NEW ISSUE–FULL BOOK ENTRY

	Insured	Underlying
Ratings:	Moody's: Aaa	Moody's: A2
	S&P: AAA	S&P: A+
	Fitch: AAA	Fitch: A

(See "RATINGS" herein)

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City described herein, interest on the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 (Tax-Exempt Bonds) (the "2008 Series A-1 Bonds") is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the 2008 Series A-1 Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-2 (Taxable Bonds) (the "2008 Series A-2 Bonds" and, together with the 2008 Series A-1 Bonds, the "Bonds"), is included in gross income for Federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is exempt from California personal income taxes. See "TAX MATTERS" herein regarding certain other tax considerations.

$107,630,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
REFUNDING REVENUE BONDS
2008 SERIES A-1
(Tax-Exempt Bonds)

$20,330,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
REFUNDING REVENUE BONDS
2008 SERIES A-2
(Taxable Bonds)

Dated: Date of Delivery **Due: January 1, as shown on inside cover**

The Oakland Joint Powers Financing Authority (the "Authority") is issuing $107,630,000 principal amount of its Refunding Revenue Bonds, 2008 Series A-1 (Tax-Exempt Bonds) (the "2008 Series A Bonds") and $20,330,000 principal amount of its Refunding Revenue Bonds, 2008 Series A-2 (Taxable Bonds) (the "2008 Series A-2 Bonds" and, together with the 2008 Series A Bonds, the "Bonds") pursuant to an Indenture, dated as of April 1, 2008 (the "Indenture"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Bonds are being issued to (i) refund the Authority's Refunding Revenue Bonds, 2005 Series A and Series B (Auction Rate Securities), (ii) fund the debt service reserve fund for the Bonds, and (iii) pay costs related to the issuance of the Bonds including premium for bond insurance. See "PLAN OF REFUNDING."

Interest on the Bonds will be payable by the Trustee on January 1 and July 1 of each year, commencing July 1, 2008. The Bonds will be delivered in fully registered book-entry form only and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), which will act as securities depository for the Bonds. Upon receipt of payments of the principal of and premium, if any, and interest on the Bonds, DTC will remit such principal, premium, if any, and interest to its participants (as described herein) for subsequent disbursement to the beneficial owners of the Bonds. Purchasers of the Bonds will not receive physical bonds representing their interests in the Bonds purchased. See APPENDIX C–"DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Bonds are not subject to optional redemption prior to maturity. The Bonds are subject to extraordinary redemption prior to maturity as described herein. See "THE BONDS–Redemption Provisions."

The Bonds are limited obligations of the Authority payable solely from Revenues, which consist primarily of base rental payments (the "Base Rental Payments") to be made by the City of Oakland (the "City") pursuant to an Amended and Restated Sublease dated as of April 1, 2008 (the "Sublease"), between the Authority and the City, and other amounts held by the Trustee in the funds and accounts established under the Indenture (other than the Rebate Fund), except as otherwise provided in the Indenture. The Base Rental Payments are expected to be paid by the City in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS."

THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE BONDS ONLY FROM THE FUNDS DESCRIBED IN THE INDENTURE, AND THE AUTHORITY SHALL NOT INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE BONDS. THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE SUBLEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION, EXCEPT TO THE EXTENT OF THE TAX OVERRIDE REVENUES. THE BONDS DO NOT CONSTITUTE A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is *not* intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making an investment decision. Attention is directed to the section of this Official Statement entitled "CERTAIN RISK FACTORS" for a discussion of certain risk factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Bonds.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Corp. See "BOND INSURANCE."

ASSURED GUARANTY®

The Bonds will be offered when, as and if delivered and received by the Underwriter, subject to approval of validity by Nixon Peabody LLP, San Francisco, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, Lofton & Jennings, San Francisco, California, and for the Authority and the City by the Office of the City Attorney of the City of Oakland. It is expected that the Bonds will be available for delivery in book-entry only form through the facilities of DTC in New York, New York, on or about April 16, 2008.

