plan. These benefits are funded on a pay-as-you-go basis. Approximately $2.4 million was paid on behalf of 936 retirees under this program for the year ended June 30, 2004.

Currently, there is no accounting rule that requires governmental agencies that are on a pay-as-you-go basis, such as the City, to accrue for post-employment health care benefits in the same manner as they accrue for pension benefits. The Governmental Accounting Standards Board recently published Statement No. 45, requiring that beginning with the fiscal year ending June 30, 2008, governmental agencies that are on a pay-as-you-go basis, such as the City, account for and report the outstanding obligations and commitments related to such post-employment benefits in essentially the same manner as they currently do for pensions.

Natural Hazard Risks

The City is in a seismically active area, located near or on three major active earthquake faults (the Hayward, Calaveras and San Andreas faults). During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas Fault, which passes though the San Francisco Peninsula west of Oakland, with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake, also on the San Andreas Fault, with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of Oakland. Both the San Francisco and Oakland areas sustained significant damage. The City experienced significant damage to the elevated Cypress freeway and to several buildings within the City, especially unreinforced masonry buildings constructed prior to 1970 and prior to current building code requirements. Much of the damage resulting from the Loma Prieta earthquake was due to soil liquefaction, a phenomenon during which loose, saturated, non-cohesive soils temporarily lose shear strength during ground shaking induced by severe earthquakes.

A substantial portion of the City is built in partly-wooded hillside areas, which are naturally prone to wildfire. In October, 1991 a fire in the Oakland/Berkeley Hills damaged 1,990 acres of forest and residential property, destroying 2,354 homes and 456 apartment units, most of which were in Oakland. The City has established a wildfire prevention assessment district covering portions of the City, which was approved by voters in January 2004, and which finances fire hazard inspections, brush and debris removal, wood chipping and public education.

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Constitutional and Statutory Limitations on Taxes and Appropriations

Article XIIIA of the California Constitution

Section 1(a) of Article XIIIA of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIIIA), to be collected by counties and apportioned according to law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to (1) *ad valorem* taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978, or (2) any bond indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition or (3) bonded indebtedness incurred by a school district, community college district or county office of education for the construction, reconstruction, acquisition, equipping or leasing of school facilities approved by 55% of the voters voting on the proposition. Section 2 of Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under 'full cash value' or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment" ("Full Cash Value"). The Full Cash Value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors.

Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any additional *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above.

The voters of the State subsequently approved various measures which further amended Article XIIIA. Many of these have provided for the transfer of property or the construction of improvements under certain limited circumstances without reassessment.

Section 4 of Article XIIIA provides that cities, counties and special districts cannot impose special taxes without a two-thirds vote of the qualified electors, which has been interpreted by the Courts to include special fees in excess of the cost of providing the services or facility for which the fee is charged, or fees levied for general revenue purposes.

Article XIIIB of the California Constitution

State and local government agencies in California are each subject to annual "appropriations limits" imposed by Article XIIIB of the Constitution of the State of California ("Article XIIIB"). Article XIIIB prohibits government agencies and the State from spending "appropriations subject to limitation" in excess of the appropriations limit imposed. "Appropriations subject to limitation" are generally authorizations to spend "proceeds of taxes," which include all, but are not limited to, tax revenues, and the proceeds from (i) regulatory licenses, user charges or other user fees to the extent that such proceeds exceed "the cost reasonably borne by that entity in providing the regulation, product, or service" (ii) the investment of tax revenues, and (iii) certain subventions received from the State. No limit is imposed on appropriations of funds which are not "proceeds of taxes," appropriated for debt service on indebtedness existing prior to the passage of Article XIIIB or authorized by the voters or appropriations required to comply with certain mandates of courts or the federal government.

As amended at the June 5, 1990 election by Proposition 111, Article XIIIB provides that, in general terms, a county's appropriations limit is based on the limit for the prior year adjusted annually to reflect changes in costs of living, population and, when appropriate, transfer of financial responsibility of providing services from one governmental unit to another. Proposition 111 liberalized the aforementioned adjustment factors as compared to the original provisions of Article XIIIB. If county revenues during any two consecutive fiscal years exceed the combined appropriations limit for those two years, the excess must be returned by a revision of tax rates or fee schedules within the two subsequent fiscal years.

Section 7900, et seq. of the California Government Code defines certain terms used in Article XIIIB and sets forth the methods for determining the appropriations limit for local jurisdictions. Relying on these definitions, and Chapter 60, Statutes of 1990 effective August 1, 1990, which implemented Proposition 111, the City has determined that its appropriations limit for "proceeds of taxes" for Fiscal Year 2004-05 is $357.80 million. Appropriations for Fiscal Year 2004-05 that are subject to the limitation total $312.27 million.

Articles XIIIC and XIIID of the California Constitution (Proposition 218)

On November 5, 1996, the voters of the State approved Proposition 218, the "Right to Vote on Taxes Act." Proposition 218 added Articles XIII C and XIII D to the State Constitution, which contain a number of provisions affecting the ability of the City to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIIC requires that all new local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote. The voter approval requirements of Article XIIIC reduce the City's flexibility to deal with fiscal problems by raising revenue through new or extended or increased taxes and no assurances can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

Article XIIID contains several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property.

Article XIIID also contains several new provisions affecting "fees" and "charges," defined for purposes of Article XIIID to mean "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or a charge for a property related service." All new and existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) with respect to any parcel or person exceed the proportional costs of the service attributable to the parcel, (iv) are for a service not actually used by, or immediately available to, the owner of the property in question, or (v) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees and charges for sewer, water and refuse collection services (or fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIIID), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area.

In addition to the provisions described above, Article XIIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by future initiative, repeal, reduce or prohibit the future imposition or increase of any local tax, assessment, fee or charge. "Assessment," "fee" and "charge," are not defined in Article XIIIC and it is not clear whether the definitions of these terms in Article XIIID (which are generally property-related as described above) would be applied to Article XIIIC. If the Article XIIID definitions are not held to apply to Article XIIIC, the initiative power could potentially apply to revenue sources which currently constitute a substantial portion of general fund revenues. No assurances can be given the voters of the City will not, in the future, approve initiatives that repeal, reduce or prohibit the future imposition or increase of local taxes, assessments, fees or charges.

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

Proposition 1A

Proposition 1A, proposed by the Legislature in connection with the 2004-05 Budget Act and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing spending on other State programs or other action, some of which could be adverse to the City.

Future Initiatives

The various provisions of Article XIIIA and Proposition 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting City General Fund revenues or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

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Economic Highlights

The City, located immediately east of San Francisco, across the San Francisco–Oakland Bay Bridge, lies at the heart of the East Bay. The City occupies approximately 53.8 square miles, is served by both Interstate 80 and Interstate 880, and boasts a world-class seaport and an international airport. Oakland is a strategic location for companies seeking to move goods and ideas through air, water, land or cyberspace. In 2002, the City was rated by Forbes as the 8th best city for business in the nation.[1]

As the 19th largest metropolitan economy in the United States[2], the Oakland metropolitan area has a diverse mix of traditional and new economy companies. Companies are attracted to the City's quality of life, comparatively low business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool, ranked the 8th most educated in the nation.[3]

Housing Development. The "10K Initiative" is a multi-phase program to develop housing for 10,000 new residents in downtown Oakland by 2006. This goal translates to a target of developing 6,000 new residential units. As of April 2005, including the five Agency projects (Uptown, City Center T-10, Landmark Place, Franklin 88, Market Square and Swan's Market), there were 1,660 units completed, 737 under construction, and 3,163 units with planning approval or in planning. These projects would provide 5,560 units or 92% of the 10K target.

Mandela Gateway is an affordable housing community in West Oakland, completed in June 2005. The project consists of 168 residential rental units, 14 for-sale townhomes, and 6500 sq. ft. of retail space. The retail space is situated with 7th Street frontage facing the West Oakland BART station, which serves approximately 4,500 daily users. Nearby, West End Commons will offer 91 live-work units, including several retail spaces. The construction of these units will be completed in summer 2005, with full occupancy scheduled for January 2006.

Economic Development. The Fruitvale BART Transit Village is a mixed-use development which opened in May 2004. The project offers 38,000 square feet of retail space, 47 residential units including 10 affordable units, a child development facility, a new public library, a new medical clinic, a multipurpose senior center, and 114,500 square feet of office lease space. The Fruitvale Village project is one of the most unique mixed-use developments in the nation and is nationally recognized as a leading smart-growth initiative and as one of the leading neighborhoods in the National Main Street Program. The project has won several awards, including the 2003 San Francisco Business Times Award and the 2004 Best in American Living Award in the Best Urban Smart Growth Neighborhood/Community category.

The Hegenberger Gateway Shopping Center located at the intersection of Hegenberger Road, Edgewater Drive and Interstate 880 will feature 245,000 square feet of retail and restaurant space. The anchor tenant is a Wal-Mart store, which is scheduled to open in the summer/fall of 2005. This key retail development is strategically located along the busy stretch of road that connects I-880 with the Oakland International Airport.

The Oakland Coliseum Intercity Amtrak Station Project consists of the construction of a passenger platform along the existing Amtrak/Capitol Corridor passenger rail route located between the Coliseum Stadium and the Coliseum BART station. The new pedestrian ramp connects the passenger platform to the existing Coliseum-BART pedestrian bridge. Total project cost is approximately $6.6 million. Construction was completed in June 2005.

The Infiniti of Oakland dealership opened in May 2005. Infiniti of Oakland was developed by Hendrick Automotive Group and consists of about 26,000 square feet with 12 service bays and a modern showroom facing the Oakland Arena and the McAfee Coliseum. The $7.5 million dollar facility employs

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[1] Forbes/Milken Institute List of Best Places for Business and Careers, Forbes, May 27, 2002.
[2] U.S. Metro Economies: The Engines of America's Growth, DRI-WEFA, June 2002.
[3] 2000 U.S. Census

about 50 people. The locating of Infiniti of Oakland adjacent to the Coliseum Lexus dealership, which opened in November 2002, assists in the creation of a cluster of Oakland's luxury automotive dealers.

Commerce/Transportation

Oakland International Airport (the "Airport") plans to spend approximately $500 million over the next three years on the first phase of its terminal development program, including a five-gate expansion of Terminal 2 with a new concourse, concessions and waiting areas, a 6,000-space parking garage, and new utilities. The Terminal 2 expansion is expected to be complete by fall 2006. The second phase of the total $1.6 billion program, which will include a new two-level consolidated terminal building with a central concessions court and a two-tiered roadway system, will be implemented as the Port evaluates its financial capability.

In June 2004, the Airport completed the 98th Avenue/Doolittle Road intersection reconstruction, including a new underpass into the airport. This project was part of the Airport's expansion program that widened the 98th Avenue/Airport Access Road into a six-lane parkway between the Airport, the rest of Bay Farm Island (City of Alameda) and Interstate 880.

Oakland International Airport is one of the few airports in the country and the only one in the Bay Area whose utilization has grown in the post-9/11 environment. Originally designed for approximately eight million passengers annually, the Airport served approximately 14 million passengers in 2004. The Airport is served by 16 airlines with more than 200 daily nonstop flights to 38 domestic and international destinations, including Atlanta, New York, Washington D.C., Hawaii and Mexico. It serves as the northern California hub for Southwest Airlines.

The Port of Oakland proudly welcomed the arrival of one of the world's largest container ships and the first 8,000-plus TEU (twenty-foot-equivalent unit) ship to enter the San Francisco Bay. The 8,200 TEU Hugo made its maiden voyage to the Port of Oakland on August 21, 2004.

In September 2004, the Port completed and opened to the public its 37-acre Middle Harbor Shoreline Park and a 180-acre shallow water habitat restoration. These projects expand waterfront access for residents of Oakland and the Bay Area. In April 2005, Oakland became the first port in the nation where radiation portal monitors are completely installed and operable. The twenty-five portals will screen all international container traffic passing through the Port of Oakland for sources of radiation.

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Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2004, at 411,600. This figure represents 27.48% of the corresponding County figure and 1.14% of the corresponding State figure. The City's population has grown over 20% in the twenty-four years since 1980. The following table illustrates the City's population relative to the population of Alameda County and the State of California.

Table 25
City of Oakland, County of Alameda and State of California
Population

Year	City of Oakland	County of Alameda	State of California
1980	339,337	1,109,500	23,782,000
1990	372,242	1,276,702	29,758,213
2000	399,566	1,443,939	33,873,086
2001	402,700	1,465,000	34,431,000
2002	406,800	1,481,900	35,049,000
2003	408,500	1,487,700	35,612,000
2004	411,600	1,498,000	36,144,000

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001 through 2004 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

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Employment

The following table shows the labor patterns in the City, the State of California, and the United States for the past five years.

Table 26
City of Oakland, State of California and United States
Civilian Labor Force, Employment, and Unemployment(1)
June 2000 through March 2005

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate
June 2000				
City	192,270	182,100	10,170	5.3%
State	16,958,600	16,083,800	874,800	5.2
United States	140,757,000	135,183,000	5,574,000	4.0
June 2001				
City	196,870	182,340	14,530	7.4
State	17,181,800	16,275,700	906,100	5.3
United States	141,354,000	134,932,000	6,422,000	4.5
June 2002				
City	202,340	179,780	22,560	11.2
State	17,397,200	16,216,700	1,180,600	6.8
United States	142,476,000	134,053,000	8,423,000	5.9
June 2003				
City	200,650	177,930	22,720	11.3
State	17,486,500	16,288,300	1,198,000	6.9
United States	148,117,000	138,468,000	9,649,000	6.5
June 2004				
City	199,070	180,220	18,850	9.5
State	17,683,000	16,555,400	1,127,900	6.4
United States	148,478,000	139,861,000	8,616,000	5.8
March 2005[2]				
City	195,300	179,800	15,500	7.9
State	17,625,800	16,629,800	996,000	5.7
United States	148,157,000	140,501,000	7,656,000	5.2

(1) Civilian labor force data are by place of residence; include self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Preliminary.

Source: California State Employment Development Department and U.S. Department of Labor, Bureau of Labor Statistics. United States figures as of December of each year.

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Major Employers. As an integral part of the Bay Area, the City of Oakland benefits from the wide variety of job opportunities available throughout the area. Summarized below are the City's largest private and public employers as of June 30, 2004.

Table 27
City of Oakland
Top Ten Public Employers
(as of June 30, 2004)

Employer	Type of Organization	Number of Employees [1]
U.S. Federal Government (Civilian)	Government Operations	10,300
Oakland Unified School District	Education	7,000
County of Alameda	Government Operations	6,360
City of Oakland	Government Operations	4,600
California State Agencies (1515 Clay Street)	Government Operations	3,000
Highland Hospital	Hospital Services	2,200
California Department of Transportation	Public Transportation	2,100
University of California (Office of the President)	Education	2,000
East Bay Municipal Utility District	Utility/Water/Wastewater	1,900
United States Post Office	Mail Services	950

(1) Approximate figures

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

Table 28
City of Oakland
Top Ten Private Employers
(as of June 30, 2004)

Employer	Type of Organization	Number of Employees [1]
Kaiser Permanente	Health Services	6,610
Southwest Airlines	Air Transportation	2,410
Alta-Bates Summit Medical Center	Health Services	2,400
Oakland Children's Hospital Medical Center	General Medical Surgical Hospital	2,340
Federal Express Corporation	Air Courier Services	2,210
United Parcel Service	Courier Services	1,550
Clorox Company	Household Products	1,340
SBC Pacific Bell	Utility	1,540
Mills College	Education	840
Safeway Grocers	Food Service	730

(1) Approximate figures

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

Commercial Activity

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

Table 29
City of Oakland
Taxable Transactions, 1999-2003
(Taxable Transactions in $000s)

Year	Outlets	Taxable Transactions
1999	10,581	$3,085,079
2000	10,443	3,453,695
2001	10,532	3,287,050
2002	10,635	3,226,210
2003	11,103	3,402,977

Source: State Board of Equalization.

Construction Activity

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

Table 30
City of Oakland
Building Permits and Valuations, Fiscal Years 2000-2004

Fiscal Year	Number Issued	Authorized New Dwelling Units	Residential Valuation (in $000s)	Nonresidential Valuation (in $000s)
1999/00	16,725	542	$272,170	$195,270
2000/01	16,879	954	138,570	481,635
2001/02	15,805	757	317,792	165,731
2002/03	15,910	930	170,527	260,000
2003/04	16,424	857	268,600	156,699

Source: Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2004.

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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.

Table 31
CITY OF OAKLAND, ALAMEDA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income

Year[(a)]	City of Oakland	Alameda County	State of California	United States of America
1999[(b)]	$32,751	$44,730	$39,492	$37,233
2000	38,602	50,631	44,464	39,129
2001	39,567	54,076	43,532	38,365
2002	37,095	49,574	42,484	38,035
2003	37,558	50,431	42,924	38,201

(a) As of January 1.
(b) Changes in market rankings, retail sales, total retail sales, merchandise line sales and metro markets make it impossible to trend the 1999 and 2000 Survey of Buying Power numbers. The changes are so significant that any attempt at trending will produce misleading results.

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

Litigation

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

Oakland Raider Litigation. On September 29, 1997, the City, the County of Alameda and the Oakland Alameda County Coliseum Authority (the "Authority"), 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.

Raider Management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. The Authority prevailed on its declaratory relief claims that the Raiders were contractually obligated to remain in Oakland for the term of the contract. In a series of decisions, the court has ruled that (1) Raider Management cannot rescind or terminate the lease; (2) the East Bay Entities do not have claims for damages and (3) Raider Management does not have claims for damages against the City, the County or the Authority. The court later dismissed the City and the County of Alameda from the case on the basis that Raider Management failed to comply with the California Torts Claims Act.

On March 24, 2003, trial began on Raider Management's claims for damages of $1.1 billion for fraudulent inducement against the Oakland-Alameda County Coliseum Authority and one of its former directors. The trial resulted in a $34,000,000 verdict in favor of Raider Management and against the Authority. The former Authority Director, who the City had agreed to indemnify, was not found liable.

The Authority's motion for a judgment notwithstanding the verdict was denied on November 18, 2003. The Authority has appealed the judgment against it and the Raiders have appealed the verdicts against it. The trial court stayed the judgments pending appeal and the Raiders filed a motion to set aside the stay. In May 2004, the Court of Appeals denied the Raiders' motion to set aside the stay of the action. Appellate briefs have been filed and the parties are awaiting hearing dates. It is too early to assess whether the City will have to contribute funds to the Authority if the Court of Appeals upholds the trial court verdicts.

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APPENDIX B

CITY OF OAKLAND AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2004 AND CERTAIN OTHER INFORMATION EXCERPTED FROM THE CITY'S ANNUAL FINANCIAL REPORT

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CITY OF OAKLAND
CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

WILLIAM E. NOLAND • DIRECTOR
LARAE BROWN • CONTROLLER

PRINTED ON RECYCLED PAPER

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2004

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CITY OF OAKLAND

FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION

150 FRANK H. OGAWA PLAZA, SUITE 6353
OAKLAND, CALIFORNIA 94612
(510) 238-3264

March 4, 2005

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in financial position for the fiscal year ended June 30, 2004, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

Our Comprehensive Annual Financial Report is presented in three sections:

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

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

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

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by a group of independent auditing firms that are licensed certified public accountants. The objective of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2004, are free of material misstatement. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion on the City's financial statements for the fiscal year ended June 30, 2004. The Independent Auditors Report is presented as the first component of the Financial Section of this report.

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

The Reporting Entity and Its Services

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

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

- Government-wide financial reporting;
- Management's Discussion and Analysis (MD&A);
- Separate presentation of major funds; and
- Expanded budgetary reporting.

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

GAAP require that the component units be separated into blended or discretely presented units for reporting purposes. Although legally separate entities, blended component units are, in substance, part of the City's operations. Therefore, they are reported as part of the Primary Government. The discretely presented component units are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City operations.

Accordingly, we have included the operations of the Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), and the Oakland

Redevelopment Agency (Agency) as blended component units. The operations of the Port of Oakland (including the Oakland International Airport) and the Oakland Base Reuse Authority (OBRA) are presented discretely. The Oakland-Alameda County Coliseum Authority (Authority) is a Joint Venture owned and operated by the City and the County of Alameda.