RBC Capital Markets

Dated: April 3, 2008

$107,630,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
REFUNDING REVENUE BONDS
2008 SERIES A-1
(TAX-EXEMPT BONDS)

BASE CUSIP NO.†: 67227R

Maturity Date (January 1)	Principal Amount	Interest Rate	Yield	CUSIP No.†
2009	$11,185,000	4.000%	1.450%	BN5
2010	750,000	3.500	2.470	BP0
2010	9,190,000	5.000	2.470	CD6
2011	3,910,000	3.500	2.740	BQ8
2011	6,630,000	5.000	2.740	CE4
2012	6,245,000	3.000	3.040	CM6
2012	4,155,000	4.000	3.040	BR6
2012	700,000	5.000	3.040	CF1
2013	8,500,000	4.250	3.200	BS4
2013	3,115,000	5.000	3.200	CG9
2014	2,255,000	4.000	3.380	BT2
2014	4,000,000	4.250	3.380	CN4
2014	6,000,000	5.000	3.380	CH7
2015	2,930,000	4.000	3.550	BU9
2015	10,000,000	5.000	3.550	CJ3
2016	3,685,000	4.000	3.720	BV7
2016	10,000,000	5.250	3.720	CK0
2017	3,120,000	4.000	3.860	BW5
2017	11,260,000	5.250	3.860	CL8

$20,330,000
OAKLAND JOINT POWERS FINANCING AUTHORITY
REFUNDING REVENUE BONDS
2008 SERIES A-2
(TAXABLE BONDS)

BASE CUSIP NO.†: 67227R

Maturity Date (January 1)	Principal Amount	Interest Rate	Yield	CUSIP No.†
2009	$1,605,000	3.450%	3.450%	BX3
2010	1,755,000	3.650	3.650	BY1
2011	1,775,000	4.090	4.090	BZ8
2012	4,910,000	4.290	4.290	CA2
2013	5,060,000	4.490	4.490	CB0
2014	5,225,000	4.690	4.690	CC8

† CUSIP® is registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Authority, the City, the Financial Advisor or the Underwriter takes any responsibility for the accuracy of such CUSIP numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

This Official Statement does not constitute an offer to sell or the 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 for such person to make such an offer, solicitation or sale. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriter.

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

The information and expressions of opinion herein are subject to change without notice and neither 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 or the City since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the Authority.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "budget" "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the Authority or the City. These forward-looking statements speak only as of the date of this Official Statement. The Authority and the City disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the Authority or the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY AND THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAWS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Assured Guaranty Corp. makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty Corp. has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty Corp. supplied by Assured Guaranty Corp. and presented under the heading "BOND INSURANCE" and APPENDIX G–"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

TABLE OF CONTENTS

APPENDICES

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$107,630,000	$20,330,000
OAKLAND JOINT POWERS FINANCING AUTHORITY	**OAKLAND JOINT POWERS FINANCING AUTHORITY**
REFUNDING REVENUE BONDS	**REFUNDING REVENUE BONDS**
2008 SERIES A-1	**2008 SERIES A-2**
(Tax-Exempt Bonds)	**(Taxable Bonds)**

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. Capitalized terms used in this Official Statement and not defined elsewhere herein have the meanings given such terms under the Indenture or the Sublease (both as defined herein). See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

The purpose of this Official Statement, which includes the cover page and Appendices hereto (this "Official Statement"), is to furnish information concerning the Oakland Joint Powers Financing Authority (the "Authority"), a joint exercise of powers agency organized and existing under the laws of the State of California (the "State"), the City of Oakland, California (the "City"), and certain other information in connection with the issuance and sale by the Authority of $107,630,000 aggregate principal amount of its Refunding Revenue Bonds, 2008 Series A-1 (Tax-Exempt Bonds) (the "2008 Series A-1 Bonds") and $20,330,000 aggregate principal amount of its Refunding Revenue Bonds, 2008 Series A-2 (Taxable Bonds) (the "2008 Series A-2 Bonds" and, together with the 2008 Series A-1 Bonds, the "Bonds").