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

Profile of the Government

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

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

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

On March 2, 2004, the citizens of Oakland passed Measure P: (1) to repeal the sunset provision of Measure X passed in November 1998 to retain the Mayor-Council form of government; (2) to change the term limit for Mayor from two terms to two consecutive terms; (3) to reduce the number of votes needed for the City Council to pass an ordinance on reconsideration from six votes to five votes; (4) to eliminate the prohibition on paying the Mayor more than the City Administrator; (5) to remove the rule that the Mayor vacates his or her office by missing ten consecutive City Council meetings; (6) to require the Mayor to advise the City Council before removing the City Administrator; and (7) to change the title of the City Administrator to "City Administrator".

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. On June 29, 2004, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2004-05.

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

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

Factors Affecting Financial Condition

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

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

- "....4th Best commercial real estate market in the country" (Moody's Investors 2003)
- "....8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "....7th Most Creative City in America" (Carnegie Mellon);
- "....6th Best City to live in the U.S." (Money, Dec. 2002);
- "....leader among America's top ten technology cities." (Newsweek, April 30, 2001); and
- "....uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce)

These statements are testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8th as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Jerry Brown's leadership that enthusiastically supports and embraces sustainable economic development. Moreover, transportation systems such as four freeways (I-880, I-580, Hwy. 13, and Hwy. 24), railroad, trucking, shipping (4th largest port in the nation), air transportation, and public transit converge in the City of Oakland to make it the hub of interstate and international commerce on the West Coast. Its strategic location and proximity to Silicon Valley and to highly acclaimed institutions of higher learning provide excellent synergy for collaborative research and innovation for improved business products and services.

Oakland occupies 56 square miles of land with nineteen miles of coastline to the west and magnificent rolling hills to the east. It is the eighth largest city in California with a population of 411,600. Its economy ranks in the top 20 economies in the United States and the 84th largest in the world. Some of the diverse attributes which helped Oakland survive the dot.com bust are:

- Featured as among 10 top technology cities in the future (Newsweek, April 2001)
- Oakland ranked nation's #1 office market through 2005 (Landauer OM Index);
- Commercial building permits issued in 2003 valued at $278.9 million, 25.5% increase;
- Ranked 3rd in the nation in percentage of women-owned businesses;

Two primary engines that drive the economies of the City in particular and Northern California in general are the Port of Oakland and the Oakland International Airport. Both entities celebrated their 75th anniversaries in 2002 with pride and enthusiasm in meeting the challenges of the new century. Both are investing billions of dollars in major expansion programs in anticipation of the new challenges. Finally, both entities have significant impacts on the City's and the region's economies. For example, in 2003, the Port of Oakland moved $1.2 billion in agricultural goods. The Port is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

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

Downtown Oakland remains the largest center for office development in the East Bay with 15.3 million square feet of office space and 70,000 day time workers. The Shorenstein Company recently completed a 20-story, 450,000 square foot office tower in the City Center that is occupied by various businesses. In a recent announcement, the Ask Jeeves company has agreed to move its operations from Emeryville to Oakland. It signed a lease to occupy 55,803 square feet and will occupy the fourth and fifth floors along with the plaza level in the new tower.

The Community and Economic Development Agency (CEDA) is also working in coordination with the Oakland Commerce Corporation to develop and implement the new Retail Retention

Program. This program will provide technical assistance to assist in the retention and expansion of the 50 top income and top employing retailers, the five retailers with the most growth and the five with the largest decline in sales, and key retailers within target industries to strengthen these industries.

In fiscal year 2002-03, CEDA initiated the Oakland C.A.R.E.S. (Creation, Attraction, Retention and Expansion Services) for Business Program. This program assists existing and new Oakland businesses to increase sales, reduce costs and add more value to their products and services. The City also offers specialized technical assistance to targeted industry groups. These industry groups (Software/Multimedia, Telecommunications, Biotechnology, Transportation, and Food Processing) were chosen for their importance to the local economy and for their potential for growth.

The City's One-Stop Small Business Center (OSSBC) is a focal point for lending and technical assistance efforts surrounding Oakland's Enhanced Enterprise Community and manages the City's contract with the Oakland Business Development Corporation (OBDC), a non-profit local development corporation. Loan recipients include various types of businesses such as a neighborhood market, a bicycle parts and accessories retailer, a clothing store, a restaurant and an art supply store.

Long-term Financial Planning

Mayor's 10K Project: A major initiative launched by Mayor Jerry Brown when he took office in 1999, the 10K Downtown Housing Initiative, is realizing its goal of attracting 10,000 new residents to downtown Oakland by encouraging the development of 6,000 market-rate housing units. A near perfect climate, California's best mass transit system, a central Bay Area location and a growing downtown workforce all contribute to make downtown Oakland a great place to live.

As of July 2004, the 10K Downtown Housing Initiative has resulted in the start and completion of 35 residential projects with 4,969 units. Fifteen projects (1,471 units) have been completed, five projects (350 units) are in construction, thirteen projects (1,436 units) have received planning approvals, and two projects (1,712 units) are in the planning process. The Initiative has literally altered Oakland's skyline with the construction of the Essex on Lake Merritt, the first high-rise residential construction in downtown Oakland in 20 years. To achieve the goal of 10,000 new residents, fewer than 1,200 more units are required.

Cash Management Policies and Practices

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

The City Council receives quarterly reports on the performance of the City's pooled investment program.

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

Risk Management

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 15 of the last 16 years. The City's Fiscal Year 2003-04 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

I would like to express my appreciation to the entire staff of the Finance and Management Agency, and most particularly the Accounting Division, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Macias, Gini & Company LLP for their assistance and guidance. Finally, I would like to thank the Mayor, members of the City

Council, and the City Administrator for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,

William E. Noland, Director
Finance and Management Agency

MACIAS GINI & COMPANY LLP

Mt. Diablo Plaza
2175 N. California Boulevard, Ste. 645
Walnut Creek, California 94596
925.274.0190 PHONE
925.274.3819 FAX

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Oakland Base Reuse Authority (OBRA), which represent 4%, 11%, and 22%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for OBRA, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, supplemental schedule of expenditures of Alameda County Awards and supplemental schedules of revenue and expenditures prepared by the City's Community Services Department are presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, the County of Alameda and the State Department of Community Services and Development, respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Macias, Gini & Company LLP
Certified Public Accountants

Walnut Creek, California
February 4, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its total liabilities by $552.7 million as of June 30, 2004, compared to $519.9 million at June 30, 2003. This represents an increase of 6.3% ($32.9 million) compared to the previous year.

- The City's cumulative fund balances grew by 6.5% ($41.8 million) to $687.3 million compared to $645.5 million as restated, for last year. This growth is primarily attributed to the remaining bond proceeds from Measure DD and the Administration Building bond issues for City authorized projects that have yet to be implemented.

- At June 30, 2004, the unreserved fund balance for the general fund was $222.5 million. Of this amount, $39.8 million is undesignated and represents 8% of general fund expenditures, which is in excess of the City Council's unreserved fund balance policy of 7.5%.

- As of June 30, 2004, the City had total long-term obligations outstanding of $1.68 billion compared to $1.63 billion outstanding for the prior fiscal year, an increase of 3%. Of this amount, $232.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.45 billion is comprised of various long term debt instruments including accruals of year-end estimates for other long term liabilities.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Other Information

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

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

Government-wide Financial Analysis

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

Net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2004 by $552.7 million compared to $519.9 million as of June 30, 2003, an increase of $32.9 million. The largest portion of the City's net assets (91%) reflects its $503.0 million of investments in capital assets for governmental activities and business type activities net of related debt. The remaining (9%) reflects $49.7 million in funding for debt service and other continuing development projects for the City.

City of Oakland's Net Assets
June 30, 2004
(In Thousands)

	Governmental Activities	Business-type Activities	2004 Total	2003 Total
Assets:				
Current and other assets	$1,448,705	$ (5,047)	$1,443,658	$1,354,894
Capital assets	826,032	119,972	946,004	946,626
TOTAL SSETS	2,274,737	114,925	2,389,662	2,301,520
Liabilities:				
Long-term liabilities outstanding	1,670,833	6,362	1,677,195	1,630,600
Other liabilities	158,607	1,138	159,745	151,060
TOTAL LIABILITIES	1,829,440	7,500	1,836,940	1,781,660
Net assets:				
Invested in capital assets, net of related debt	389,345	113,610	502,955	495,036
Restricted net assets:				
Debt service	70,562		70,562	70,562
Capital projects funds	31,048		31,048	95,743
Urban redevelopment and housing	189,555		189,555	238,187
Other purposes	24,861		24,861	24,861
Unrestricted	(260,074)	(6,185)	(266,259)	(404,529)
TOTAL NET ASSETS	$ 445,297	$ 107,425	$ 552,722	$ 519,860

The City's investment in capital assets of $503.0 million, increased by $7.9 million compared to the previous fiscal year, is attributed to the reduction of long term debt related to capital assets. The City's restricted net assets totaling $316.0 million represents resources that are subject to external restrictions on how they may be used. The unrestricted deficit is primarily caused by the ORA, which issues bonds and other indebtedness to fund urban development and housing projects that are not capitalized as assets.

Governmental activities. The City's change in net assets of $32.9 million for the year ended June 30, 2004 represents an increase of $7 million compared to $25.9 million for the prior fiscal year. The key elements of this increase are listed below.

Changes in Net Assets
June 30, 2004
(In Thousands)

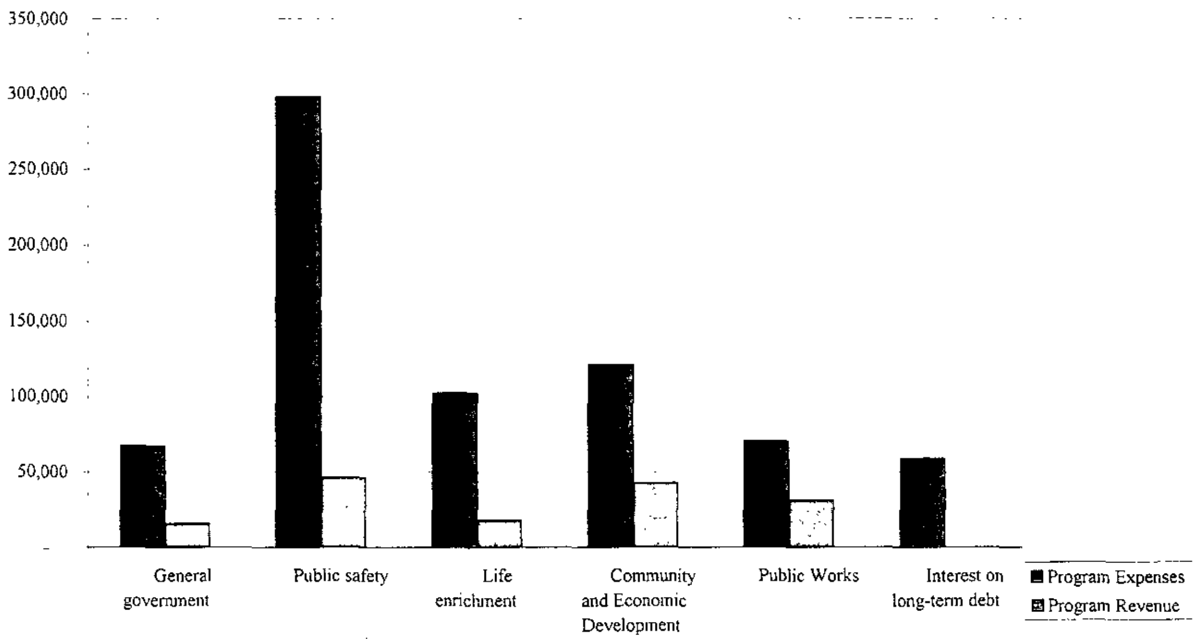
	Governmental Activities	Business-type Activities	2004 Total	2003 * Total
Revenues:				
Program revenues:				
Charges for services	$ 64,832	$ 22,648	$ 87,480	$ 115,773
Operating grants and contributions	78,965		78,965	79,803
Capital grants and contributions	10,366		10,366	9,262
General revenues:				
Property taxes	200,731		200,731	202,297
State taxes	72,906		72,906	79,444
Local taxes	197,873		197,873	199,720
Interest and investment income	5,566	94	5,660	33,375
Other	117,238		117,238	77,363
TOTAL REVENUES	748,477	22,742	771,219	797,037
Expenses:				
General government	67,069		67,069	95,671
Public safety	297,869		297,869	302,273
Life enrichment	102,314		102,314	105,133
Community & economic development	121,160		121,160	110,400
Public works	70,369		70,369	83,548
Interest on long-term debt	58,020		58,020	56,072
Sewer		20,597	20,597	17,960
Parks and recreation		159	159	68
TOTAL EXPENSES	717,601	20,756	738,357	771,125
Change in net assets before transfers	30,876	1,986	32,862	25,912
Transfers	600	(600)		—
Change in net assets	31,476	1,386	32,862	25,912
Net assets at beginning of year	413,821	106,039	519,860	493,948
NET ASSETS AT END OF YEAR	$445,297	$ 107,425	$ 552,722	$ 519,860

* Certain amounts have been reclassified to conform with current year presentation.

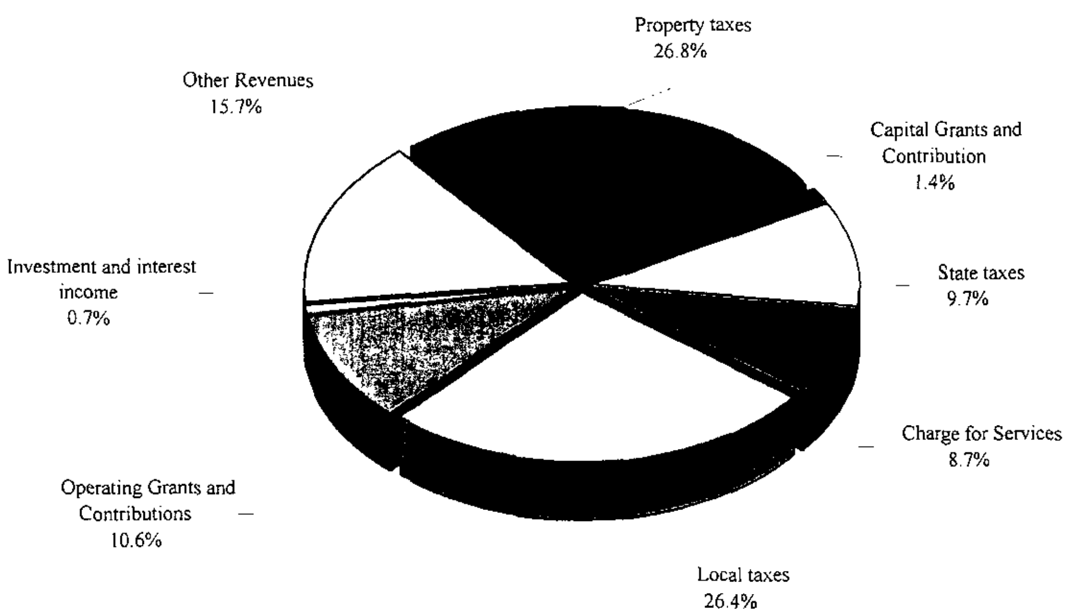
- The City's net assets increased by $7.0 million to $32.9 million for the year ended June 30, 2004 compared to $25.9 million as of June 30, 2003. The increase of $7.0 million is attributed primarily to the City's employees assuming 6% of their retirement contributions and other cost saving measures.

- State taxes declined by $6.5 million primarily due to the reduction in motor vehicle in lieu taxes from the State.

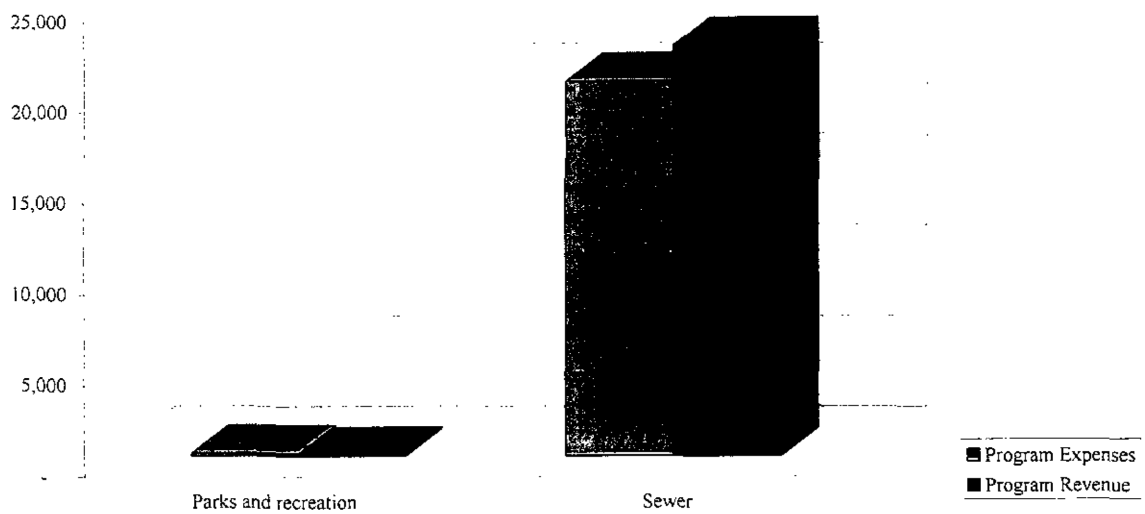
Expenses and Program Revenues
Governmental Activities



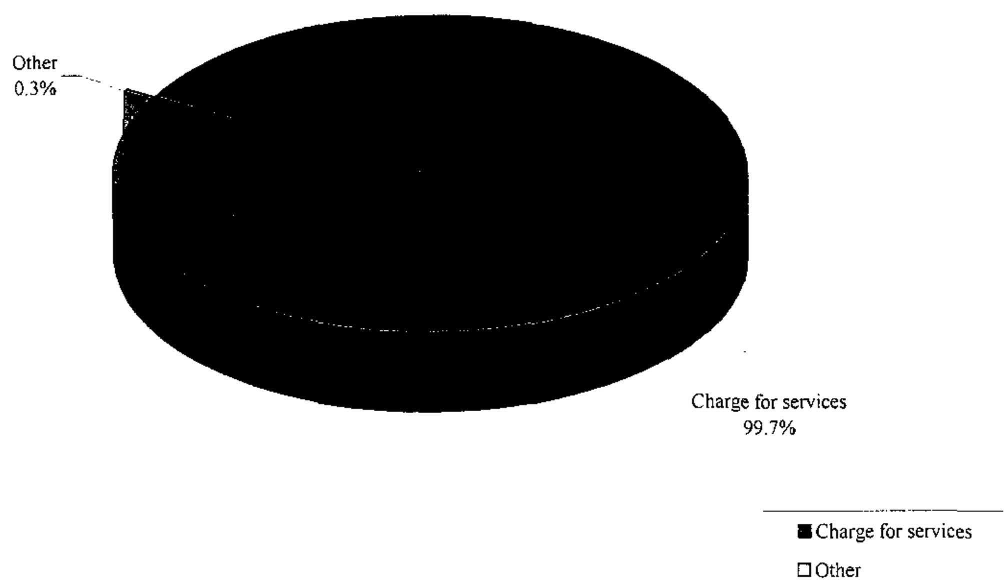
Revenues by Soucres
Govermental Activities



Expenses and Program Revenues
Business-type Activities



Revenues by Source
Business-type Activities



- The reduction in interest and investment income of $27.7 million is attributable to the decline in interest rates for the City's pension annuity and the reduction in fair value of investments.

- The increase of $39.9 million in other revenues is attributed primarily to a revision of the City's allowance for doubtful accounts, as the City re-evaluated the collectibility of its long term notes receivables.

- The $13.0 million reduction in public works expenditures reflects a backlog of work orders and capital improvement projects which are scheduled to be completed in the new fiscal year

- The increase of $10.8 million in community and economic development expenditures is attributable to the completion of projects that were carried forward from the previous fiscal year.

Business-type activities. Business-type activities increased the change in its net assets by $1.4 million for the year ended June 30, 2004. A key element of the increase for Business-type activities is attributed primarily to an 11% annual rate increase and the volume of billings for sewer services as a result of the surge in downtown housing development under the Mayor's 10 K Program. The 10K Program's goal is to develop housing to attract 10,000 new residents to downtown Oakland.

Financial Analysis of the Government's Funds

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

As of June 30, 2004, the City's governmental funds reported combined ending fund balances of $687.3 million compared to $645.5 for the previous fiscal year, as restated. The majority of the $41.8 million increase is attributed to the remaining bond proceeds from the Administration Building refunding and the partial issuance of Measure DD bonds for improvements to the Lake Merritt Project Area.

At June 30, 2004, the Federal/State Grant Fund ended with a negative fund balance of $23.1 million compared to a negative fund balance of $22.1 million for the previous fiscal year. The negative fund balance is due to City advances to pay for grant activities for which the City had recognized grants receivables but deferred revenues for billings to be reimbursed by the grantor agencies.

The Oakland Redevelopment Agency had a fund balance of $209.6 million as of June 30, 2004 which represents an increase of .8% over the prior fiscal year. The net increase of

$1.6 million was primarily related to the improvement in property tax revenues in the project areas.

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

The portion of net assets invested in capital assets, net of related debt amounted to $113.6 million as of June 30, 2004, compared to $110.5 for the previous fiscal year. During the fiscal year, the City capitalized $3.1 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

Differences between the original and the final amended expenditure budget totaling $8.5 million were due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Total general fund actual expenditures compared to the final amended expenditure budget showed net budget savings of $3.6 million for the year ended June 30, 2004, compared to $21.1 million in savings for the previous fiscal year. The net savings is attributed to the assumption of the 6% contribution towards retirement by the City employees.

Actual revenues compared to the final amended general fund revenue budget fell below projections by $3.2 million, compared to $38.9 million for the previous fiscal year. While state taxes, real estate transfer taxes, fines and penalties, and other income accounted for an increase of $31.5 million in revenues, this increase was offset by the shortfall in utility consumption tax of $5.5 million driven by high energy prices, a reduction of $7.6 million in interest and investment income due to the decline in interest rates for pension annuity, and $8.4 million below projections for charges for services.

Capital Assets

The City's capital assets, net of depreciation, totaled $946.0 million as of June 30, 2004 compared to $946.6 million as of June 30, 2003, a decrease of .07%. Governmental activities additions of $44.7 million in capital assets included land acquisition and capitalization of infrastructure, facilities improvements, and furniture and equipment which met the City's threshold for capitalization. These additions were offset by retirements and depreciation, the net effect of which was a reduction of $3.9 million in capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by $3.2 million net of retirements and depreciation.

During its mid-cycle review of the fiscal year 2004-05 budget, the City Council committed funding in the amount of $64.1 million for a number of capital improvement projects. These projects are summarized below (in thousands).

Sewer projects	$ 40,158
Transportation projects	11,647
Parks improvement projects	1,219
Multi-purpose reserve	7,783
Other projects	3,309
Total Commitments	$ 64,116

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75% of $23.0 billion property valuation net of exemptions subject to taxation) was $860.8 million. The total amount of debt applicable to the debt limit was $232.0 million. The resulting legal debt margin was $628.8 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2004, were as follows:

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

As of June 30, 2004, the City had total long-term obligations outstanding of $1.67 billion compared to $1.63 billion outstanding for the prior fiscal year, an increase of 3%. Of this amount, $232.0 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.4 billion is comprised of various long term debt instruments listed below including accruals of year-end estimates for other long term liabilities.

Outstanding Debt
June 30, 2004
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	$ 232,045	$ 167,350	$	$ —	$ 232,045	$ 167,350
Tax allocation bonds	235,555	246,660		—	235,555	246,660
Certificates of participation	54,780	59,115		—	54,780	59,115
Lease revenue bonds	386,200	382,645		—	386,200	382,645
Pension obligation bonds	388,824	408,849		—	388,824	408,849
Special assessment debt with government commitment	7,940	8,463		—	7,940	8,463
Accreted interest on appreciation bonds	52,863	38,259			52,863	38,259
Sewer-notes payable	—	—	6,362	7,045	6,362	7,045

Less: Deferred amounts						
Bond issuance premiums	11,830	12,366		—	11,830	12,366
Bond refunding loss	(20,333)	(19,924)		—	(20,333)	(19,924)
Total bonds payable	1,349,704	1,303,783	6,362	7,045	1,356,066	1,310,828
Notes payable	46,153	49,448			46,153	49,448
Other long-term obligations	274,976	270,324		—	274,976	270,324
TOTAL OUTSTANDING DEBT	$1,670,833	$1,623,555	$6,362	$7,045	$1,677,195	$1,630,600

The City's overall total long term obligations increased by $46.6 million compared to fiscal year 2003. The net increase is primarily attributable to the defeasance of the City's Administration Building issue and new bonds issued for Measure DD as detailed below offset by scheduled principal payments. The notes payable and other long-term obligations increased basically because of the additional amounts provided for compensated absences, workers' compensation, and estimated claims payable for fiscal year 2004.

Summary of New Debt:

Administration Building Interest Rate Swap: The decline in interest rates in recent years provided the City an opportunity to lock in long-term interest rates. On May 21, 2004, the City entered into a floating-to-fixed rate ("fixed-payer") interest rate swap with the Bank of America, N.A. and UBS AG ("Counterparties"). The swap became effective on June 10, 2004, in conjunction with the issuance of the $58,600,000 Series A-1 and $58,600,000 Series A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Oakland Administration Buildings (Auction Rate Securities).

The executed transaction consisted of a $117,200,000, 22-year interest rate swap under which the City will pay the Counterparties a fixed rate of 3.533% and receive 58% of 1-month London Interbank Offer Rate (LIBOR) plus 35 basis points (100 basis points equals 1%).

The City was able to take advantage of current market conditions and create synthetic fixed-rate debt at a very favorable rate. In addition to the decline in the general level of interest rates and after careful review, the City elected to utilize percentage (58%) of LIBOR plus a margin (35 basis points) versus a straight percentage of LIBOR to reduce the basis risk in a lower rate environment (current environment).

General Obligation Bonds, Series 2003A (Measure DD): On August 6, 2003, the City issued $71,450,000 of General Obligation Bonds, Series 2003A, Measure DD. The bonds have interest rates of 2.50% to 5.00% and mature in 2032. These bonds constitute a portion of the total authorized amount of $198,250,000 bonds duly approved by at least two-thirds of the voters voting on Measure DD at the City election held on November 2, 2002.

These bonds provided funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary and creeks in Oakland; improve, renovate and construct youth and public recreational facilities; rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities; and provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary.

GE Capital: On March 22, 2004, the City executed a note with a stated interest rate of 3.75% with GE Capital in the amount of $3.9 million to fund the acquisition of a computer server. The General Fund and the Municipal Improvement Capital Fund will repay the note. The final payment will be made on April 7, 2009.

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

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal year 2004-05.

- The City of Oakland's unemployment rate was 5.9% in January 2004, up from a revised 5.7% in December 2003. This compares with an unemployment rate of 6.1% for California and 5.6% for the nation during the same period.

- The increase in the Consumer Price Index for the Bay Area was 1.9% in 2004 compared to 1.8% in 2003.

- Oakland's vacancy rate for class A and B office space has dropped to 10.2% for the 2004 third quarter compared to 10.9% for the 2003 third quarter. By comparison, the 2004 third quarter Class A vacancy rates for the City of San Francisco and the Silicon Valley were 19.7% and 19.7%, respectively.

- For the 2003 fourth quarter, the average rental rate range per square foot for the City ranged from $1.05 to $2.66 compared to $2.25 for San Francisco and $2.52 for the Silicon Valley.

- Increases in expenditures due to new union contracts, CalPers pension rates, and healthcare costs have been factored into the City's Fiscal Year 2004-05 budget without raising or imposing new taxes.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Assets
June 30, 2004
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
ASSETS					
Cash and investments	$ 236,448	$ 4,570	$ 241,018	$ 97,616	$ 5,936
Receivables (net of allowance for uncollectibles of $11,417)					
Accrued interest	1,199	-	1,199	619	-
Property taxes	10,225	-	10,225	-	-
Accounts receivable	57,974	3,061	61,035	42,113	544
Grants receivable	24,270	-	24,270	-	92
Due from component unit	25,769	-	25,769	-	-
Internal balances	12,678	(12,678)	-	-	-
Due from other governments	6	-	6	-	-
Due from pension trust fund	2,376	-	2,376	-	-
Notes and loans receivable (net of allowance for uncollectibles of $5,615)	174,201	-	174,201	-	-
Restricted assets:					
Cash and investments	430,214	-	430,214	501,515	10,690
Receivables				6,285	
Inventories	1,206	-	1,206	-	-
Capital assets:					
Land and other assets not being depreciated	83,687	3,104	86,791	499,486	-
Facilities, infractructure, and equipment, net of depreciation	742,345	116,868	859,213	1,271,713	977
Property held for resale	71,501	-	71,501	-	79,778
Unamortized bond issuance costs	19,209	-	19,209	-	-
Net pension asset	381,370	-	381,370	-	-
Other	59	-	59	116,366	-
TOTAL ASSETS	2,274,737	114,925	2,389,662	2,535,713	98,017
LIABILITIES					
Accounts payable and other current liabilities	130,494	1,058	131,552	41,386	532
Accrued interest payable	10,747	-	10,747	36,238	-
Due to other governments	2,548	-	2,548	-	5,400
Due to primary government	-	-	-	23,697	2,072
Unearned revenue	9,113	80	9,193	75,913	1,054
Matured bonds and interest payable	520	-	520	-	-
Other	5,185	-	5,185	38,780	697
Noncurrent liabilities:					
Due within one year	142,680	706	143,386	49,432	-
Due in more than one year	1,528,153	5,656	1,533,809	1,561,454	-
TOTAL LIABILITIES	1,829,440	7,500	1,836,940	1,826,900	9,755
NET ASSETS (deficit)					
Invested in capital assets, net of related debt	389,345	113,610	502,955	483,659	977
Restricted net assets					
Debt Service	70,562	-	70,562	175,229	-
Capital projects	31,048	-	31,048	-	-
Urban redevelopment and housing	189,555	-	189,555	-	81,349
Other purposes	24,861	-	24,861	-	-
Unrestricted net assets (deficit)	(260,074)	(6,185)	(266,259)	49,925	5,936
TOTAL NET ASSETS	$ 445,297	$ 107,425	$ 552,722	$ 708,813	$ 88,262

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

City of Oakland
Statement of Activities
For the Year Ended June 30, 2004
(In Thousands)

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units: Port of Oakland	Component Units: Oakland Base Reuse Authority
Primary government:									
Governmental activities:									
General government	$ 67,069	$ 14,913	$ 952	$ -	$ (51,204)	$ -	$ (51,204)		
Public safety	297,869	38,959	7,316	-	(251,594)	-	(251,594)		
Life enrichment	102,314	73	18,145	-	(84,096)	-	(84,096)		
Community and economic development	121,160	7,287	25,047	10,366	(78,460)	-	(78,460)		
Public works	70,369	3,600	27,505	-	(39,264)	-	(39,264)		
Interest on long-term debt	58,820	-	-	-	(58,820)	-	(58,820)		
TOTAL GOVERNMENTAL ACTIVITIES	717,601	64,832	78,965	10,366	(563,438)	-	(563,438)		
Business-type activities:									
Sewer	20,597	22,590	-	-	-	1,993	1,993		
Park and recreation	159	58	-	-	-	(101)	(101)		
TOTAL BUSINESS-TYPE ACTIVITIES	20,756	22,648	-	-	-	1,892	1,892		
TOTAL PRIMARY GOVERNMENT	$ 738,357	$ 87,480	$ 78,965	$ 10,366	(563,438)	1,892	(561,546)		
Component units:									
Port of Oakland	$ 310,030	$ 232,535	$ 5,936	$ 44,795				$ (26,764)	
Oakland Base Reuse Authority	$ 13,152	$ 7,206	$ -	$ 77,624					$ 71,678
General revenues:									
Property taxes					200,731	-	200,731	-	-
State taxes					72,906	-	72,906	-	-
Local taxes					197,873	-	197,873	-	-
Interest and investment income					5,566	94	5,660	3,653	213
Other					117,238	-	117,238	12,874	-
Transfers					600	(600)	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					594,914	(506)	594,408	16,527	213
Changes in net assets					31,476	1,386	32,862	(10,237)	71,891
NET ASSETS - BEGINNING					413,821	106,039	519,860	719,050	16,371
NET ASSETS - ENDING					$ 445,297	$ 107,425	$ 552,722	$ 708,813	$ 88,262

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

CITY OF OAKLAND
Balance Sheet
Governmental funds
June 30, 2004
(In Thousands)

	General	Federal/State Grant Funds	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 51,902	$ -	$ 99,485	$ 24,297	$ 57,264	$ 232,948
Receivables (net of allowance for uncollectibles of $10,033):						
Accrued interest	429	-	232	173	365	1,199
Property taxes	3,161	531	2,731	21	3,781	10,225
Accounts receivable	49,669	2,951	201	1	5,032	57,854
Grants receivable	-	24,248	-	-	22	24,270
Due from component unit	24,527	-	-	-	1,242	25,769
Due from other funds	67,378	3,151	29,449	-	4,679	104,657
Due from other governments	-	-	6	-	-	6
Notes and loans receivable (net of allowance for uncollectibles of $5,615)	37,059	76,814	45,851	-	14,477	174,201
Restricted cash and investments	172,468	2,576	46,081	129,512	64,897	415,534
Property held for resale	-	-	71,501	-	-	71,501
Other	35	24	-	-	-	59
TOTAL ASSETS	$406,628	$ 110,295	$ 295,537	$ 154,004	$ 151,759	$1,118,223
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$114,151	$ 4,212	$ 5,607	$ 1,195	$ 5,299	$ 130,464
Due to other funds	23,571	22,702	9,197	-	12,169	67,639
Due to other governments	-	-	213	-	2,335	2,548
Deferred revenue	31,633	106,504	70,526	21	15,908	224,592
Matured bonds and interest payable	-	-	-	520	-	520
Other	3,965	-	389	612	219	5,185
TOTAL LIABILITIES	173,320	133,418	85,932	2,348	35,930	430,948
Fund balances (deficit)						
Reserved:						
Encumbrances	4,779	12,362	-	1,967	2,694	21,802
Long term receivables	6,000	-	-	-	2,659	8,659
Debt service	-	-	-	-	56,652	56,652
Property held for resale	-	-	71,501	-	-	71,501
Capital project	-	-	136,640	-	-	136,640
Unreserved/(deficit) reported in:						
General fund	222,529	-	-	-	-	222,529
Special revenue funds	-	(35,485)	-	-	40,189	4,704
Capital project funds	-	-	1,464	149,689	13,635	164,788
TOTAL FUND BALANCES (DEFICIT)	233,308	(23,123)	209,605	151,656	115,829	687,275
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$406,628	$ 110,295	$ 295,537	$ 154,004	$ 151,759	$1,118,223

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

CITY OF OAKLAND
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets for Governmental Activities
June 30, 2004
(In Thousands)

Fund balances - total governmental funds	$ 687,275
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	799,589
Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets.	19,209
Net pension asset is recognized in statement of net assets as an asset, however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.	381,370
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(9,354)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.	215,479
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,648,521)
Internal service funds are used by the City to charge the costs of providing supplies and services such as printing, reproduction, and mailing services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liablilties of internal service funds are included in governmental activities in the statement of net assets.	250
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 445,297

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

CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2004
(In Thousands)

	General	Federal/State Grant Funds	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 109,927	$ -	$ 53,330	$ -	$ 37,389	$ 200,646
State:						
Sales and use	36,464	-	-	-	11,296	47,760
Motor vehicle in-lieu	18,178	-	-	-	-	18,178
Gas	-	-	-	-	6,968	6,968
Local:						
Business license	44,223	-	-	-	-	44,223
Utility consumption	48,056	-	-	-	-	48,056
Real estate transfer	55,665	-	-	-	-	55,665
Transient occupancy	9,857	-	-	-	-	9,857
Parking	9,799	-	-	-	-	9,799
Voter approved special tax	-	5,205	-	-	-	5,205
Franchise	11,592	-	-	-	-	11,592
Licenses and permits	13,453	-	-	-	23	13,476
Fines and penalties	26,817	201	-	-	1,171	28,189
Interest and investment income (loss)	(5,100)	1,558	3,754	2,482	4,978	7,672
Charges for services	56,883	207	5,750	55	4,281	67,176
Federal and state grants and subventions	2,147	63,169	-	113	14,489	79,918
Other	23,276	6,828	4,312	4,657	9,535	48,608
TOTAL REVENUES	461,237	77,168	67,146	7,307	90,130	702,988
EXPENDITURES						
Current						
Elected and Appointed Officials						
Mayor	1,767	-	-	9	204	1,980
Council	2,265	7	-	313	1,021	3,606
City Manager	6,117	36	-	669	1,772	8,594
City Attorney	7,518	320	-	7	2,524	10,369
City Auditor	984	-	-	-	32	1,016
City Clerk	1,959	-	-	6	59	2,024
Agencies/Departments						
Personnel Resource Management	3,783	-	-	-	-	3,783
Information Technology	9,033	-	-	1,812	8	10,853
Financial Services	18,247	231	-	40	3,821	22,339
Police Services	160,114	4,989	-	-	1,072	166,175
Fire Services	87,516	693	-	885	2,448	91,542
Life Enrichment:						
Administration	1	-	-	-	-	1
Parks and Recreation	15,841	149	-	-	13,455	29,445
Library	10,497	7,454	-	116	393	18,460
Museum	7,822	-	-	263	242	8,327
Marketing	1,516	25	-	-	826	2,367
Aging & Health and Human Services	5,668	24,775	-	-	2,795	33,238
Cultural Arts	14	4	-	23	-	41
Community and Economic Development	20,152	22,467	38,813	155	11,201	92,788
Public Works	27,475	5,084	-	4,972	22,797	60,328
Other	20,103	945	-	1,500	7,824	30,372
Capital outlay	4,060	9,386	-	8,447	2,886	24,779
Debt service						
Principal repayment	390	961	11,105	495	48,880	61,831
Bond issuance costs	-	-	-	12,874	-	12,874
Interest charges	349	687	15,634	3	46,224	62,897
TOTAL EXPENDITURES	413,191	78,213	65,552	32,589	170,484	760,029
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	48,046	(1,045)	1,594	(25,282)	(80,354)	(57,041)
OTHER FINANCING SOURCES (USES)						
Issuance of refunding bonds	-	-	-	188,650	-	188,650
Proceeds from notes issuance	3,927	-	-	-	-	3,927
Premiums on issuance of bonds	-	-	-	587	-	587
Payment to refunding bond escrow agent	-	-	-	(96,395)	-	(96,395)
Property sale proceeds	1,497	-	-	-	-	1,497
Transfers in	6,300	-	-	8,781	80,323	95,404
Transfers out	(79,580)	-	-	(6,443)	(8,781)	(94,804)
TOTAL OTHER FINANCING SOURCES (USES)	(67,856)	-	-	95,180	71,542	98,866
NET CHANGE IN FUND BALANCES	(19,810)	(1,045)	1,594	69,898	(8,812)	41,825
Fund balances (deficit) - beginning, as originally reported	253,118	(22,078)	189,425	81,758	124,641	626,864
Restatement	-	-	18,586	-	-	18,586
Fund balances (deficit) - beginning, as restated	253,118	(22,078)	208,011	81,758	124,641	645,450
FUND BALANCES (DEFICIT) - ENDING	$ 233,308	$ (23,123)	$ 209,605	$ 151,656	$ 115,829	$ 687,275

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

CITY OF OAKLAND
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities of Governmental Activities
Year Ended June 30, 2004
(In Thousands)

Net change in fund balances - total governmental funds	$ 41,825
Amounts reported for governmental activities in the statement of activities are different because:	
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	86
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	85
Revenues that do not provide current financial resources are not reported as revenues in the funds. This represents the change in the deferred amounts during the current period.	43,285
Some expenses such as claims and vacation and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(13,336)
Amortization of the net pension asset reported in the statement of activities does not require the use of current financial resources and therefore is not reported as an expenditure in the governmental funds.	(6,367)
Some expenditures reported in the governmental funds pertain to the establishment of deferred revenue to offset long-term pass through loans when the loan funds are disbursed thereby reducing fund balance. In the government-wide statements, however, the issuance of long-term pass through loans does not affect the statement of activities.	5,414
Bond issuance costs are expended in governmental funds when paid, and are deferred and amortized over the life of the corresponding bonds for purposes of the statement of net assets. This is the amount by which current year bond issuance costs exceeded amortization expense in the current period.	12,120
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.	
Principal payments	61,831
Payment to escrow agent for refunded debt	96,395
Issuance of bonds and notes	(191,990)
Premium on bond proceeds	(587)
Difference	(34,351)
Amortization of bond premiums	1,123
Amortization of refunding loss	(2,551)
Additional accrued and accreted interest calculated on bonds and notes payable	(8,932)
The net loss of activities of internal service funds is reported with governmental activities	(6,925)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ 31,476