The Bonds will be issued pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, of Division 7 of Title 1 of the State of California Government Code, an Indenture, dated as of April 1, 2008 (the "Indenture"), between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), and a resolution adopted by the governing board of the Authority on March 18, 2008. The proceeds of the Bonds will be used by the Authority to (i) refund and defease certain outstanding bonds of the Authority, (ii) fund the debt service reserve fund for the Bonds, and (iii) pay costs related to the issuance of the Bonds, including premium for bond insurance. See "PLAN OF REFUNDING."

In connection with the issuance of the Bonds, the City and the Authority will (a) enter into an Amended and Restated Lease, dated as of April 1, 2008 (the "Lease"), pursuant to which the City will lease the Leased Property (described herein) to the Authority, and (b) enter into an Amended and Restated Sublease, dated as of April 1, 2008 (the "Sublease"), pursuant to which the Authority will lease the Leased Property back to the City. See "THE LEASED PROPERTY." The City is obligated under the Sublease to pay Base Rental Payments to the Authority for the use and occupancy of the Leased Property. See "THE LEASED PROPERTY" and "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Base Rental Payments."

The Bonds are special limited obligations of the Authority payable from and secured by the Base Rental Payments to be made by the City under the Sublease and certain amounts held under the Indenture. The Base Rental Payments are expected to be paid in such amounts and on such dates as will enable the Authority to pay the principal of and interest on the Bonds when due and payable. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Base Rental Payments." The City covenants under the Sublease that so long as the Leased Property is available for its use, the City will take such action as may be necessary to include the Base Rental Payments and the Additional Payments (together, the "Rental Payments") in its annual budget and to make the necessary annual appropriations therefor. The obligation of the City to make Rental Payments (other than from the sources specified in the Sublease) may be abated in whole or in part if the City does not have full use and occupancy of the Leased Property or any portion thereof. See "CERTAIN RISK FACTORS–Abatement." The Rental Payments will be payable from legally available funds of the City. For information about the City, including current financial information, see APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND." The City's audited general purpose financial statements for Fiscal Year ended June 30, 2007 are attached hereto as APPENDIX B.

Pursuant to the Indenture, the Authority will assign to the Trustee for the benefit of the owners of the Bonds the Authority's rights (except the Authority's right to indemnification) and remedies under the Sublease, including its right to receive Base Rental Payments and its right to enforce amounts payable upon default. See "CERTAIN RISK FACTORS–Limitation on Enforcement of Remedies; Limited Recourse on Default" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Defaults and Remedies."

THE BONDS

General

The Bonds will be dated their date of delivery and will mature on the dates and in the principal amounts and bear interest per annum at the rates set forth on the inside cover page of this Official Statement. The Bonds will be issued as fully registered Bonds without coupons, in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations").

Interest on the Bonds will be payable on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing July 1, 2008, and will be calculated based on a 360-day year of twelve 30-day months. Interest with respect to any Bond will be payable by check mailed not later than the Interest Payment Date by first class mail to the respective Owners thereof at their respective addresses, as they appear on the Registration Books on the Record Date required to be maintained by the Trustee or at such other address as has been furnished to the Trustee in writing by the Owner on or prior to such Record Date, except that at the written request of an Owner of at least $1,000,000 in aggregate principal amount of Outstanding Bonds, filed with the Trustee prior to any Record Date, interest on such Bonds shall be paid to such Owner on each Interest Payment Date (unless such request has been revoked in writing) by wire transfer of immediately available funds to an account in the United States designated in such written request. The principal of the Bonds are payable when due upon surrender thereof at the Trust Office in lawful money of the United States of America. See APPENDIX C–"DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Extraordinary Redemption. The Bonds are subject to redemption on any date prior to their respective stated maturities, as a whole or in part by lot within each stated maturity in Authorized Denominations as determined by the Trustee (notice of which determination is required to be given by the Trustee to the Authority and the City), from prepayments made by the City from insurance proceeds and eminent domain proceeds, to the extent provided in the Sublease, in the event of damage to or destruction of the Leased Property, at a redemption price equal to the sum of the principal amount thereof, without premium, plus accrued interest thereon to the date fixed for redemption of the Bonds (the "Redemption Date"). Whenever less than all of the Outstanding Bonds are to be redeemed on any one date, the Trustee shall select, in accordance with written directions from the Authority, the Bonds to be redeemed in part from the Outstanding Bonds so that the aggregate annual principal amount of and interest on Bonds that is payable after such Redemption Date will as nearly proportional as practicable to the aggregate annual principal amount of and interest on Bonds Outstanding prior to such Redemption Date.