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

CITY OF OAKLAND
Statement of Net Assets
Proprietary Funds
June 30, 2004
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
ASSETS				
Current Assets:				
Cash and investments	$ -	$ 4,570	$ 4,570	$ 3,500
Accounts receivables (net of uncollectibles of $874 and $510 for the enterprise funds and internal service funds, respectively)	3,032	29	3,061	120
Inventories	-	-	-	1,206
Restricted cash and investments	-	-	-	14,680
Total current assets	3,032	4,599	7,631	19,506
Noncurrent Assets:				
Capital assets:				
Land and other assets not being depreciated	2,886	218	3,104	310
Facilities and equipment, net of depreciation	114,851	2,017	116,868	26,133
Total noncurrent assets	117,737	2,235	119,972	26,443
TOTAL ASSETS	120,769	6,834	127,603	45,949
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	1,037	21	1,058	1,423
Due to other funds	12,678	-	12,678	21,964
Deferred revenue	80	-	80	-
Bonds, notes and other payables	706	-	706	5,597
Total current liabilities	14,501	21	14,522	28,984
Noncurrent Liabilities:				
Bonds, notes and other payables	5,656	-	5,656	16,715
Total noncurrent liabilities	5,656	-	5,656	16,715
TOTAL LIABILITIES	20,157	21	20,178	45,699
NET ASSETS				
Invested in capital assets, net of related debt	111,375	2,235	113,610	4,131
Unrestricted (deficit)	(10,763)	4,578	(6,185)	(3,881)
TOTAL NET ASSETS (DEFICIT)	$100,612	$ 6,813	$ 107,425	$ 250

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

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2004
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 58	$ 58	$ -
Sewer services	21,079	-	21,079	-
Charges for services	-	-	-	31,781
Other	1,511	-	1,511	104
TOTAL OPERATING REVENUES	22,590	58	22,648	31,885
OPERATING EXPENSES				
Personnel	11,008	11	11,019	14,319
Supplies	398	-	398	4,633
Depreciation and amortization	3,429	141	3,570	5,444
Contractual services and supplies	1,473	-	1,473	285
Repairs and maintenance	96	-	96	2,130
General and adminsitrative	3,080	1	3,081	3,872
Rental	744	6	750	1,425
Other	-	-	-	5,783
TOTAL OPERATING EXPENSES	20,228	159	20,387	37,891
OPERATING INCOME (LOSS)	2,362	(101)	2,261	(6,006)
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	-	94	94	116
Interest expense	(369)	-	(369)	(1,199)
Other, net	-	-	-	164
TOTAL NONOPERATING REVENUES (EXPENSES)	(369)	94	(275)	(919)
INCOME (LOSS) BEFORE TRANSFERS	1,993	(7)	1,986	(6,925)
Transfers out	(600)	-	(600)	-
Change in net assets	1,393	(7)	1,386	(6,925)
Net Assets - Beginning	99,219	6,820	106,039	7,175
NET ASSETS - ENDING	$ 100,612	$ 6,813	$ 107,425	$ 250

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2004
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers, including other funds and cash deposits	$ 20,905	$ (1)	$ 20,904	$ 31,904
Cash received from tenants for rents	-	58	58	
Cash paid to employees for services	(11,008)	(11)	(11,019)	(14,319)
Cash paid to suppliers for goods & services	(1,585)	14	(1,571)	(10,455)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,312	60	8,372	7,130
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers out	(600)	-	(600)	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(6,660)	(155)	(6,815)	(1,491)
Repayment of long-term debt	(683)	-	(683)	(5,383)
Interest paid on long-term debt	(369)	-	(369)	(1,199)
NET CASH USED IN CAPITAL FINANCING ACTIVITIES	(7,712)	(155)	(7,867)	(8,073)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income received	-	94	94	116
Other investing activities	-	-	-	164
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	94	94	280
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	(1)	(1)	(663)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	-	4,571	4,571	18,843
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ -	$ 4,570	$ 4,570	$ 18,180
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	$ 2,362	$ (101)	$ 2,261	$ (6,006)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	3,429	141	3,570	5,444
Changes in assets and liabilities:				
Receivables	(1,565)	(1)	(1,566)	19
Inventories	-	-	-	(186)
Accounts payable and accrued liabilities	(4)	21	17	136
Deferred revenue	(120)	-	(120)	-
Due to other funds	4,210	-	4,210	7,723
Total adjustments	5,950	161	6,111	13,136
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 8,312	$ 60	$ 8,372	$ 7,130
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	$ -	$ 4,570	$ 4,570	$ 3,500
Restricted cash and investments	-	-	-	14,680
TOTAL	$ -	$ 4,570	$ 4,570	$ 18,180

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

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ASSETS		
Cash and investments	$ 22,664	$ 4,873
Receivables:		
Accrued interest and dividends	2,274	23
Investments and contributions	71,683	-
Restricted:		
Cash and investments	659,955	-
Securities lending collateral	43,556	-
TOTAL ASSETS	800,132	4,896
LIABILITIES		
Accounts payable and accrued liabilities	124,630	5
Due to other funds	2,376	-
Securities lending collateral	43,556	-
Other	-	7
TOTAL LIABILITIES	170,562	12
NET ASSETS		
Net assets held in trust	$ 629,570	$ 4,884

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

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2004
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Member contributions	$ 29	$ -
City contributions	-	5,765
Total contributions	29	5,765
Trust receipts	-	547
Investment income:		
Net appreciation in fair value of investments	64,622	-
Interest	11,742	12
Dividends	4,669	-
Securities lending	633	-
TOTAL INVESTMENT INCOME	81,666	12
Less investment expenses:		
Investment expenses	(1,779)	-
Borrowers rebates and other agent fees on securities lending transactions	(450)	-
Total investment expenses	(2,229)	-
NET INVESTMENT INCOME	79,437	12
TOTAL ADDITIONS	79,466	6,324
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	44,669	-
Disability	24,588	-
Death	2,119	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	71,376	-
Administrative expenses	1,242	1
Change in payable to City	(522)	-
Transfer to CALPERS	1,494	-
Termination refunds of employees' contributions	180	-
Police services	-	1,862
TOTAL DEDUCTIONS	73,770	1,863
Change in net assets	5,696	4,461
NET ASSETS - BEGINNING	623,874	423
NET ASSETS - ENDING	$ 629,570	$ 4,884

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

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NOTES TO BASIC FINANCIAL STATEMENTS

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

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

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

Blended Component Units

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

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

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

Discretely Presented Component Units

The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport; the Port of Oakland Marine Terminal Facilities; and commercial real estate which includes Oakland Portside Associates (OPA), a California limited partnership, and the Port of Oakland Public Benefit Corporation (Port-PBC), a nonprofit benefit corporation. OPA and Port-PBC were dissolved effective June 30, 2004, and all assets were transferred to the Port. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (the Board) that is appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

The Oakland Base Reuse Authority ("OBRA") was established in 1995 as a Joint Powers Authority ("JPA") by the City; the Agency; and the County of Alameda (County). OBRA was established to assure the effective transition of military facilities in Oakland that have been or may be selected for closure. OBRA currently is assuming the effective transition of the Oakland Army Base ("OARB") to the Agency and the Port. Effective July 1, 2003, the governing body amended the JPA agreement, which among other things, changed the composition of the governing body, reducing it to a five-member board consisting of the Mayor of Oakland and four other members of the Oakland City Council (which does not represent the majority of the City Council and therefore the Board is not substantively the same as the City Council).

The votes of a majority of the Governing Body are required to take action on most matters. The revised Joint Powers Assessment requires OBRA to deposit its revenues in the City treasury. The City is responsible for investing and managing such funds. The OBRA is presented in a separate column in the government-wide financial statements.

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

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

In accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the City evaluated potential component units and determined that none of the potential component units were individually significant to the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

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

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

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

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

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property. Property taxes are then due in two equal installments, the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2004.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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

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

Cash and Investments

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

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

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

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

Due From/Due To Other Funds and Internal Balances

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

Interest Rate Swap Agreements

The City enters into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expense resulting from these agreements, no amounts are recorded in the financial statements. Refer to Note 12 for additional information.

Inter-fund Transfers

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

> Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
>
> Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Bond Issuance Costs and Discounts/Premiums

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

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

Inventories

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

Capital Assets

Capital assets, which include land, facilities and improvements, furniture, machinery and equipment, infrastructure (e.g., streets, streetlights, traffic signals, and parks), sewers and storm drains, and capital assets acquired prior to 1980, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures in the general, federal/state grant, ORA, and other governmental funds and as assets in the government-wide and proprietary financial statements to the extent the City's capitalization threshold is met.

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

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

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

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

Property Held for Resale

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

Net Pension Asset

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 15 for the accounting treatment of the net pension asset.

Compensated Absences

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

Retirement Plans

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

Refunding of Debt

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

Fund Balances

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

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

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

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

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

Restricted Net Assets

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

Effects of New Pronouncements

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. This statement is effective for the City's fiscal year ending June 30, 2006.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other postemployment benefits (OPEB) plans. The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. This statement also provides requirements for reporting of OPEB funds by administrators of multiple-employer OPEB plans, when the fund used to accumulate assets and pay benefits or premiums when due is not a trust fund. This statement is effective for the City's fiscal year ending June 30, 2007.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section—an amendment of NCGA Statement No.1.* This statement amends the portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to the basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. This statement is effective for the City's fiscal year ending June 30, 2006.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other nonpension benefits. Collectively, these benefits are commonly referred to as other postemployment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. This statement is effective for the City's fiscal year ending June 30, 2008.

Use of Estimates

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

(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, Port, and OBRA. The City's funds are invested according to the investment policy adopted by the City Council. The objectives of the policy are legality, safety, liquidity, diversity, and yield. The policy addresses soundness of financial institutions in which the City can deposit funds, types of investment instruments permitted by the California Government Code, duration of the investments, and the percentage of the portfolio that may be invested in:

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;
- State of California Local Agency Investment Fund;
- money market mutual funds;
- local city/agency bonds;
- State of California bonds;
- secured obligations and agreements;
- repurchase agreements; and
- reverse repurchase agreements.

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

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

The retirement systems' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities. U.S. fixed income, mortgage loans and real estate. The systems' investment portfolios are managed by external investment managers. During the year ended June 30, 2004, the number of external investment managers was six for the PFRs and one for the OMERS.

Total City deposits and investments at fair value are as follows (in thousands):

	Primary Government				Port	OBRA
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total		
Cash and investments	$ 236,448	$ 4,570	$ 27,537	$ 268,555	$ 97,616	$ 5,936
Restricted cash and investments	430,214	—	659,955	1,090,169	501,515	10,690
Restricted securities lending collateral	—	—	43,556	43,556	—	—
TOTAL	$ 666,662*	$ 4,570	$ 731,048	$1,402,280	$ 599,131	$ 16,626
Deposits	$ 75,029	$ 4,570	$ 38,414	$ 118,013	$ 143,255	$ 2,386
Investments	591,633	—	692,634	1,284,267	455,876	14,240
TOTAL	$ 666,662*	$ 4,570	$ 731,048	$1,402,280	$ 599,131	$ 16,626

*$666,662 consists of all governmental funds and the internal service funds.

Deposits - Primary Government

At June 30, 2004, the carrying amount of the City's deposits was $118,012,555 and the bank balance was $117,526,555. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $3,125,122 was FDIC insured and $114,401,433 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 - Primary Government

The City's investments are categorized to give an indication of the level of custodial credit risk assumed by the City at year-end. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments, with the securities held by the counter-party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments, with the securities held by the counter-party or by its trust department or agent but not in the City's name. There were no investments classified as Category 2 or 3 at June 30, 2004.

At June 30, 2004, investments included the following (in thousands):

	Category 1
Subject to Custodial Credit Risk Categorization	
Federal agency issues	$ 371,228
Commercial paper	23,715
Corporate stocks and bonds	607,503
Investments made with securities lending cash collateral:	
Cash	3,556
Repurchase agreement	40,000
Total	$1,046,002
Investments Not Subject to Custodial Credit Risk Categorization	
Real estate mortgage loans/investments	$ 72
Local Agency Investment Fund (LAIF)	192,407
Life Insurance Annuity Contracts	138,000
Mutual Funds	2,015
Investments lent to broker-dealers with cash collateral:	
Bonds	31,860
Corporate stocks	10,623
Total	$ 374,977
TOTAL INVESTMENTS	$1,420,979
Less: Port of Oakland cash and investments in the City Treasury	(136,712)
TOTAL PRIMARY GOVERNMENT INVESTMENTS	$1,284,267

As of June 30, 2004, the City's investment in LAIF is $192.4 million. The total amount invested by all public agencies in LAIF at that date is approximately $57.6 billion. Of that amount, over 98.4% is invested in non-derivative financial products and 1.6% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Securities Lending Transactions

PFRS is authorized to enter into securities lending transactions which are short term collateralized loans of PFRS securities to brokers-dealers 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% (105% for international) of the market value of loaned U.S. government securities. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults.

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

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

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

As of June 30, 2004, PFRS had securities on loan with a market value of approximately $42,482,919 for cash collateral of $43,555,666.

Derivatives

The City's investment policy permits investments in certain derivatives. There were no derivatives included in the investment pool during the year ended June 30, 2004.

Discretely Presented Component Units

Port of Oakland

The Port's cash and investments are reported as follows at June 30, 2004 (in thousands):

Cash and investments:	
Cash and investments with the City	$ 93,920
Cash on hand	3
Cash in bank accounts	3,693
TOTAL CASH AND INVESTMENTS	97,616
Restricted cash and investments:	
Unexpended bond proceeds restricted for construction	220,346
Unexpended bond proceeds and reserve deposits with fiscal agents	199,840
Deposits in escrow	3,026
Cash and investments with City:	
Passenger and customer facility charges	41,860
Other	933
Restricted deposits with fiscal agents for current debt service	35,510
TOTAL RESTRICTED CASH AND INVESTMENTS	501,515
TOTAL	$599,131

The carrying amount of Port cash and investments is as follows at June 30, 2004 (in thousands):

Cash on hand and at bank	$ 3,696
Government securities money market mutual funds	37,107
U.S. Treasury obligations	11,833
Guaranteed investment contracts	406,936
Cash and investments with the City of Oakland	136,712
Escrow in-lieu of retentions	2,847
TOTAL	$599,131

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.

Restricted Cash and Investments

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

Deposits and Investments

The carrying amount of Port deposits with banks and fiscal agents was $5,248,000 at June 30, 2004. Bank balances of $3,931,000 at June 30, 2004, are insured or collateralized with securities held by the pledging financial institution's trust departments in the Port's name. The difference between the carrying amount and the bank balance was primarily due to deposits in transit and outstanding checks.

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

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

Oakland Base Reuse Authority

Deposits

At June 30, 2004, the carrying amount of OBRA's deposits was $2,385,761 and the bank balance was $2,440,458. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $100,000 was FDIC insured and $2,340,458 was collateralized with securities held by the pledging financial institution in OBRA'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 OBRA's name.

Investments

OBRA's Governing Body has adopted the same investment policy as adopted by the Oakland City Council. Accordingly, all cash and investments are invested in accordance with this policy. The Authority had no investments subject to categorization at June 30, 2004.

Investments consisted of the following at June 30, 2004:

	Amounts
Investments not subject to custodial credit risk categorization:	
Unrestricted, money market mutual funds	$ 5,936
Restricted, Local Agency Investment Fund	8,304
	$ 14,240

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Agency (Agency) are related to advances and interfund loans made by the City for projects, loans and services. The receivable amounts in the Agency relate to project advances made by the Agency for the City. The composition of interfund balances as of June 30, 2004, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

Receivable Fund	Payable Fund	Amount
General Fund	Federal/State Grant Fund	$ 19,808
	Oakland Redevelopment Agency	1,367
	Other Governmental Funds	9,185
	Sewer Service Fund	12,678
	Internal Service Funds	21,964
	Pension Trust Funds	2,376
Federal/State Grant Fund	Oakland Redevelopment Agency	3,151
Oakland Redevelopment Agency	General Fund	23,571
	Federal/State Grant Fund	2,894
	Other Governmental Funds	2,984
Other Governmental Funds	Oakland Redevelopment Agency	4,679
TOTAL		$104,657

INTERFUND TRANSFERS:

	TRANSFERS IN			
TRANSFERS OUT	General Fund	Municipal Capital Improvement Fund	Other Governmental Funds	Total
General Fund	$ —	$ —	$ 79,580	$ 79,580
Municipal Capital Improvement Fund	5,700	—	743	6,443
Other Governmental Funds	—	8,781	—	8,781
Sewer Service Fund	600	—	—	600
TOTAL	$ 6,300	$ 8,781	$ 80,323	$ 95,404

The $79.5 million transfer from the general fund consists of transfers made to provide funding for the following:

$ 8.6 million for the Kids' First Children's Program
$15.3 million for special refunding revenue bonds
$55.6 million for debt service payments

The $5.7 million transfer from the capital projects fund to the general fund is for the Oakland Convention Center operations while $.7 million to other governmental funds is for debt service payments.

The $8.8 million transfer from the other governmental funds is to provide funding for the Convention Center surety bond.

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

INTERFUND LOANS:

Certain interfund loans made from the general fund to the Oakland Redevelopment Agency (ORA) Governmental Fund have been removed as they are not expected to be repaid within a reasonable period of time. The loans continue to be obligations of the ORA, and will be recognized as other financing sources in the general fund upon receipt. The loan balances are as follows:

Oak Center Project	$ 13,038,000
City Center Garage	18,586,000
Total	$ 31,624,000

(5) MEMORANDUMS OF UNDERSTANDING

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

Payments for Special Services are treated as a cost of Port operations and have priority over certain other expenditures of Port revenues. At June 30, 2004, $23,697,000 in Special Services expenses has been accrued as a current liability by the Port and as a receivable by the City.

The Port's legal counsel advised the Port that payments to the City for General Services and Lake Merritt tideland trust purposes are payable only to the extent the Port determines annually that surplus monies are available. Subject to final approvals by the Port and the City, and subject to availability of surplus monies, the Port will reimburse the City annually for General Services and Lake Merritt tideland trust properties. At June 30, 2004, $1,048,000 and $560,000 have been accrued by the Port as a current liability and by Oakland as a receivable for General Services and Lake Merritt tideland trust properties, respectively.

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

(6) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2004, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total Governmental Funds/ Governmental Activities
Pass-through loans	$ 23,196	$ 2,894	$ —	$ 799	$ 26,889
Loans to Oakland Hotel Assoc. Ltd	12,038	—	—	—	12,038
Community Development Block Grant	—	66,329	—	—	66,329
Economic Development loans and other	1,932	12,357	46,425	13,846	74,560
Less: Allowance for uncollectible accounts	(107)	(4,766)	(574)	(168)	(5,615)
TOTAL LOANS, NET	$ 37,059	$ 76,814	$ 45,851	$ 14,477	$ 174,201

(7) CAPITAL ASSETS

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2004, is as follows (in thousands):

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 75,206	$ 1,398	$ —	$ 76,604
Construction in progress	2,576	8,464	3,957	7,083
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	77,782	9,862	3,957	83,687
Capital assets, being depreciated:				
Facilities and improvements	638,514	7,067	—	645,581
Furniture, machinery and equipment	153,101	9,047	1,861	160,287
Infrastructure	335,128	18,801	—	353,929
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,126,743	34,915	1,861	1,159,797
Less accumulated depreciation:				
Facilities and improvements	187,234	20,007	—	207,241
Furniture, machinery and equipment	90,722	12,715	858	102,579
Infrastructure	96,670	10,962	—	107,632
TOTAL ACCUMULATED DEPRECIATION	374,626	43,684	858	417,452
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	752,117	(8,769)	1,003	742,345
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 829,899	$ 1,093	$ 4,960	$ 826,032

(continued)

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Business-type activities:				
Sewer fund:				
Capital assets, not being depreciated:				
Land	$ 4	$ —	$ —	$ 4
Construction in progress	2,041	5,201	4,360	2,882
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	2,045	5,201	4,360	2,886
Capital assets, being depreciated:				
Facilities and improvements	305	1	—	306
Furniture, machinery and equipment	749	—	—	749
Sewers and storm drains	167,313	5,818	—	173,131
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	168,367	5,819	—	174,186
Less accumulated depreciation:				
Facilities and improvements	10	20	—	30
Furniture, machinery and equipment	697	4	—	701
Sewers and storm drains	55,199	3,405	—	58,604
TOTAL ACCUMULATED DEPRECIATION	55,906	3,429	—	59,335
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	112,461	2,390	—	114,851
SEWER FUND CAPITAL ASSETS, NET	114,506	7,591	4,360	117,737
Other proprietary funds:				
Capital assets, not being depreciated:				
Land	218	—	—	218
Capital assets, being depreciated:				
Facilities and improvements	2,043	136	—	2,179
Furniture, machinery and equipment	434	19	—	453
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	2,477	155	—	2,632
Less accumulated depreciation:				
Facilities and improvements	50	141		191
Furniture, machinery and equipment	424	—	—	424
TOTAL ACCUMULATED DEPRECIATION	474	141	—	615
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	2,003	14	—	2,017
OTHER PROPRIETARY FUND CAPITAL ASSETS, NET	2,221	14	—	2,235
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 116,727	$ 7,605	$ 4,360	$ 119,972

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

Governmental activities:	
General government	$ 3,819
Public safety:	
Police services	989
Fire services	2,698
Life enrichment	11,973
Community and economic development	2,470
Public works	16,291
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	5,444
TOTAL	$43,684
Business-type activities:	
Sewer	$ 3,429
Golf	141
TOTAL	$ 3,570

Construction Commitments

The City has active construction projects as of June 30, 2004. The projects include street construction, park construction, building improvements and sewer and storm drain improvements (in thousands).

	Spent to date	Remaining Commitment
Infrastructure – streets	$ 19,026	$ 56,423
Infrastructure – parks	4,231	—
Facility improvements	6,036	19,000
Sewers and storm drains	6,837	20,341
TOTAL	$ 36,130	$ 95,764

Discretely Presented Component Units

Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2004, is as follows (in thousands):

	Balance July 1, 2003	Increases	Decreases	Transfer of Completed Construction	Balance June 30, 2004
Capital assets, not being depreciated:					
Land	$ 226,823	$ 36,127	$ 1,624	$ —	$ 261,326
Construction in progress	302,559	139,239	56,644	(146,994)	238,160
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	529,382	175,366	58,268	(146,994)	499,486
Capital assets, being depreciated:					
Facilities and improvements	524,731	—	20,046	42,852	547,537
Container cranes	160,959	—	10,607	1,869	152,221
Systems and structures	976,935	—	14,080	101,769	1,064,624
Other equipment	35,629	2,270	(357)	504	38,760
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,698,254	2,270	44,376	146,994	1,803,142
Less accumulated depreciation:					
Facilities and improvements	225,062	21,523	9,100	—	237,485
Container cranes	48,858	6,195	8,703	—	46,350
Systems and structures	195,928	34,696	6,118	—	224,506
Other equipment	20,672	2,755	339	—	23,088
TOTAL ACCUMULATED DEPRECIATION	490,520	65,169	24,260	—	531,429
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	1,207,734	(62,899)	20,116	146,994	1,271,713
TOTAL CAPITAL ASSETS, NET	$1,737,116	$ 112,467	$ 78,384	$ —	$1,771,199

The capital assets, net on lease at June 30, 2004, consist of the following (in thousands):

Land	$ 107,174
Container cranes	158,715
Facilities and improvements	689,556
Total	955,445
Less accumulated depreciation	(179,732)
Capital assets, net on lease	$ 775,713

Construction in progress decreased in fiscal 2004 as a result of a decision made by the Port to abandon further design and development of the Airport parking garage and certain other design work at the Airport. Advanced planning, engineering and development costs incurred to date for the terminal and parking garage projects and other capital projects were written down, by approximately $58 million in fiscal year 2004 and are reported as abandoned projects and impaired assets.

Leases

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

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

A summary of revenues from long-term leases for the year ended June 30, 2004, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$ 93,711
Contingent rentals in excess of minimums	10,456
Secondary use of facilities leased under preferential assignments	3,922
	$108,089

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

2005	$107,953
2006	110,851
2007	113,164
2008	112,829
2009	108,350
2010-2014	466,113
2015-2019	346,528
2020-2024	13,051
2025-2029	12,728
2030-2034	11,487
Thereafter	38,181
	$1,441,235

Oakland Base Reuse Authority

Capital asset activity for OBRA during the year ended June 30, 2004 consisted of the following (in thousands):

	Balance July 1, 2003	Increases	Decreases	Balance June 30, 2004
Capital assets, being depreciated:				
Facilities and structures	$ —	$ 1,000	$ —	$ 1,000
Leasehold improvements	249	207	—	456
Total capital assets, being depreciated	249	1,207	—	1,456
Less accumulated depreciation for:				
Facilities and structures	—	314	—	314
Leasehold improvements	25	140	—	165
Total accumulated depreciation	25	454	—	479
Total capital assets, being depreciated, net	$ 224	$ 753	$ —	$ 977

(8) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE

Accounts payable and accrued liabilities payable as of June 30, 2004, for the City's individual major funds, nonmajor funds in the aggregate, business-type activities – enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Checks Payable	Accrued Payroll/ Employee Benefits	Total
Governmental funds:				
General	$ 19,592	$ 3,449	$ 91,110	$ 114,151
Federal/state grant fund	3,150	—	1,062	4,212
Oakland Redevelopment Agency	4,214	—	—	4,214
Municipal Capital Improvement Fund	924	—	271	1,195
Other governmental funds	5,039	—	260	5,299
Governmental activities-				
Internal service funds	1,356	—	67	1,423
TOTAL	$ 34,275	$ 3,449	$ 92,770	$ 130,494
Business-type activities – Enterprise Funds:				
Parks and Recreation	$ 21	$ —	$ —	$ 21
Sewer service	355	—	682	1,037
TOTAL	$ 376	$ —	$ 682	$ 1,058

Accounts payable and accrued liabilities for the pension trust funds at June 30, 2004, are as follows (in thousands):

Accounts payable	$ 6
Investment payable	118,342
Accrued investment management fees	386
Member benefits payable	5,896
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 124,630

(9) DEFERRED REVENUE

Governmental funds report deferred revenue in connection with unearned revenue and receivables for revenues not considered available to liquidate liabilities of the current period. Governmental and enterprise funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At June 30, 2004, the various components of deferred revenue and unearned revenue reported were as follows:

	Unavailable	Unearned
Major funds:		
General Fund	$ 23,473	$ 8,160
Federal and State Grants Funds	105,551	953
Oakland Redevelopment Agency	70,526	—
Municipal Capital Improvement Fund	21	
Non-major Funds:		
Other Governmental Funds	15,908	—
TOTAL GOVERNMENTAL ACTIVITIES	$ 215,479	$ 9,113

(10) PROPERTY HELD FOR RESALE

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

	July 1, 2003	Purchases	Sales	June 30, 2004
Property held for resale	$71,925	$ 1,898	$ 2,322	$71,501

Discretely Presented Component Unit

Oakland Base Reuse Authority

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

	July 1, 2003	Conveyance	Transfer	June 30, 2004
Property held for resale	$ —	$ 85,028	$ 5,250	$79,778

On August 7, 2003, the Army conveyed approximately 366 acres of Oakland Army Base (the EDC property), plus certain buildings and improvements, to OBRA. The conveyance from the Army is treated as a donation; accordingly, the land conveyed to OBRA was recorded at its total estimated fair market value of $81,775,000. As part of the conveyance agreement, OBRA agreed to pay the Oakland Army Base Workforce Development Collaborative (Workforce Collaborative) an amount to be negotiated. OBRA and the Workforce Collaborative finalized an agreement on December 14, 2004, which provided that OBRA, ORA and the Port would pay a total of $10,800,000 to the Workforce Collaborative. Under a separate agreement between OBRA and the Port dated July 31, 2003, the two parties agreed to each pay 50 percent of the $10,800,000 liability.

OBRA recorded capital contributions of $74,407,184 and payable of $5,400,000 to the Workforce Collaborative during the year ended June 30, 2004 to reflect the conveyance of the land. All expenditures directly associated with the conveyance of the EDC property incurred prior to August 7, 2003 were included in other assets, and transferred to property held for resale on this date. OBRA incurred property-related expenditures between August 7, 2003 and June 30, 2004 that have been recorded in property held for resale.

Immediately after OBRA obtained title to the EDC property, 70 acres (including 50 acres of submerged property) were conveyed to the Port at a fair value of $5,250,000

(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of .92%. Principal and interest were paid on June 30, 2004.

The short-term debt activity for the year ended June 30, 2004, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax and Revenue Anticipation Notes	$—	$ 76,325	$ (76,325)	$—

(12) LONG-TERM OBLIGATIONS

Long-term Obligations

The following is a summary of long-term obligations for the year ended June 30, 2004 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
General obligation bonds (A)	2032	4.25-8.50%	$ 232,045
Tax allocation bonds (B)	2033	4.00-8.03%	235,555
Certificates of participation (C)	2015	2.25-6.45%	59,594
Lease revenue bonds (C) (includes accreted interest)	2026	2.25-5.90%	386,200
Pension obligation bonds (D) (includes accreted interest)	2022	5.63-7.31%	436,873
City guaranteed special assessment district bonds (D)	2024	3.70-6.70%	7,940
Notes payable (C) & (E)	2016	4.11-14.48%	46,153
Accrued vacation and sick leave (C)			37,436
Self-insurance liability for workers' compensation (C)			94,874
Estimated claims payable (C)			48,716
Pledge obligation for authority debt (C)			93,950
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS			1,679,336
DEFERRED AMOUNTS:			
Bond issuance premiums			$ 11,830
Bond refunding loss			(20,333)
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS, NET			$1,670,833

Debt service payments are made from the following sources:

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

Business-Type Activities

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
Sewer fund – notes payable	2014	3.0-3.5%	$ 6,362
BUSINESS-TYPE ACTIVITIES – TOTAL LONG-TERM OBLIGATIONS			$ 6,362

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
Parity bonds	2032	2.75-8.00%	$ 1,418,586
Notes and loans	2029	1.25-6.80%	194,983
			1,613,569
Self-insurance liability for workers' compensation			3,000
Total			1,616,569
Unamortized bond discount and premium, net			(99)
Deferred loss on refunding			(5,584)
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			$ 1,610,886

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures held by the City and Agency. Management believes that the City and Agency are in compliance.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2004, the City's debt limit (3.75% of valuation subject to taxation) was \$860,823,608. The total amount of debt applicable to the debt limit was \$232,045,000. The resulting legal debt margin was \$628,778,608.

Interest Rate Swaps

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2

Objective of the interest rate swap. As a means to lowering its borrowing costs, the City of Oakland (the "City") entered into a Forward Swap (the "Swap") in connection with its $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2. The intent of the interest rate swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 5.6775% through the end of the swap agreement in 2021. On April 25, 2000, the Swap was assigned to Goldman Sachs Mitsui Marine Derivative Products, U.S., L.P (the "Counterparty") in the notional amount of $170,000,000. On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate (the "65% of LIBOR Rate"). This amendment resulted in the City receiving approximately $5,975,000 from Goldman Sachs reflecting the change in market value. Furthermore, the funds received and the change in the Swap index should result in a lower cost of borrowing when used in combination with the Bonds, and will enhance the relationship between risk and return with respect to the City's overall bond program. As of June 30, 2004, the notional amount to be amortized was $137,500,000 and the amount of outstanding bonds was $152,100,000. A third party bond insurer insures the interest and principal payments on the bonds.

Terms. The bonds mature on July 31, 2021, and are subject to mandatory tender on August 1, 2008. The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2004 of $137,500,000. The notional amount of the swap and the par amount of the Bonds each decline according to the same schedule through 2021. The Swap was entered into at the same time the Bonds were issued (January 1997). Under the Swap, the Authority pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The Authority then pays the bondholder a tax-exempt variable rate of interest. The Authority's payments to the counterparty under the swap agreement are insured by the third party bond insurer.

Fair Value. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of $23,909,103 as of June 30, 2004. As the coupons on the Bonds adjust as LIBOR adjusts, the Bonds do not have a corresponding fair value increase. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated AAA by Moody's Investors Service, and AA+ by Standard and Poor's as of June 30, 2004. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

Basis Risk. Another risk associated with the synthetic fixed rate swap is basis risk. This is the risk that as the City receives a floating rate index on the swap to offset the variable rate it pays on its underlying variable rate bonds, these two variable rate cash flows could potentially mismatch. The swap agreement provides that the payment received by the City shall be at 65% of 1-month LIBOR.

Termination Risk. An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the Swap if the counterparty fails to perform under the terms of the contract. The City also may terminate the Swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer within 30 days of the counterparty's ratings falling below "A3" by Moody's Investors Service or "A-" by Standard and Poor's.

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

Swap Payments and Associated Debt. Under rates as of June 30, 2004, debt service requirements of the variable-rate Bonds and net swap payments, *assuming current interest rates remain the same* through the July 2021 termination date of the Swap and the mandatory tender date on the Bonds, are as follows (in thousands):

Year ending June 30	Principal	Interest	Interest Rate Swap, Net	Total Debt Service*
2005	$ 9,200,000	$ 3,318,750	$ 4,555,148	$ 17,073,898
2006	9,000,000	3,114,000	4,243,245	16,357,245
2007	8,900,000	2,912,625	3,936,484	15,749,109
2008	8,700,000	2,714,625	3,634,864	15,049,489
2009	8,500,000	2,521,125	3,340,099	14,361,224
2010	8,300,000	2,332,125	3,052,189	13,684,314
2011	8,100,000	2,147,625	2,771,134	13,018,759
2012	7,900,000	1,967,625	2,496,934	12,364,559
2013	7,700,000	1,792,125	2,229,589	11,721,714
2014	7,500,000	1,621,125	1,969,099	11,090,224
2015	7,300,000	1,454,625	1,715,464	10,470,089
2016	7,100,000	1,292,625	1,468,684	9,861,309
2017	6,800,000	1,136,250	1,230,473	9,166,723
2018	6,700,000	984,375	999,116	8,683,491
2019	6,500,000	835,875	772,901	8,108,776
2020	6,500,000	689,625	550,114	7,739,739
2021	6,400,000	544,500	329,040	7,273,540
2022	21,000,000	40,688	109,680	21,150,368
TOTALS	$ 152,100,000	$ 31,420,313	$ 39,404,257	$222,924,570

* Calculated at a fixed swap interest rate of 5.677% and using 2.25% as the variable rate on the Series 1998 A/1 & A/2 Bonds.

Administration Building

Objective of the Interest Rate Swap. The decline in interest rates in recent years provided the City an opportunity to lock in long-term interest rates. On May 21, 2004, the City entered into a floating-to-fixed rate ("fixed-payer") interest rate swap with Bank of America, N.A. and UBS AG ("Counterparties"). The swap became effective on June 10, 2004, in conjunction with the issuance of the $58,600,000 Series A-1 and $58,600,000 Series A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, Oakland Administration Buildings (Auction Rate Securities).

The executed transaction consisted of a $117,200,000, 22-year interest rate swap under which the City will pay the Counterparties a fixed rate of 3.533% and receive 58% of 1-month London Interbank Offer Rate (LIBOR) plus 35 basis points (100 basis points equals 1%).

The City was able to take advantage of current market conditions and create synthetic fixed-rate debt at a very favorable rate. In addition to the decline in the general level of interest rates and after careful review, the City elected to utilize percentage of LIBOR (58%) plus a margin (35 basis points) versus a straight percentage of LIBOR to reduce the basis risk in a lower rate environment (current environment).

Terms. The bonds mature on August 1, 2026, and are subject to optional redemption while any Auction Rate is in effect with respect to a Series of the 2004 Series A Bonds equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium. The swaps terminate on August 1, 2026, and have a total notional amount of $117,200,000 as of June 30, 2004. The trade date of the swap was May 21, 2004, and became effective on June 10, 2004, at which time the bonds were issued. Under the swap, the City pays the counterparties a fixed rate of 3.533% and receives a variable payment computed at 58% of 1-month LIBOR plus 35 basis points. The Authority then pays the bondholder a tax-exempt variable rate of interest.

Fair Value. As of June 30, 2004, the interest rate swap with Bank of America, N.A. (notional amount of $58,600,000) had a negative fair value of $942,013 and the interest rate swap with UBS AG (notional amount of $58,600,000) had a negative fair value of $951,381. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The counterparties were rated as follows as of June 30, 2004: Bank of America, N.A. (Aa1 by Moody's Investors Service and AA- by Standard and Poor's), and UBS AG (Aa2 by Moody's Investors Service and AA+ by Standard and Poor's).

To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's the swap agreement provides the counterparty, the City, the bond insurer for the Bonds, and a third party collateral agent are to execute a collateral agreement establishing the type of collateral, the amount of collateral, the collateral agent, and the terms of the collateral agreement.

Basis Risk. Another risk associated with the synthetic fixed rate swap is basis risk. This is the risk that as the City receives a floating rate index on the swap to offset the variable rate it pays on its underlying variable rate bonds, these two variable rate cash flows could potentially mismatch. The swap agreement provides that the payment received by the City shall be at 58% of 1-month LIBOR plus 35 basis points.

Termination Risk. An interest rate swap has some degree of termination risk. Linked to counterparty risk, a termination of the swap will result in a payment being made or received by the City depending on the then prevailing interest rate environment. The City may terminate the swap if the counterparty fails to perform under the terms of the contract. The City may also terminate the swap if the counterparty fails to execute a collateral agreement satisfactory to the City and the bond insurer if the counterparty's ratings fall below "A3" by Moody's Investors Service or "A-" by Standard and Poor's. The termination events are bilateral agreements between the City and the counterparties. If the swap is terminated, the variable rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. The following table presents the estimated debt service requirements for the 2004 Series A Bonds. Under rates as of June 30, 2004, debt service requirements of the variable-rate bonds and net swap payments, assuming current interest rates remain the same through the August 21, 2026, maturity date.

Year Ending June 30	Principal	Interest	Interest Rate Swap, Net	Total Debt Service*
2005	$ 4,650,000	$ 910,979	$ 1,663,812	$ 7,224,791
2006	3,350,000	1,385,937	2,531,276	7,267,213
2007	3,475,000	1,343,281	2,453,368	7,271,650
2008	3,575,000	1,299,218	2,372,893	7,247,111
2009	3,750,000	1,253,437	2,289,278	7,292,715
2010	3,875,000	1,205,781	2,202,238	7,283,020
2011	4,050,000	1,156,250	2,111,775	7,318,025
2012	4,175,000	1,104,843	2,017,886	7,297,730
2013	4,375,000	1,051,406	1,920,288	7,346,694
2014	4,525,000	995,781	1,818,694	7,339,476
2015	4,675,000	938,281	1,713,676	7,326,958
2016	4,875,000	878,593	1,604,663	7,358,257
2017	5,050,000	816,562	1,491,369	7,357,932
2018	5,275,000	752,031	1,373,509	7,400,541
2019	5,450,000	685,000	1,251,084	7,386,084
2020	5,675,000	615,468	1,124,092	7,414,560
2021	5,900,000	543,125	991,963	7,435,088
2022	6,125,000	467,968	854,698	7,447,666
2023	6,375,000	389,843	712,010	7,476,854
2024	6,600,000	308,750	563,901	7,472,651
2025	6,875,000	224,531	410,083	7,509,615
2026	7,125,000	137,031	250,273	7,512,305
2027	7,400,000	46,250	84,471	7,530,721
TOTALS	$ 117,200,000	$ 18,510,346	$33,807,300	$ 169,517,646

*Calculated at a fixed swap interest of 3.533% and using 1.25% as the variable rate on the Series 2004A Bonds. Actual debt service may be higher or lower than the synthetic rate.