No Optional Redemption. The Bonds are *not* subject to optional redemption by the Authority prior to their respective maturities.

Selection of Bonds for Redemption. If less than all Outstanding Bonds of the same Series maturing by their terms on any one date are to be redeemed at any one time, the Trustee is required to select the Bonds of such maturity date to be redeemed by lot and promptly notify the Authority in writing of the numbers of the Bonds so selected for redemption.

Notice of Redemption. The Trustee on behalf and at the expense of the Authority is required to mail, by first class mail, postage prepaid, notice of any redemption to the respective 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 45 days prior to the date fixed for redemption; provided that such notice may be conditional 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 is required to state the date of the notice, the redemption date, the redemption place and the redemption price and designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and require that such Bonds be then surrendered at the 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. Neither the Authority nor the Trustee will have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee will be liable for any inaccuracy in such numbers. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond, the Authority is required to execute and the Trustee is required to authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity, of authorized denominations in aggregate principal amounts equal to the unredeemed portion of the Bond being redeemed.

At the Written Direction of the City, the notice of redemption is required to provide that such redemption is conditional upon receipt by the Trustee of sufficient moneys to redeem the Bonds or portion thereof (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 is required to give notice of rescission to the Owners of any Bonds designated for redemption by the same means and in the same manner described in the preceding paragraph. The 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 constitutes an Event of Default as defined in the Indenture.

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 called for redemption have been duly provided, the Bonds called for redemption will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the Redemption Date. All Bonds redeemed pursuant to the Indenture will be cancelled by the Trustee and will be delivered to or upon the order of the Authority. All moneys held by or on behalf of the Trustee for the payment of the principal of or interest on the Bonds, whether at redemption or maturity, will be held in trust for the account of the Owners thereof and the Trustee will not be required to pay Owners any interest on, or be liable to Owners for any interest earned on, moneys so held.

PLAN OF REFUNDING

The Authority will apply a portion of the proceeds from the sale of the Bonds, together with other available moneys, to establish an irrevocable escrow fund (the "Escrow Fund") to refund and redeem the following bonds of the Authority: (i) the Authority's $50,575,000 aggregate principal amount of Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds) (the "2005 Series A-1 Bonds"); (ii) the Authority's $50,550,000 aggregate principal amount of Refunding Revenue Bonds, 2005 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds) (the "2005 Series A-2 Bonds"); and (iii) the Authority's $17,975,000 aggregate principal amount of Refunding Revenue Bonds, 2005 Series B (Auction Rate Securities) (Taxable Bonds) (the "2005 Series B Bonds" and collectively with the 2005 Series A-1 Bonds and the 2005 Series A-2 Bonds, the "Refunded Bonds").

The Escrow Fund will be established pursuant to the terms of an Escrow Deposit and Trust Agreement, dated as of April 1, 2008 (the "Escrow Agreement") by and between the Authority and The Bank of New York Trust Company, N.A., as escrow agent (the "Escrow Bank"). The amounts deposited in the Escrow Fund will be held by the Escrow Bank in cash or invested in direct, non-callable obligations of the U.S. Government or non-callable, non-prepayable obligations unconditionally guaranteed as to full and timely payment of principal and interest by the U.S. Government (the "Federal Securities"), the principal of and interest on which, when received, will be sufficient to pay the principal or redemption price of, including premium, if any, and interest on the Refunded Bonds on April 21, 2008. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Bonds and other available amounts are estimated to be applied as follows:

	Series A-1	Series A-2	Total
Estimated Sources:			
Bond proceeds	$107,630,000	$20,330,000	$127,960,000
Plus: Net Original Issue Premium	5,823,771	–	5,823,771
TOTAL SOURCES	$113,453,771	$20,330,000	$133,783,771
Estimated Uses:			
Deposit to Escrow Fund	$101,125,000	$17,975,000	$119,100,000
Deposit to Reserve Fund (1)	10,763,000	2,033,000	12,796,000
Costs of Issuance (2)	1,565,771	322,000	1,887,771
TOTAL USES	$113,453,771	$20,330,000	$133,783,771

(1) For information regarding the Reserve Requirement for the Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Reserve Fund."