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2004, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2003	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements and Net Decreases	Balance at June 30, 2004	Amounts Due Within One Year
Bonds Payable					
General obligation bonds	$ 167,350	$ 71,450	$ 6,755	$ 232,045	$ 6,320
Tax allocation bonds	246,660	—	11,105	235,555	9,830
Certificates of participation	59,115	—	4,335	54,780	4,585
Lease revenue bonds	382,645	117,200	113,645	386,200	22,005
Pension obligation bonds	408,849	—	20,025	388,824	22,420
City guaranteed special assessment district bonds	8,463	—	523	7,940	530
Accreted interest on appreciation bonds	38,259	14,604	—	52,863	—
Less deferred amounts:					
Bond issuance premiums	12,366	587	1,123	11,830	1,095
Bond refunding loss	(19,924)	(2,960)	(2,551)	(20,333)	(2,672)
TOTAL BONDS PAYABLE	1,303,783	200,881	154,960	1,349,704	64,113
Notes payable	49,448	3,927	7,222	46,153	7,662
Other Long Term Liabilities					
Accrued vacation and sick leave	32,798	30,502	25,864	37,436	26,525
Self-insurance workers' compensation	91,367	21,181	17,674	94,874	24,384
Pledge obligation for authority debt	96,590	—	2,640	93,950	2,800
Estimated claims payable	49,569	7,452	8,305	48,716	17,196
TOTAL OTHER LONG TERM LIABILITIES	270,324	59,135	54,483	274,976	70,905
TOTAL GOVERNMENTAL ACTIVITIES – LONG TERM OBLIGATIONS	$1,623,555	$ 263,943	$ 216,665	$1,670,833	$ 142,680

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2004, $22.3 million of notes payable related to the internal service funds are included in the above amounts.

Business-Type Activities

	Balance at July 1, 2003	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements and Net Decreases	Balance at June 30, 2004	Amounts Due Within One Year
Sewer fund – notes payable	$ 7,045	$—	$683	$6,362	$706

Component Unit - Port of Oakland

	Balance at July 1, 2003	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements and Net Decreases	Balance at June 30, 2004	Amounts Due Within One Year
Parity bonds	$1,427,827	$ —	$ 9,241	$1,418,586	$ 8,155
Notes and loans	197,879	1,307	4,203	194,983	37,852
Self-insurance workers' compensation	3,000	1,184	1,184	3,000	3,000
TOTAL	1,628,706	2,491	14,628	1,616,569	49,007
Unamortized bond discount/premium, net	796	(34)	861	(99)	789
Deferred loss on refunding	(5,948)	—	(364)	(5,584)	(364)
TOTAL DEBT	$1,623,554	$ 2,457	$ 15,125	$1,610,886	$49,432

Repayment Schedule

The annual requirements to amortize all long-term debt as of June 30, 2004, are as follows (in thousands):

	2005	2006	2007	2008	2009	2010-2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2038	Total
Government-type Activities:												
General obligation bonds:												
Principal	$ 6,320	$ 6,540	$ 6,770	$ 7,095	$ 7,450	$ 43,755	$ 54,340	$ 50,275	$ 26,830	$ 22,670	$ —	$ 232,045
Interest	11,981	11,689	11,384	11,068	10,723	47,502	34,654	19,185	9,674	2,718	—	170,578
Certificates of participation:												
Principal	4,585	4,465	4,749	5,300	5,620	26,675	8,200	—	—	—	—	59,594
Interest	1,898	1,718	3,068	3,007	1,693	4,423	332	—	—	—	—	16,139
Lease revenue bonds:												
Principal	22,005	20,885	21,305	21,625	22,070	118,915	73,420	64,575	21,400	—	—	386,200
Interest	16,382	16,818	15,772	14,831	13,736	51,067	24,879	9,380	1,153	—	—	164,018
Pension obligation bonds:												
Principal	22,420	25,020	27,850	30,920	34,250	133,550	97,879	64,984	—	—	—	436,873
Interest	11,534	9,928	8,118	6,091	3,833	54,344	125,226	138,606	—	—	—	357,680
City guaranteed special assessment bonds:												
Principal	530	285	285	305	320	1,745	1,745	2,170	555	—	—	7,940
Interest	411	390	377	361	345	1,447	981	449	13	—	—	4,774
Tax allocation bonds:												
Principal	9,830	10,325	10,920	11,165	11,775	67,915	82,155	19,815	5,065	6,590	—	235,555
Interest	13,396	12,876	12,301	11,674	11,038	44,423	22,146	4,022	2,422	901	—	135,199
Notes payable:												
Principal	7,662	6,335	6,958	4,111	4,155	16,932	—	—	—	—	—	46,153
Interest	1,473	1,168	1,228	469	284	3,557	—	—	—	—	—	8,179
TOTAL PRINCIPAL	$ 73,352	$ 73,855	$ 78,837	$ 80,521	$ 85,640	$409,487	$317,739	$201,819	$ 53,850	$ 29,260	$ —	$1,404,360
TOTAL INTEREST	$ 57,075	$ 54,587	$ 52,248	$ 47,501	$ 41,652	$206,763	$208,218	$171,642	$ 13,262	$ 3,619	$ —	$ 856,567

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

	2005	2006	2007	2008	2009	2010-2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2038	Total
Business-type Activities:												
Sewer Notes												
Principal	$ 706	$ 730	$ 755	$ 780	$ 806	$ 2,585	$ —	$ —	$ —	$ —	$ —	$ 6,362
Interest	223	185	160	135	109	188	—	—	—	—	—	1,000

Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2004, are as follows (in thousands):

Fiscal year ending	Principal	Interest	Total
2005	$ 46,005	$ 79,566	$ 125,571
2006	165,424	77,083	242,507
2007	20,052	76,779	96,831
2008	28,301	76,504	104,805
2009	33,656	75,714	109,370
2010-2014	227,486	329,242	556,728
2015-2019	288,111	255,545	543,656
2020-2024	274,998	177,958	452,956
2025-2029	315,115	98,252	413,367
2030-2033	214,421	19,634	234,055
SUBTOTAL	1,613,569	1,266,277	2,879,846
Unamortized bond (discount) premium, net	(99)	—	(99)
Current maturities of long term debt and amortization	(46,432)	—	(46,432)
Deferred loss on refunding	(5,584)	—	(5,584)
TOTAL	$1,561,454	$1,266,277	$2,827,731

Net interest costs of $16,307 were capitalized in fiscal 2004, following the capitalization of interest revenue of $13,574. Total capitalized interest expense amounted to $29,881 for fiscal 2004.

General Obligation Bonds, Series 2003A (Measure DD)

On August 6, 2003, the City issued $71,450,000 of General Obligation Bonds, Series 2003A, Measure DD. The bonds have interest rates of 2.50% to 5.00% and mature in 2032. These bonds constitute a portion of the total authorized amount of $198,250,000 bonds duly approved by at least two-thirds of the voters voting on Measure DD at the City election held on November 5, 2002.

These bonds provided funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary and creeks in Oakland; improve, renovate and construct youth and public recreational facilities; rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities; and provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary.

GE Capital

On March 22, 2004, the City executed a note with a stated interest rate of 3.75% with GE Capital in the amount of $3.9 million to fund the acquisition of a computer server. The General Fund and the Municipal Improvement Capital Fund will repay the note. The final payment will be made on April 7, 2009.

Current Year Refunding

$58,600,000 Series A-1 & $58,600,000 Series A-2 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings), 2004 (Auction Rate Securities). The 2004 Bonds were issued by the Oakland Joint Powers Financing Authority on June 10, 2004, to refund and defease all of the Authority's outstanding Lease Revenue Bonds (Oakland Administration Buildings) Series 1996 which were issued to finance a portion of the design, construction, rehabilitation, and equipping of two buildings that are part of the administrative center of the City of Oakland, finance certain public capital projects of the City, pay the premium for a financial guaranty insurance policy and a debt service reserve surety bond, and pay certain of the costs of issuance.

The refunding resulted in the recognition of a deferred accounting loss of $2,960,000 for the fiscal year ended June 30, 2004. The City in effect reduced its aggregate debt service payments by approximately $4,114,150 over the next 22 years and obtained a net economic gain (difference between the present value of the old and the new debt service payments) of $2,959,649.

The bonds, insured by AMBAC Assurance Corporation, and rated Aaa/AAA, by Moody's and S&P, respectively, are limited obligations of the Authority payable solely from lease revenues from the City, as lessee, to the Authority, as lessor.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2004, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to $56.5 million.

Authorized and Unissued Debt

The net amount of authorized and unissued governmental activities – general obligation bonds as of June 30, 2004, was $21 million (Measure G). These bonds were authorized by the voters, in a City election, on March 5, 2002. The bonds are to be issued by the City to acquire, renovate, improve, construct, and finance existing and additional educational facilities for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center.

Also, the City has $126.8 million (Measure DD) General Obligation Bonds authorized and unissued. The voters, in a City election on November 5, 2002, authorized these bonds. The bonds are to be issued by the City in general obligation bonds for the improvement of Lake Merritt, the Estuary, inland creeks, Studio One, and other specifically identified projects in the City.

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The debt issued and outstanding at June 30, 2004, follows (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2004
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	$ 64,425	01/01/29	$ 63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/29	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	1,245
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1988	23,000	07/01/08	9,970
City of Oakland Refunding Revenue Bonds (Oakland YMCA Project), Series 1996	8,650	06/01/10	5,115
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	19,800
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc.)	5,800	07/01/33	5,800
TOTAL			$ 121,075

(13) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2004 and 2003, are as follows (in thousands):

	2004	2003
Workers' Compensation		
Unpaid claims, beginning of fiscal year	$ 91,367	$ 90,694
Current year claims and changes in estimates	21,181	15,598
Claim payments	(17,674)	(14,925)
Unpaid claims, end of fiscal year (see Note 12)	$ 94,874	$ 91,367
General Liability		
Unpaid claims, beginning of fiscal year	$ 49,569	$ 45,242
Current year claims and changes in estimates	7,452	13,395
Claims payments	(8,305)	(9,068)
Unpaid claims, end of fiscal year (Note 12)	$ 48,716	$ 49,569

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

Primary Government

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries of 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 and has excess reinsurance with the California State Association of Counties – Excess Insurance Authority as described below.

Property Damage

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

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2004, the amount of liability determined to be probable of occurrence is approximately $48,716,000. Of this amount, claims and litigation approximating $17,196,000 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the Agency are 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 City and the Agency or changes in financial position.

The City has not accumulated or segregated assets or reserved fund balance for the payment of estimated claims and judgments.

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the $94,874,000 in accrued liabilities, approximately $24,384,000 is estimated to be due within one year.

Insurance Coverage

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

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

Discretely Presented Component Unit

Workers' Compensation

The Port is exposed to risk of loss related to injuries of employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of $1 million per accident. Effective February 7, 1997, the Port carries commercial insurance for claims in excess of $1 million. The statutory limit on the Port's commercial insurance policy is $25 million.

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

	2004	2003
Workers' compensation liability at beginning of fiscal year	$ 3,000	$ 3,000
Current year claims and changes in estimates	1,184	1,018
Claim payments	(1,184)	(1,018)
Workers' compensation liability at end of fiscal year	$ 3,000	$ 3,000

General Liability

The Port maintains general liability insurance in excess of specified deductibles. For the airport, coverage is provided in excess of $250,000 in the aggregate up to a maximum of $200,000,000. For the harbor area and the Port's real estate holdings, coverage is provided in excess of $1,000,000 per occurrence up to an aggregate amount of $150,000,000. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable. Amounts have been accrued as other liabilities.

(14) JOINT VENTURE

Oakland-Alameda County Coliseum

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

In August 1995, the Authority issued $9,200,000 in Fixed Rate Refunding Lease Revenue Bonds and $188,500,000 in Variable Rate Lease Revenue Bonds (collectively known as the Stadium Bonds) to satisfy certain obligations of the Authority, the City, the County, the Corporation and Oakland-Alameda County Coliseum Inc. (Coliseum Inc.), which manages the operations of the Coliseum Complex, to finance the costs of remodeling the stadium portion of the Coliseum complex as well as relocating the Raiders football franchise to the City. In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid by the Authority.

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

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

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

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

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

On September 27, 1997, the City of Oakland, the County of Alameda, and the Oakland-Alameda County Coliseum Authority, collectively known as the "East Bay Entities", filed suit against the Oakland Raiders and A.D. Football, Inc. (collectively, "Raider Management") for breach of contract, declaratory relief and interference with prospective economic advantage. The suit asks for compensatory and punitive damages with regards to revenues lost as a result of actions by Raider Management, and for declaratory relief concerning (1) the parties' rights, duties and obligations under the Master Agreement concerning the naming rights for the Stadium, (2) whether Raider Management's claims of fraudulent inducement have merit and whether Raider Management has the right to rescind or terminate the Master Agreement, and (3) under the Visiting Team Share Agreement concerning the reimbursement of legal fees and costs Raider management filed a cross-complaint seeking the right to rescind the Master Agreement and seeking damages for breaches of the Master Agreement and for fraudulent inducement. In a series of decisions, the court has ruled that (1) the Raiders Management cannot rescind or terminate its lease; and (2) the East Bay Entities do not have claims for damages. Raider Management increased their claim against the East Bay Entities to $1.1 billion for damages; and (3) Coliseum, Inc. was the only East Bay entity against which the fraud claims could be tried related to claims of fraudulent inducement. Prior to the trial, Raider Management agreed to arbitrate all breach of contract claims. At the conclusion of the trial, the jury found no liability on the fraud claims, but did award the Raiders damages of $35 million for negligent misrepresentation. This judgment has been entered only against Coliseum, Inc. Attorneys for the Oakland-Alameda County Coliseum, Inc. have filed an appeal of that decision. The judgment has been fully stayed pending the outcome of the appeal. The decision on the appeal is not expected until mid-2005.

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

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

For the period ending June 30,	Stadium Debt Principal	Stadium Debt Interest	Arena Debt Principal	Arena Debt Interest
2005	$ 5,600	$ 7,276	$ 2,500	$ 8,097
2006	6,100	6,949	2,700	7,938
2007	5,500	6,606	3,000	7,766
2008	5,800	6,289	3,100	7,575
2009	6,200	5,924	3,300	7,377
2010-2014	37,500	24,794	20,700	33,360
2015-2019	47,400	17,340	29,100	25,729
2020-2024	60,000	8,151	40,900	14,991
2025-2026	13,800	320	20,800	2,039
TOTAL	$187,900	$83,649	$126,100	$114,872

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

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2004, the City made contributions of $10,000,000 to fund its share of operating deficits and debt service payments of the Authority.

The Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the $20.5 million appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $9,650,000 for the 2004-05 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of $93,950,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

(15) PENSION PLANS

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

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

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

As of June 30, 2004 and 2003, the investment portfolio contained the following concentration of investments in an organization (other than those issued or guaranteed by the U.S. government) that represented 5 percent or more of total System net assets:

Investments	2004
Collective Short-term Investment Fund	$1,925,620
PIMCO FDS Low Duration Funds	1,009,981
Vanguard Bond Index Funds	1,004,671
TOTAL	$3,940,272

No investments in any one non-federal organization represented 5% or more of PFRS net assets for pension benefits as of June 30, 2004.

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2003	July 01, 2002	June 30, 2003

Significant actuarial assumptions

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

	PFRS	OMERS	PERS
General wage increase:			
Inflation rate	3.5%	3.5%	3.0%
Average salary increases	4.5%	3.0%	3.2%
Investment rate of return	8.0%	8.0%	7.75%
Cost-of-living adjustments	—	—	2.0%

Police and Fire Retirement System

PFRS provides death, disability and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2004, stand alone financial statements are available by contacting the City Manager's Office, One Frank Ogawa Plaza, Oakland, California 94612.

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

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The

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

For the year ended June 30, 2004, employee contributions to PFRS totaling $21,581 were made in accordance with actuarially determined contribution requirements.

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

The City's annual pension cost and prepaid asset, computed in accordance with GASB 27, "Accounting for Pensions by State and Local Governmental Employers," for fiscal year ended June 30, 2004, were as follows:

Pension asset, beginning of year		$387,737,180
Interest on pension asset	$ 31,018,975	
Adjustment to the annual required contribution	(37,386,460)	(6,367,485)
Pension asset, end of year		$381,369,695

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2004 and each of the two preceding years:

Fiscal Year Ended June 30,	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2002	$5,459,093	—	$393,633,000
2003	5,895,820	—	387,737,180
2004	6,367,485	—	381,369,695

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

Oakland Municipal Employees Retirement System

OMERS provides death, disability and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2004, stand alone financial statements are available by contacting by the City Manager's Office, One Frank Ogawa Plaza, Oakland, California 94612.

Employee contributions to OMERS totaling $6,857 were made during 2004 in accordance with actuarially determined contribution requirements. Employee contributions are refundable with interest at 4.5% per annum if an employee elects to withdraw from the plan upon termination of employment with the City. Because of the Retirement System's current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

California Public Employees Retirement System

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and 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. A separate report for the City's plan is not available.

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 7.438% for non-safety employees and 29.118% 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 2003-04, the City's annual pension cost of $48,433,902 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (average is 3.8%), and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period of the unfunded actuarial liability ends June 30, 2011.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	$26.9	100	—
2003	37.0	100	—
2004	48.4	100	—

OMERS had one active member transfer to PERS during 2004. As part of the transfer, $1,494,000 of assets were transferred to PERS to cover the liabilities that were assumed.

(16) POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. Approximately $2,375,499 was paid on behalf of 936 retirees under this program for the year ended June 30, 2004.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

The City has committed to funding in the amount of $64,115,918 to a number of capital improvement projects for fiscal years 2004-05 to 2005-06.

Discretely Presented Component Unit

The Port anticipates spending $763,300,000 through June 2007 for its capital improvement program. The most significant projects include expansion and improvements of the Airport's terminal, parking, roadway and security; construction of a shoreline park, the modernization of wharves and terminals, 50-foot deepening of the channel, and roadway improvements.

As of June 30, 2004, the Port has firm commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	$ 69,004
Aviation	281,390
Commercial real estate	316
Total	$350,710

The most significant projects for which the Port has contractual commitments are airport terminal expansion of $253,000,000; and modernization of maritime wharves and terminals: new cranes and infrastructure of $48,000,000.

Power Purchases

The Port of Oakland purchases electrical power for resale and self-consumption at the Airport. The Port determines needs and commits to purchase contracts with power providers in advance. The total purchase commitment at June 30, 2004 is approximately $3.34 million.

Other Commitments

Primary Government

As of June 30, 2004, the Agency has entered into contractual commitments of $2,007,812 for materials and services relating to various projects. These commitments and future costs will be funded by currently available funds, tax increment revenue and other sources. The State of California adopted legislation mandating that local government shifts a portion of their property tax revenue share to the Educational Revenue Augmentation Fund (ERAF) to support public schools. For fiscal year 2004-05, the Agency included in its Adopted Budget an ERAF shift of $4,780,419.

At June 30, 2004, the Agency was committed to fund $17,373,456 in loans and had issued $1,648,600 in letters of credit in connection with several low and moderate-income housing projects. These commitments were made to facilitate the construction of low and moderate income housing within the City.

Discretely Presented Component Unit

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

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

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

A summary of the environmental liability accounts, included within the financial statements at June 30, 2004, is as follows (in thousands):

Environmental remediation	$ 7,941
Miscellaneous compliance	311
Total environmental liabilities	$ 8,252

Oakland Base Reuse Authority

Commitments and Contingencies

Environmental Remediaton

Land conveyed to OBRA from the Army may be subject to environmental remediation as required by Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA is responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. OBRA has received a federal grant of $13.0 million to pay for the above-mentioned environmental remediation costs. Of this grant amount, $5.0 million has been received.

The next $11.5 million of environmental remediation costs are to be shared equally by OBRA and the Port. The next $9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to $30 million in additional environmental remediation-related costs. OBRA and the Port have agreed to share equally in any environmental remediation-related costs above $21.0 million that are not covered by insurance.

OBRA management believes that none of the estimated environmental remediation costs will cause the recorded amounts any properties held for resale to exceed their estimated net realizable values. Accordingly, no provisions have been made in the financial statements for any related environmental remediation liabilities.

Oakland Army Base Workforce Development Collaborative

OBRA and the Port have agreed to share equally in certain expenses related to the conveyance of the EDC property. As of December 20, 2004, OBRA and the Port have paid a total of $5.7 million to the Workforce Collaborative. OBRA could incur liabilities of up to $2.55 million if the Port does not pay its share of the remaining $5.1 million due to the Workforce Collaborative. No provisions have been made to reflect any contingent liabilities should the Port not pay its share of post-conveyance liabilities.

(18) DEFICIT FUND BALANCES/NET ASSETS

As of June 30, 2004, the following funds reported deficits in fund balance/net assets (in thousands):

Federal/State Grant Fund	$ (23,123)
Special Revenue - ORA Projects	(3,481)

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

Internal Service:	
Facilities	$ (10,783)
Central Stores	(5,101)

The City's facilities and central stores funds deficits are expected to be funded through increased user charges for future years.

(19) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 28, 2004, the City issued tax and revenue anticipation notes payable of $65,000,000. The notes were issued to satisfy General Fund obligations and carried an effective interest rate of approximately 1.44 %. Principal and interest are due and payable on July 27, 2005.

(20) RESTATEMENT OF NET ASSETS

The City's beginning fund balance for the Oakland Redevelopment Agency Governmental Fund (ORA Fund) reported on the statement of revenues, expenditures and changes in fund balances of the fund financial statements has been restated to reflect changes in interfund loans. During fiscal year 1998/99, the City determined that the City Center Garage Loan made from the City's General Fund to the ORA Fund was not expected to be repaid within a reasonable time, and decided to charge the loan balance to community and economic development expenditures in the General Fund and set up a corresponding deferred revenue balance to offset the interfund loan. Because of the uncertainties surrounding the repayment, it has been determined that it would be prudent to remove the interfund loan altogether in order to provide symmetry between the General Fund and the ORA Fund and restate beginning fund balance for the ORA Fund. Therefore, the following restatement of beginning fund balance has been made in the ORA Fund:

Fund Balance, as of beginning of the year	$ 189,425,000
Restatement to remove the interfund loan payable to the City	18,586,000
Fund Balance, as of beginning of the year, as restated	$ 208,011,000

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REQUIRED SUPPLEMENTAL INFORMATION

PERS ACTUARIAL VALUATION
SCHEDULE OF FUNDING PROGRESS

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

PUBLIC SAFETY RETIREMENT PLAN (POLICE AND FIRE)

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2001	$432,051,707	$363,660,265	$68,391,442	84.2%	$92,125,191	74.2%
2002	563,199,567	373,263,858	189,935,709	66.3%	104,070,500	182.5%
2003	631,484,014	454,728,659	176,755,355	72.0%	111,041,143	159.2%

MISCELLANEOUS RETIREMENT PLAN

Valuation Date July 1,	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) Liability (a-b)	Funded Status (b)/(a)	Annual Covered Payroll (c)	UAAL as a % of Payroll [(a-b)/c]
2001	$ 883,320,455	$1,059,605,539	$(176,285,084)	120.0%	$171,872,368	(102.6%)
2002	952,399,380	1,003,318,723	(50,919,343)	105.3%	197,383,330	(25.8%)
2003	1,197,321,821	1,010,654,872	186,666,949	84.4%	207,930,860	89.8%

CITY OF OAKLAND
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2004
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$110,454	$ 110,454	$109,927	$ (527)
State:				
Sales and use	37,010	37,028	36,464	(564)
Motor vehicle in-lieu	7,683	16,166	18,178	2,012
Local:				
Business license	42,835	42,835	44,223	1,388
Utility consumption	53,550	53,550	48,056	(5,494)
Real estate transfer	38,000	38,000	55,665	17,665
Transient occupancy	10,463	10,463	9,857	(606)
Parking	7,944	7,944	9,799	1,855
Franchise	11,188	11,188	11,592	404
Licenses and permits	14,030	14,030	13,453	(577)
Fines and penalties	23,585	23,702	26,817	3,115
Interest and investment income	1,898	1,898	(5,722)	(7,620)
Charges for services	63,854	65,240	56,883	(8,357)
Federal and state grants and subventions	1,468	1,468	2,147	679
Other	38,545	29,884	23,276	(6,608)
TOTAL REVENUES	462,507	463,850	460,615	(3,235)
EXPENDITURES				
Current:				
Elected and Appointed Officials-				
Mayor	1,671	1,671	1,767	(96)
Council	2,162	2,216	2,265	(49)
City Manager	13,185	11,362	6,117	5,245
City Attorney	7,181	7,205	7,518	(313)
City Auditor	1,049	1,049	984	65
City Clerk	2,132	2,285	1,959	326
Agencies/Departments:				
Personnel Resource Management	3,860	3,594	3,783	(189)
Information Technology	7,675	9,416	9,033	383
Financial Services	18,537	19,050	18,247	803
Police Services	150,845	150,842	160,114	(9,272)
Fire Services	90,107	90,916	87,516	3,400
Life Enrichment:				
Administration	-	13	1	12
Parks and Recreation	17,016	17,989	15,841	2,148
Library	10,528	10,730	10,497	233
Museum	6,937	7,372	7,822	(450)
Marketing	1,648	1,711	1,516	195
Aging & Health and Human Services	6,575	7,268	5,668	1,600
Cultural Arts	200	4	14	(10)
Community and Economic Development	22,209	24,207	20,152	4,055
Public Works	26,256	28,005	27,475	530
Other	18,294	18,429	20,103	(1,674)
Capital outlay	68	713	4,060	(3,347)
Debt service:				
Principal repayment	214	722	390	332
Interest charges	-	31	349	(318)
TOTAL EXPENDITURES	408,349	416,800	413,191	3,609
EXCESS OF REVENUES OVER EXPENDITURES	54,158	47,050	47,424	374
OTHER FINANCING SOURCES (USES)				
Issuance of refunding bonds	-	-	3,927	3,927
Property sale proceeds	61	61	1,497	1,436
Transfers in	13,488	13,488	83,547	70,059
Transfers out	(73,807)	(73,972)	(156,827)	(82,855)
TOTAL OTHER FINANCING USES, NET	(60,258)	(60,423)	(67,856)	(7,433)
NET CHANGE IN FUND BALANCE	(6,100)	(13,373)	(20,432)	(7,059)
Fund balances - beginning	172,346	115,196	261,900	146,704
FUND BALANCES - ENDING	$166,246	$ 101,823	$241,468	$ 139,645

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

(1) BUDGETARY DATA

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

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

In June 2003, the City Council approved the City's fourth two-year budget for fiscal years 2003-04 and 2004-05. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2003-04 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 Administrator.

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

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

Budgetary Basis of Accounting

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

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

Major Funds

Federal and State Grants
Oakland Redevelopment Agency

Nonmajor Funds

Special Revenue Funds
ORA Projects
Parks and Recreation and Cultural

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

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

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

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

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

> In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately $9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2004, was $621,606.

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

	General Fund
Net change in fund balance - budgetary basis	$ (20,432)
Amortization of debt service deposit agreement	622
Net change in fund balance - GAAP basis	$ (19,810)

The General Fund Balance on a Budgetary Basis reconciled to that on a GAAP basis as of June 30, 2004, is as follows (in thousands):

	General Fund
Fund Balance, June 30, 2004 - Budgetary Basis	$241,468
Unamortized debt service deposit agreement	(8,160)
Fund Balance, June 30, 2004 – GAAP Basis	$233,308

General Fund Budgetary Basis Fund Balance at June 30, 2004, is composed of the following (in thousands):

	General Fund
Reserved:	
Encumbrances	$ 4,779
Unreserved reported in:	
General fund	228,529
TOTAL FUND BALANCES	$233,308

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APPENDIX C

SUMMARY OF TRUST AGREEMENT

Certain provisions of the Trust Agreement, not previously discussed in this Official Statement, are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Trust Agreement.

CERTAIN DEFINITIONS

The following are definitions of certain of the terms defined in the Trust Agreement, to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of the terms defined herein. Capitalized terms not otherwise defined herein will have the meaning assigned to such term in the Trust Agreement.

"Act" means Articles 1 through 4 (commencing with Section 6500), Chapter 5, Division 7, Title 1 of the California Government Code, as may be amended from time to time.

"Additional Bonds" means any bonds authorized to be issued under the Trust Agreement pursuant thereto.

"Authority" means Oakland Joint Powers Financing Authority, a joint powers authority duly organized and existing under the laws of the State.

"Authorized Authority Officer" means the President, Vice-President, Executive Director or Treasurer of the Authority, or any such officer's duly authorized designee, or any other officer or employee of the Authority duly authorized by resolution of the Authority.

"Authorized City Officer" means the Mayor, City Administrator, Director, Finance and Management Agency, Treasury Manager or any such officer's duly authorized designee, or any other officer or employee of the City duly authorized by resolution of the City.

"Bond Insurance Policy" means the financial guaranty insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Bonds as provided therein.

"Bond Insurer" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company, or any successor thereto.

"Bonds" means the Series 2005 Bonds and the Additional Bonds.

"Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Corporate Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

"Defeasance Securities" means (1) cash; (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series--"SLGS"); (3) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, such as CATS, TIGRS and similar securities; or (4) Senior debt obligations of other U.S. Agencies approved by the Bond Insurer.

"Event of Default" means any of the events described as such in the Trust Agreement

"Fiscal Year" means any twelve-month period extending from July 1, in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

"Independent Certified Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom: (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Interest Payment Date" means June 15 and December 15 of each year, commencing December 15, 2005.

"Local Obligations" means the City of Oakland General Obligation Refunding Bonds, Series 2005, issued in the aggregate principal amount of $122,476,041.

"Moody's" means Moody's Investors Service, and its successors and assigns.

"Outstanding," when used as of any particular time with reference to the Bonds, means (subject to the provisions of the Trust Agreement) all Bonds theretofore executed, issued and delivered by the Authority under the Trust Agreement except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of the Trust Agreement; and

(c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Trust Agreement or any Supplemental Trust Agreement

"Permitted Investments" means any of the following which at the time of investment are in compliance with the City's investment policies then in effect (provided that the Trustee shall be entitled to rely upon any investment direction from the Authority as conclusive certification to the Trustee that the investments described therein are in compliance with the City's investment policies then in effect):

(a) (1) cash; (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series--"SLGS"); (3) direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, such as CATS, TIGRS and similar securities; and (4) Senior debt obligations of other U.S. Agencies approved by the Bond Insurer;

(b) Guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government Mortgage Association;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities only as stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of Fannie Mae; (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations of the Resolution Funding Corporation; and (vi) consolidated system-wide bonds and notes of the Farm Credit System;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least "AAAm-G," "AAAm" or "AAm," and a rating by Moody's of "Aaa," "Aa1" or "Aa2" (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services);

(e) Certificates of deposit (including those of the Trustee, its parent and its affiliates) secured at all times by collateral described in (a) or (b) above, which have a maturity not greater than one year from the date of investment and which are issued by commercial banks, savings and loan associations or mutual savings banks whose short-term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's, which collateral must be held by a third party and provided that the Trustee must have a perfected first security interest in such collateral;

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by FDIC, including BIF and SAIF or which are issued by any bank the obligations of which are rated at least "A" by Moody's and S&P;

(g) Investment agreements, including guaranteed investment contracts, forward purchase agreements, reserve fund put agreements and collateralized investment agreements with banks, insurance companies or other financial institutions rated "A" or better by S&P and Moody's (or guaranteed by an entity rated "A" or better by S&P and Moody's);

(h) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P;

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's, and "A-1+" by S&P;

(k) The Local Agency Investment Fund which is administered by the California Treasurer for the investment of funds belonging to local agencies within the State of California, provided for investment of funds held by the Trustee, the Trustee is entitled to make investments and withdrawals in its own name as Trustee;

(l) Shares in a California common law trust (including the California Asset Management Program) established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of the State of California, as it may be amended; and

(m) Any other investment approved by the Bond Insurer.

"Project" means the public capital improvements to be acquired and/or constructed by the Authority with a portion of the proceeds of the Bonds, as described in Exhibit B to the Trust Agreement.

"Revenues" means the receipts of principal, premium, if any, and interest on the Local Obligations, together with interest on the funds and accounts held by the Trustee under the Trust Agreement (other than the Rebate Fund).

"S&P" means Standard & Poor's Ratings Services, A Division of the McGraw-Hill Companies, and its successors and assigns.

"Series 2005 Bonds" means the $122,170,000 aggregate principal amount of Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program), authorized by and at any time Outstanding pursuant to the Act and the Trust Agreement.

"State" means the State of California.

"Supplemental Trust Agreement" means any agreement supplemental to or amendatory of the Trust Agreement duly authorized and entered into by the Authority and the Trustee in accordance with the provisions of the Trust Agreement.

"Surplus Fund Requirement" means the amount required to be on deposit in the Surplus Fund following payment of principal of and interest on the Bonds on each Interest Payment Date, as set forth in Exhibit C to the Trust Agreement.

"Written Certificate," "Written Request" or "Written Requisition" means a written certificate, request or requisition of the City or of the Authority, as the case may be, signed by an Authorized City Officer or an Authorized Authority Officer, respectively, and in each case filed with the Trustee.

TRUST AGREEMENT

The Trust Agreement provides for, among other things, the issuance, execution and delivery of the Bonds and sets forth the terms thereof, the creation of certain of the funds and accounts described herein, certain covenants of the Authority, defines events of default and remedies therefor, and sets forth the rights and responsibilities of the Trustee.

Certain provisions of the Trust Agreement setting forth the terms of the Bonds, the redemption provisions thereof and the use of the proceeds of the Bonds are set forth elsewhere in this Official Statement. See "THE BONDS."

Pledge of Revenues; Assignment of Local Obligations

The Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent provided in the Trust Agreement) of all of the Revenues and a pledge of all of the moneys in the funds and accounts held by the Trustee under the Trust Agreement (other than the Rebate Fund). The Bonds shall be equally secured by a pledge, charge and lien upon the Revenues and such moneys without priority for number, date of the Bonds, date of execution or date of delivery, and the payment of the interest on and principal of the Bonds shall be and are secured by a pledge, charge and lien upon the Revenues and such moneys. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that out of the Revenues there may be apportioned such sums, for such purposes, as are expressly permitted by the Trust Agreement.

The Local Obligations and all right, title and interest of the Authority therein and to all payments thereon, are irrevocably assigned and pledged and transferred to the Trustee for the benefit of the Owners of the Bonds and the payments on the Local Obligations shall be used for the punctual payment of the interest on and principal of the Bonds and the Local Obligations shall not be used for any other purpose while any of the Bonds remain Outstanding. This assignment, transfer and pledge shall constitute a first lien on the principal and interest payments of and all other rights under the Local Obligations for the foregoing purpose in accordance with the terms of the Trust Agreement. The Trustee hereby accepts such assignment of the Local Obligations.

All principal and interest payments on the Local Obligations shall be paid directly by the City to the Trustee. All principal and interest payments on the Local Obligations received by the Trustee shall be held in trust by the Trustee under the terms of the Trust Agreement and shall be deposited by it, as and when received, in the Revenue Fund, and all money in such fund shall be held in trust by the Trustee for the benefit and security of the Owners.

Creation of Funds and Accounts

Revenue Fund. All Revenues shall be deposited by the Trustee, on or before each Interest Payment Date, in a special fund designated as the "Revenue Fund," which the Trustee shall establish, maintain and hold in trust under the Trust Agreement. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Interest Account. On or before each Interest Payment Date, the Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Bonds. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Bonds on such Interest Payment Date. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the Outstanding Bonds, shall be transferred to the Principal Account.

(b) Principal Account. On or before each Interest Payment Date on which the principal of the Bonds shall be payable, the Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal (i) the principal amount of the Bonds coming due and payable on such Interest Payment Date pursuant to the Trust Agreement, and (ii) the redemption price of the Bonds (consisting of the principal amount thereof) required to be redeemed on such Interest Payment Date pursuant to any of the provisions of the Trust Agreement. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Bonds at the maturity thereof, or (ii) paying the principal of the Bonds upon the redemption thereof.

All amounts on deposit in the Revenue Fund on each Interest Payment Date, to the extent not required to pay the principal of or interest on any Outstanding Bonds then having come due and payable, shall be transferred to the Surplus Fund, to the extent necessary to satisfy the Surplus Fund Requirement, and otherwise shall be withdrawn therefrom and transferred to or upon the direction of the Authority to be used for any lawful purposes of the Authority.

Surplus Fund. All moneys in the Surplus Fund shall be used and withdrawn by the Trustee solely for the purpose of funding the Interest Account or the Principal Account, in that order, in the event of any deficiency in either of such accounts on an Interest Payment Date, except that so long as the Authority is not in default under the Trust Agreement, any amounts in the Surplus Fund in excess of the Surplus Fund Requirement shall be withdrawn from the Surplus Fund and transferred to or upon the order of the Authority

Rebate Fund. The Authority shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. Subject to the other provisions of the Trust Agreement, moneys held in the Rebate Fund are pledged to secure payments to the United States government, and the Authority, the City and the Bond Owners shall have no rights in or claim to such moneys. Without limiting the generality of the foregoing, the Authority agrees that there shall be paid from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final treasury regulations as may be applicable to the Bonds from time to time. This covenant shall survive payment in full or defeasance of the Bonds. The Authority specifically covenants to pay or cause to be paid to the United States at the times and in the amounts determined under the Tax Certificate. The Trustee agrees to comply with all instructions given to it by the Authority or the City in accordance with this covenant. The Trustee shall conclusively be deemed to have complied with the provisions of the Trust Agreement if it follows the instructions of the Authority or the City and shall not be required to take any actions under the Trust Agreement in the absence of instructions from the Authority or the City.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Trust Agreement shall be invested by the Trustee solely in Permitted Investments pursuant to a Written Request of the Authority given to the Trustee not less than two Business Days in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee shall hold any such moneys in Permitted Investments described in clause (d) of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Trust Agreement shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Trust Agreement, the Trustee may commingle funds held by it thereunder. The Trustee may act as principal or agent in the acquisition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this section.

Additional Bonds

The Authority may at any time issue Additional Bonds pursuant to a Supplemental Trust Agreement, payable from the Revenues, and secured by a pledge of and charge and lien upon the Revenues, as provided in the Trust Agreement equal to the pledge, charge and lien securing any Outstanding Bonds, but only subject to the following specific conditions, which are made conditions precedent to the issuance of any Additional Bonds:

(a) The Authority and the City shall be in compliance with all agreements and covenants contained in the Trust Agreement.

(b) The proceeds of the sale of the proposed Additional Bonds shall be applied to the refunding or repayment of Outstanding Bonds, in whole or in part, including the payment of costs and expenses of and incident to the authorization and sale of such Additional Bonds.

(c) The aggregate principal amount of Bonds and Additional Bonds issued and at any time Outstanding under the Trust Agreement shall not exceed any limit imposed by law, by the Trust Agreement or by any Supplemental Trust Agreement.

Covenants of Authority

The Authority covenants that no additional bonds, notes or indebtedness shall be issued or incurred that are payable out of the Revenues in whole or part, except as provided above under the subheading "Additional Bonds".

The Authority shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Trust Agreement, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Trust Agreement.

Defaults and Remedies

Events of Default. The following events shall be Events of Default under the Trust Agreement:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in the Trust Agreement or in the Bonds contained, other than as referred to in the preceding clauses (a) and (b), for a period of 60 days after written notice, specifying such failure and requesting that it be remedied has been given to the Authority by the Trustee, or to the Authority and the Trustee by the Bond Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds; provided, however, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such 60-day period, the Trustee and such Bond Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Authority within such 60-day period and diligently pursued until such failure is corrected.

(d) Default in the due and punctual payment of the principal of, premium or interest on a Local Obligation when and as the same shall become due and payable.

Remedies. Upon the happening and continuance of any Event of Default the Trustee may, with the written consent of the Bond Insurer, and at the written request of the Bond Insurer, shall (but only if indemnified to its satisfaction from any liability, expenses or costs), do the following:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners, including the right to receive and collect the Revenues;

(b) bring suit upon or otherwise enforce any defaulting Local Obligation;

(c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(d) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the earnings, income, issues, products, profits and revenues thereof pending such proceedings, with such powers as the court making such appointment shall confer; and

(e) take such action with respect to any and all Local Obligations as the Trustee shall deem necessary and appropriate, subject to the rights of the Bond Insurer to control and direct the enforcement of all rights and remedies and to the terms of such Local Obligations.

The Trustee shall have no right to declare the principal of all of the Bonds then Outstanding, or the interest accrued thereon, to be due and payable immediately.