(2) Costs of Issuance include amounts to pay legal fees, financial advisory fees, rating agency fees, printing costs, bond insurance premium and other issuance costs, including the underwriter's discount. For information regarding the underwriter's discount for the Bonds, see "UNDERWRITING."

RETIREMENT SYSTEM

The Retirement System is established pursuant to the Retirement Law and is a defined benefit pension system for the members of the City's Police and Fire Departments hired prior to July 1, 1976. The Retirement System is now closed; no new members can join the Retirement System. As of June 30, 2006, the Retirement System covered three current employees and 1,296 retired employees. The Retirement System provides for the payment of retirement allowances and disability and death benefits to its members and their beneficiaries. The Retirement System is governed by a seven-member Police and Fire Retirement Board (the "Retirement Board"), which controls the operation, investment and disbursement of the Retirement System's funds. The Retirement System is subject to federal and California law and the Retirement Board has discretion to invest plan assets under the prudent person standard of the City Charter Article XXVI, the California Constitution and other applicable law. The Retirement System has a stated investment objective to maintain the purchasing power of the principal of Retirement System investments over the long term. For further information concerning the Retirement System, see APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND–Retirement Programs." ***Neither the Retirement System nor its assets are obligated for the payment of debt service on the Bonds.***

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The Bonds constitute special limited obligations of the Authority, and are payable solely from and secured as to principal and interest thereon, and as to any premiums upon the redemption of any thereof, solely by (i) the Revenues, (ii) all amounts on deposit in the Revenue Fund, (iii) any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than the Rebate Fund). The Bonds do not constitute an indebtedness of the Authority or the City within the meaning of any constitutional or statutory debt limitation or restriction and do not constitute obligations, nor evidence any indebtedness, of the City or of the State.

Revenues are defined in the Indenture to mean (i) all Base Rental Payments paid by the City and received by the Authority pursuant to the Sublease (but not Additional Payments), and (ii) all interest or other income from any investment of any money in any fund or account (other than the Rebate Fund) established pursuant to the Indenture or the Sublease.

Base Rental Payments

The obligation of the City to make Base Rental Payments, when due, is a General Fund obligation of the City and does not constitute a debt of the City for which the City is obligated to pledge or levy any form of taxation or for which the City has levied or pledged any form of taxation, except to the extent of the Tax Override Revenues. Base Rental Payments will be made from amounts included in the City's annual budget and appropriated therefor except to the extent payments are made from proceeds of the Bonds, rental interruption insurance, the net proceeds of insurance or condemnation awards or certain other moneys held under the Indenture, including moneys held in the Reserve Fund established under the Indenture and the Tax Override Revenues (defined below) collected by the City.

The City has pledged on a subordinate basis its Tax Override Revenues to the payment of the Base Rental Payments. The "Tax Override Revenues" are defined in the Sublease as the revenues generated and collected by the City in each Fiscal Year as proceeds of its annual tax levy authorized by Measure R, adopted by the voters of the City on June 8, 1976 ("Measure R"), which amended certain provisions of the City Charter establishing the Retirement Law and required the City to amortize the unfunded accrued actuarial liability of the City to the Retirement System of the City (the "UAAL") by the year 2016. Beginning in 1981, the City Council levied the Tax Override to fund the UAAL. Measure O, adopted by the voters of the City on June 7, 1986 ("Measure O") extended the period for amortizing the UAAL by 10 years to 2026. The City covenants in the Sublease, so long as any Base Rental Payments and Additional Payments remain unpaid under the Sublease, to levy the Tax Override (up to the maximum tax permitted by applicable law) in each Fiscal Year, in an amount sufficient, when aggregated with the other amounts legally available to the City and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay all Base Rental Payments and Additional Payments due. See "–Tax Override Revenues."