If an Event of Default shall have occurred and be continuing and if requested to do so by the Bond Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in the Trust Agreement, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Trust Agreement, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of the Trust Agreement shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid;

First, to the payment of the fees, costs and expenses of the Trustee incurred in the performance of its duties and the exercise of any remedies, including any amounts owed to it pursuant to the Trust Agreement, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the lesser of the rate of interest payable on the Bonds or the maximum rate permitted by law, provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) second, to the payment of principal of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full,

(c) third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Rights of Owners. Subject to the Trust Agreement, no Bond Owner of any Bond issued thereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Trust Agreement, unless (a) such Bond Owner shall have previously given to the Trustee written notice of the occurrence of a Event of Default; (b) the Bond Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted or to institute such action, suit or proceeding in its own name; (c) said Bond Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Bond Owner of any remedy under the Trust Agreement; it being understood and intended that no one or more Bond Owners shall have any right in any manner whatever by his or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity to enforce any provision of the Trust Agreement shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Bond Owners of the Outstanding Bonds.

The right of any Bond Owner of any Bond to receive payment of the principal of and interest on such Bond as provided in the Trust Agreement or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Bond Owner, notwithstanding the foregoing provisions of this section or any other provision of the Trust Agreement.

Rights of Bond Insurer. Anything in the Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bond Owners or to the Trustee for the benefit of the Bond Owners and the Bond Insurer shall also be entitled to approve all waivers of Events of Default.

Amendment of Documents

Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Bond Owners may be modified or amended at any time by a Supplemental Trust Agreement, which shall become binding upon execution by the parties thereto, without the consent of any Bond Owner and to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority contained in the Trust Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers therein reserved to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Bond Owners; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Bond Owners; or

(c) to amend any provision of the Trust Agreement relating to the Code, but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Code, in the opinion of nationally recognized bond counsel; or

(d) to provide for the issuance of Additional Bonds pursuant to the Trust Agreement; or

(e) to amend any provision agreed to by the Authority and the Trustee, so long as such amendment does not materially adversely affect the interests of the Bond Owners. Notwithstanding any other provision of the Trust Agreement, in determining whether the rights of the Bond Owners will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement, the Trustee shall consider the effect on the Bond Owners as if there were no Bond Insurance Policy.

Except as set forth in the preceding paragraph, the Trust Agreement and the rights and obligations of the Authority and of the Bond Owners may only be modified or amended at any time by a Supplemental Trust Agreement, which shall become binding only upon execution by the parties to the Trust Agreement and when the written consent of the Bond Insurer and the Bond Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal or interest at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Bond Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Local Obligations. The Authority and the Trustee, subject to the provisions of the Trust Agreement, shall enforce all of their rights with respect to the Local Obligations to the fullest extent necessary to preserve the rights and protect the security of the Owners under the Trust Agreement.

The Authority and the Trustee may, with the prior written consent of the Bond Insurer but without the consent of or notice to the Owners of the Bonds, consent to any amendment, change or modification of any Local Obligation that may be required (a) to conform to the provisions of the Trust Agreement (including any modifications or changes contained in any Supplemental Trust Agreement), (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) to add additional rights acquired in accordance with the provisions of such Local Obligation, (d) in connection with any other change therein which is not to the material prejudice of the Trustee or the Owners of the Bonds, or (e) to preserve or assure the exemption of interest on the Local Obligation or the Bonds from federal income taxes or the exemption of such interest from State personal income taxes.

Discharge of Trust Agreement

If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest on such Outstanding Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to the Trust Agreement, is fully sufficient to pay such Outstanding Bonds, including all principal and interest; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Defeasance Securities in such amount as an Independent Certified Accountant shall determine in a written report filed with the Trustee (upon which report the Trustee may conclusively rely) will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to the Trust Agreement, be fully sufficient to pay and discharge the indebtedness on such Outstanding Bonds (including all principal and interest thereon) at or before their respective maturity dates;

and if such Outstanding Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Trust Agreement or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the Written Request of the Authority, and notwithstanding that any of such Outstanding Bonds shall not have been surrendered for payment, the pledge of the Revenues and other funds provided for in the Trust Agreement with respect to such Outstanding Bonds, and all other pecuniary obligations of the Authority under the Trust Agreement with respect to all such Outstanding Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Bond Owners of such Outstanding Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee; subject, however, to the additional requirements set forth in the Trust Agreement. Any moneys held by the Trustee following payment in full or discharge of all Outstanding Bonds pursuant to this section, which are not required for said purposes, shall be paid over to the City.

The Trustee

Wells Fargo Bank, National Association has been appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee under the Trust Agreement and to allocate, use and apply the same as provided in the Trust Agreement. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with a combined capital and surplus, or a member of a bank holding company system the lead bank of which shall have a combined capital and surplus, of at least $50,000,000, and subject to supervision or examination by Federal or State authority, so long as any Bonds are Outstanding. If such bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

APPENDIX D

CITY OF OAKLAND INVESTMENT POLICY - FISCAL YEAR 2005

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City of Oakland
and Oakland Redevelopment Agency
Investment Policy
For
Fiscal Year 2004-2005

Prepared by
Treasury Division, Financial Services Agency
Adopted by the City Council and Oakland Redevelopment *Agency*
On June 15, 2004

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I. General

Authority

Pursuant to Council Resolution Nos. 75855 C.M.S. and 00-38 C.M.S. and in accordance with Government Codes Section 53607, the City Council delegates to the Director of Finance and Management Agency/Treasurer the authority to invest the City's and the Agency's operating fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. This Investment Policy is now amended and adopted as of July 2004 and will serve as the City of Oakland's Investment Policy for fiscal year 2004-05 and until further revised. By approval of this Investment Policy the City Council extends the authority and responsibility of the Director of Finance and Management Agency/Treasurer to invest or to reinvest the City's and the Agency's funds, or to sell or exchange securities so purchased, all as provided by Government Code Section 53607.

Scope

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

Delegation

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

Prudent Investor Standard

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

Ethics and Avoidance of Conflicts of Interest

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

Internal Control

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

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

2. *Applicable Ordinances*

Nuclear Free Zone Ordinance

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

Linked Banking Ordinance

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

Tobacco Divestiture Resolution

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

Preferences

When possible, it is the City's policy to invest in companies that promote the use and production of renewable energy resources and any other socially responsible investments, subject to the prudent investment standard.

3. *The Portfolio*

Definition of the Portfolio

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

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

Objectives

Preservation of Capital (Safety)

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

Liquidity

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

Diversity

Reducing overall portfolio risks while maintaining market average rates of return is essential. The objective is to avoid over-concentration in issuers, instruments, and maturity sectors. No more than 5 percent of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Fund and proceeds of or pledged revenues for any tax revenue anticipation notes.

Yield

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

Custody

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

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

Reporting Requirements

Interim Requirements to Council

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

Reports to California Debt and Investment Advisory Commission (CDIAC)

Pursuant to section 17581 of the Government Code, the legislature is mandated to appropriate fund for Investment report. During the fiscal year 2003-04, the legislature suspended the Investment Reports appropriation. The City is therefore not mandated to send report to the state.

Annual Requirements

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

Derivatives

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

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

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

General Credit Quality

Short- term debt shall be rated at least “A-1” by Standard & Poor’s Corporation, “P-1” by Moody’s Investor Service, Inc. or “F-1” by Fitch. Long-term debt shall be rated at least “A” by Standard & Poor’s Corporation, Moody’s Investors Service, Inc., or Fitch.

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

Maturity

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

Trading Policies

Sales Prior to Maturity

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

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

Purchasing Entities, Broker/Dealers and Financial Institutions

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

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

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

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

4. *Permitted Investments*

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

U. S. Treasury Securities

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

Maximum Maturity	5 years
Maximum Portfolio Exposure	20%*
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

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

Federal Agencies and Instrumentalities

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

Maximum Maturity	5 years
Maximum Portfolio Exposure	None
Maximum Issuer Exposure	Prudent person standard applies overall
Credit Requirement	N.A.

Banker's Acceptances (BA)

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

Maximum Maturity	180 days
Maximum Portfolio Exposure	40%
Maximum Issuer Exposure	30% of total surplus funds may be in BAs of one commercial bank; maximum 5% per issuer
Credit Requirement	Al, P1, or F1 (S&P/Moody's/Fitch)

Commercial Paper

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

Maximum Maturity	270 days
Maximum Portfolio Exposure	25%
Maximum Issuer Exposure	10% of the outstanding paper of the issuer; maximum 5% per issuer
Credit Requirement	Prime quality of the highest letter and number rating as provided by a nationally recognized statistical rating organization (NRSRO). For example, A1 or P1 (S&P/Moody's); or F1 (Fitch).
Eligibility	Limited to general corporations organized and operating in the United States with assets in excess of $500 million, and having "A" or higher ratings for the issuer's debt, other than commercial paper, if any, as provided by NRSRO.

Asset-Backed Commercial Paper

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

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

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

Local Agency Pooled Investment & Deposit Commercial Paper Limits

For local agencies (including counties, cities or other local agencies) that pool money in deposits or investments with other local agencies, investments may be made subject to the following:

Maximum Maturity	N/A
Maximum Portfolio Exposure	None

or, in the case of commercial paper, subject to the following concentration limits:

No more than 40% of local agency's total money in eligible commercial paper
No more than 10% of local agency's total money invested in outstanding commercial paper of any single issuer
No more than 10% of outstanding commercial paper of any single issuer may be purchased

Medium Term Notes

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

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

Negotiable Certificates of Deposit

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

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

Repurchase Agreements

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

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Maximum Dealer Exposure	Prudent person standard applies overall; maximum 5% per issuer
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York, for which a current Master Repurchase Agreement has been executed with the City/Agency

Reverse Repurchase Agreements

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

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

Maximum Maturity	92 days (unless a written agreement guaranteeing the earnings or spread for the entire period)
Maximum Portfolio Exposure	20% of the base value of the portfolio
Mark-to-Market	Daily
Eligibility	Limited to primary dealers of the Federal Reserve Bank of New York or nationally or State chartered bank with significant banking relationship with the City

Secured Obligations and Agreements

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

Maximum Maturity	2 years
Maximum Portfolio Exposure	20%
Maximum Issued/Provider Exposure	Prudent person standard applies overall; maximum 5% per issue
Collateral Requirements	Collateral limited to Treasury and Agency securities; must be 102% or greater
Mark-to-market	Daily
Credit Requirement	Issuer/Provider rated in "AA" category by at least one national rating agency; or agreement guaranteed by an "AA" company
Eligibility	Banks, insurance companies, insurance holding companies and other financial institutions

Certificates of Deposit

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

Maximum Maturity	360 days
Maximum Portfolio Exposure	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies
Collateral	Waive first $100,000 pursuant to Gov. Code 53653 (due to federal insurance); otherwise as provided in Gov. Code 53652
Credit Requirement	For deposits over $100,000: Top 3 rating categories - A, A2 or A (S&P/Moody's/ Fitch) being the lowest, if rated by S&P, Moody's or Fitch; otherwise, for Domestic --------- (continued on next page) -------- Banks and Savings & Loans, a minimum standard of C (Thompson Bank Watch) and for Foreign Banks a minimum of B

	(Thompson Bank Watch), or in either case equivalent ratings from another generally recognized authority on bank ratings
Deposit Limit	For federally insured deposits of $100,000 or less: No minimum credit rating required. City's deposits cannot exceed the total shareholder's equity of the institution
Depository Selection	Highest available rate of interest
Institution Requirements	Most recent Annual Report

Note: Pursuant to Government code 53637, the City is prohibited from investing in negotiable certificates of deposit of a state or federal credit union if a member of the legislative body or decision-making authority serves on the board of directors or committee.

Money Market Mutual Funds

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

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

State Investment Pool (Local Agency Investment Fund)

A pooled investment fund overseen by the State Treasurer, which operates like a money market fund, but is for the exclusive benefit of governmental entities within the state. Maximum currently authorized by Local Agency Investment Fund (LAIF) is $40 million, which is subject to change. The LAIF is in trust in the custody of the State Treasurer. The City's right to withdraw its deposited monies from LAIF is not contingent upon the State's failure to adopt a State Budget by July 1st of each new fiscal year.

Maximum Maturity	N/A
Maximum Portfolio Exposure	None

Local City/Agency Bonds

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

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

State of California Bonds

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

Maximum Maturity	360 days
Maximum Portfolio Exposure	None
Credit Requirement	Prudent person standard applies
Maximum Issuer Exposure	Prudent person standard applies overall; maximum 5% per issuer

Other Local Agency Bonds

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

Maximum Maturity	5 years
Maximum Portfolio Exposure	Prudent person standard applied overall; maximum 5% per issuer
Maximum Issuer Exposure	Prudent person standard applies
Credit Requirement	Prudent person standard applies

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon the delivery of the Bonds, Orrick, Herrington & Sutcliffe LLP, Bond Counsel, proposes to issue its approving opinion in substantially the following form:

[Closing Date]

Oakland Joint Powers Financing Authority
Oakland, California

Oakland Joint Powers Financing Authority
Revenue Bonds, Series 2005
(City of Oakland General Obligation Bond Program)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Oakland Joint Powers Financing Authority (the "Authority") of $122,170,000 aggregate principal amount of Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program), (the "Bonds"), issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and a trust agreement, dated as of June 1, 2005 (the "Trust Agreement"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement.

In such connection, we have reviewed the Trust Agreement; the Tax Certificate of the Authority, dated the date hereof (the "Tax Certificate"); opinions of counsel to the Authority, the City of Oakland (the "City") and the Trustee; certificates of the Authority, the City, the Trustee and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Bonds, the Trust Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Authority.

2. The Trust Agreement has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Trust Agreement, except for the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth in the Trust Agreement.

3. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing powers of the City, the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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FORM OF CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is executed and delivered by the **OAKLAND JOINT POWERS FINANCING AUTHORITY** (the "Authority"), the **CITY OF OAKLAND** (the "City") and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, as trustee (the "Trustee"), in connection with the issuance of $122,170,000 Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program) (the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Trust Agreement, dated as of June 1, 2005, by and between the Authority and the Trustee (the "Trust Agreement"). The Authority, the City and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Authority, the City and the Trustee for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the Rule (as defined below).

Section 2. Definitions. The definitions set forth in the Trust Agreement apply to all capitalized terms used in this Disclosure Agreement unless otherwise defined in this Section. The following capitalized terms shall have the following meanings:

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

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

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

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Agreement.

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

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

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

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

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission, if any.

Section 3. Provision of Annual Reports.

(a) The Authority and the City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is currently June 30) commencing with the 2004-2005 fiscal year, provide to the Trustee and each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) above for providing the Annual Report to the Repositories, the Authority and the City shall provide the Annual Report to the Dissemination Agent (if other than the City).

(c) If the Trustee is unable to verify pursuant to subsection (b) above that an Annual Report has been provided to the Repositories by the date required in subsection (a) above, the Trustee shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

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

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

Section 4. Content of Annual Reports. The Authority's and the City's Annual Report shall contain the CUSIP numbers of the Bonds and shall contain or incorporate by reference the following:

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

(b) the assessed valuation of taxable property in the City for the prior fiscal year;

(c) property taxes due, property taxes collected and property taxes delinquent as of the end of the prior fiscal year;

(d) property tax levy rate per $1,000 of assessed valuation for the prior fiscal year; and

(e) outstanding general obligation debt of the City as of the end of the prior fiscal year.

The City's fiscal year currently ends June 30. The City may adjust such fiscal year by providing written notice of the change of fiscal year to each then existing National Repository and the State Repository.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Authority, the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB.

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

(a) Principal and interest payment delinquencies.

(b) Non-payment related defaults.

(c) Modifications to rights of the Holders of the Bonds.

(d) Optional, contingent or unscheduled bond calls.

(e) Defeasances.

(f) Rating changes.

(g) Adverse tax opinions or events adversely affecting the tax-exempt status of the Bonds.

(h) Unscheduled draws on debt service reserves reflecting financial difficulties.

(i) Unscheduled draws on credit enhancements reflecting financial difficulties.

(j) Substitution of the credit or liquidity providers or their failure to perform.

(k) Release, substitution or sale of property securing repayment of the Bonds.

provided, that the occurrence of any event set forth in paragraph (a) or (f) above will always be deemed by the Authority or the City to be material.

If the Authority or the City determine that knowledge of the occurrence of a Listed Event would be material, such party shall promptly file a notice of such occurrence with each Repository.

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

> (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;
>
> (b) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
>
> (c) the amendment or waiver either (i) is approved by the Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders.

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

Section 6. Filing with Certain Dissemination Agents or Conduits. The Authority and the City may satisfy its obligations hereunder to file any notice, document or information with a National Repository or State Repository by filing the same with any dissemination agent or conduit, including any "central post office" or similar entity, assuming or charged with responsibility for accepting notices, documents or information for transmission to such National Repository or State Repository, to the extent permitted by the Securities and Exchange

Commission or Securities and Exchange Commission staff or required by the Securities and Exchange Commission. For this purpose, permission shall be deemed to have been granted by the Securities and Exchange Commission staff if and to the extent the agent or conduit has received an interpretive letter, which has not been revoked, from the Securities and Exchange Commission staff to the effect that using the agent or conduit to transmit information to the National Repository and State Repository will be treated for purposes of the Rule as if such information were transmitted directly to the National Repository and State Repository.

Section 7. Termination of Reporting Obligation. The obligations of the Authority and the City under this Disclosure Agreement shall terminate upon the legal defeasance or payment in full of all of the Bonds. If such termination occurs prior to the final maturity date of the Bonds, the Authority and the City shall give notice of such termination in the same manner as for a Listed Event under Section 5.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Authority and the City may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

Section 9. Dissemination Agent. The Authority and the City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Authority and the City agrees to indemnify and save harmless the Dissemination Agent, its officers, directors, employees and agents, against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder (including, without limitation, any alleged violations of the Securities Exchange Act of 1934, as amended), including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination

Agent's negligence or willful misconduct. The obligations of the Authority and the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

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

Section 11. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Authority or the City from disseminating any other information using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Authority or the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Authority or the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. Default. In the event of a failure of the Authority or the City to comply with any provision of this Disclosure Agreement, any Owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority or the City, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Disclosure Agreement in the event of any failure of the Authority or the City to comply with this Disclosure Agreement shall be an action to compel performance.

Section 14. Prior Undertakings. The Authority and the City each hereby certifies that it is in compliance in all material respects with all prior undertakings made by it pursuant to Rule 15c2-12(b)(5).

Section 15. Effective Date. This Disclosure Agreement shall be effective on and as of June 1, 2005.

Section 16. Notices. Any notices or communications to the Authority and the City relating to this Disclosure Agreement may be given as follows:

If to the City:	City of Oakland Finance and Management Agency 150 Frank H. Ogawa Plaza, Suite 5330 Oakland, California 94612 Attention: Treasury Manager Telephone: (510) 238-3201 Fax: (510) 238-2137
If to the Authority:	Oakland Joint Powers Financing Authority c/o City of Oakland Finance and Management Agency 150 Frank H. Ogawa Plaza, Suite 5330 Oakland, California 94612 Attention: Treasury Manager Telephone: (510) 238-3201 Fax: (510) 238-2137
If to the Trustee:	

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

Section 17. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, this Disclosure Agreement is given as of the 1st day of June 2005.

OAKLAND JOINT POWERS FINANCING AUTHORITY	**CITY OF OAKLAND, CALIFORNIA**
______________________________	______________________________
Authorized Representative	Treasury Manager

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:____________________________
Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligor:	Oakland Joint Powers Financing Authority The City of Oakland, California
Name of Bond Issues:	$_______ Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)
Date of Delivery:	____ __, 2005.

NOTICE IS HEREBY GIVEN that neither the Oakland Joint Powers Financing Authority (the "Authority") nor the City of Oakland, California (the "City") have provided an Annual Report with respect to the above-named Bonds as required by the Trust Agreement dated as of June 1, 2005 relating to the Bonds. The Authority and the City anticipate that the Annual Report will be filed by __________.

Dated: __________

WELLS FARGO BANK, NATIONAL ASSOCIATION

By:___________________________
Authorized Officer

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APPENDIX G

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the City and Authority take no responsibility for the completeness or accuracy thereof. The City and Authority cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Holders (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City, the Authority or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the City or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City, Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City and the Authority believe to be reliable, but the City and the Authority take no responsibility for the accuracy thereof.

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APPENDIX H

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader

President

AMBAC ASSURANCE CORPORATION
CORPORATE
SEAL
WISCONSIN

Anne G. Gill

Secretary

Authorized Representative

Effective Date:

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Noranda Lauro

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

Ambac

Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

In the event that Ambac Assurance Corporation were to become insolvent, any claims arising under the Policy would be excluded from coverage by the California Insurance Guaranty Association, established pursuant to the laws of the State of California.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

Robert J Genader

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Anne G. Gill

President

Secretary

Authorized Representative

Form No.: 2B-0004 (7/97)