The City covenants in the Sublease to take such action as may be necessary to include the Base Rental Payments and Additional Payments estimated by the City to be payable under the Sublease as a separate line item in its annual budget, and to make necessary annual appropriations (and to the extent necessary, supplemental appropriations) for the Base Rental Payments and Additional Payments. These appropriations will be made from the City's General Fund. See APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B–"CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007" for information on amounts historically available in the General Fund. The amounts available to the City from its General Fund and Tax Override Revenues for the payment of Base Rental Payments are subject to economic and other factors. See "CERTAIN RISK FACTORS."

The Trustee, pursuant to the Indenture and the Sublease, will receive Base Rental Payments for the benefit of the Bond Owners. The City is required under the Sublease to make Base Rental Payments from legally available funds on or before each Base Rental Due Date, being the Business Day which is not less than four Business Days prior to each Interest Payment Date, or any other date scheduled for the payment of principal of the Bonds, and payments of any Related Obligations (defined herein) due on or before the first day of the month following the Base Rental Due Date. The Base Rental Payments are scheduled to be sufficient to pay, when due, the principal of, redemption premium, if any, and interest on the Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

The amount of each Base Rental Payment will vary from time to time, as required by the Authority to pay the principal of, premium, if any, and interest on the Bonds and payments of any Related Obligations due on or before the first day of the month following the Base Rental Due Date; provided that to the extent the Authority has received revenues available to pay debt service on the Bonds and any Related Obligations and has deposited such revenues with the Trustee by the Business Day immediately preceding the Base Rental Due Date, the City shall receive a credit to the extent of such revenues on the installment of the Base Rental Payment for said month. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Base Rental Payments."

The Trustee's obligation to make such payments to Bond Owners is limited to amounts designated as principal of, redemption premium, if any, and interest on the Bonds. Additional Payments due from the City under the Sublease include amounts sufficient to pay certain administrative costs, including the fees and expenses of the Trustee. Base Rental Payments and Additional Payments will be abated during any period in which by reason of any material damage, destruction or condemnation there is substantial interference with the use of the Leased Property by the City to the extent the Leased Property rendered unusable reduces the fair rental value of the Leased Property below the amount of Base Rental Payments and Additional Payments during any Rental Payment Period, except to the extent Tax Override Revenues, rental interruption insurance proceeds and the Reserve Fund are available to make such payments. See "CERTAIN RISK FACTORS–Abatement." The City is also responsible for repair and maintenance of the Leased Property during the term of the Sublease. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

If the City defaults on its obligations to make Base Rental Payments with respect to the Leased Property, the Authority may (i) collect each installment of rent as it becomes due and enforce any other terms or provision of the Sublease, regardless of whether or not the City has abandoned the Leased Property, or (ii) terminate the Sublease. Any suit for rent or money damages would be subject to limitations on legal remedies against cities in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. See "–Defaults and Remedies" below and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

The exercise of any rights or remedies under the Sublease do not permit acceleration of Base Rental Payments and are subject to the terms and provisions of the Indenture.

Appropriations Covenant

The City covenants in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Payments as a separate line item in its annual budget and to make the necessary annual appropriations (and, to the extent necessary, supplemental appropriations) therefor. The City has agreed that the rentals and other payments provided for in the Sublease are to be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever. The Sublease provides that the covenants of the City thereunder are deemed duties imposed by law, and it further provides that it will be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such official to enable the City to carry out and perform the covenants and agreements of the City contained in the Sublease.

The Sublease provides that the Authority and the City intend that the obligation of the City to pay Base Rental Payments and Additional Payments will constitute a current expense of the City and is not to be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, nor is anything contained in the Sublease intended to constitute a pledge of the general tax revenues, funds or moneys of the City. Base Rental Payments and Additional Payments due under the Sublease will be payable only from current funds which are budgeted and appropriated or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Sublease as consideration for the use of the Leased Property. The City has not pledged the full faith and credit of the City, the State or any agency or department thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Sublease.

Tax Override Revenues

The City is authorized to levy the Tax Override on all taxable property within the City pursuant to Measure R. The City has pledged a lien on and security interest in all right, title and interest of the City in and to the Tax Override Revenues for the payment of its outstanding Taxable Pension Obligation Bonds, Series 1997 and Series 2001, which were issued under and secured by the Master Indenture, dated as of February 1, 1997 (the "Master Indenture"), by and between the City and The Chase Manhattan Bank, Houston, Texas (successor trustee to Texas Commerce Bank National Association), as amended to date (together with any additional bonds which may be secured on a parity basis, the "Senior Pension Bonds"). The Master Indenture authorizes the City to issue additional Senior Pension Bonds and additional subordinate obligations at any time subject to the terms and conditions of the Master Indenture. No restriction is imposed by the Master Indenture on the maximum principal amount of Senior Pension Bonds or additional subordinate obligations to be issued. The Master Indenture provides that such lien and security interest to the payment of the Senior Pension Bonds shall be prior in right to any other pledge, lien or security interest created by the City in the Tax Override Revenues as and to the extent therein provided, including the pledge of Tax Override Revenues to the payment of the Base Rental Payments. In the Master Indenture, the City has covenanted that the Tax Override Revenues levied and collected in each Fiscal Year shall be pledged and applied to pay principal of and interest on and the redemption price of the Senior Pension Bonds in such Fiscal Year. The Master Indenture further provides that, to the extent that, commencing on June 30, 1998 and on June 30 of each Fiscal Year thereafter during the term of any bonds outstanding thereunder, any surplus amount of Tax Override Revenues remains on deposit in the Tax Override Revenue Account after payment of all principal of and interest on and the redemption price of such bonds during such Fiscal Year, such amount is restricted to any lawful purpose authorized under Measure R.

The Master Indenture requires the City to deposit all Tax Override Revenues into the Tax Override Revenue Account in the General Fund held by the City. The City is further required, on or before August 1 of each year, to deposit with the Trustee an aggregate amount, from its legally available revenues (including, but not limited to, the Tax Override Revenues held in the Tax Override Revenue Account of the City), sufficient to pay all principal and interest due on all of the Senior Pension Bonds on the next succeeding December 15 and June 15. If this deposit is made by August 1 of each year, then the Master Indenture imposes no further limitations upon the City's use of Tax Override Revenues held in the Tax Override Revenue Account of the City.

The 2008 Bonds are being issued to refund and defease the Refunded Bonds, which were issued to refund the Authority's Lease Revenue Bonds, 1998 Series A (the "1998 Bonds") and to fund a portion of its current obligation to the Retirement System. The 1998 Bonds were issued to refund the 1988 Pension Bonds, which were issued to fund a portion of the City's unfunded accrued actuarial liability to the Retirement System. Accordingly, the City has determined that Base Rental Payments shall be secured by the Tax Override Revenues and has declared in the Sublease that its obligation to pay the Base Rental Payments to be Subordinated Obligations for purposes of the Master Indenture. The Sublease states that the lien and security interest pledged and assigned by the City to the Authority and the Trustee in the Tax Override Revenues is junior and subordinate to the lien on and the security interest in any Tax Override Revenues granted to secure any Senior Pension Bonds.

The determination by the City Council in any year of the amount of the tax levy rate for the Tax Override may be subject to a variety of factors, including the amount of other City revenues, the prevailing levels of property taxation within the City, the assessed valuation of property in the City and political considerations and policies of the City Council at the time of the levy.

In 1982, a taxpayer filed a lawsuit challenging the Tax Override as violating Article XIII A of the California Constitution and arguing the Tax Override was not indebtedness which had been approved by the voters prior to July 1, 1978, as required by Article XIII A. That challenge was rejected in 1983 by the Court of Appeal of California, First Appellate District, in *Valentine v. City of Oakland*. The *Valentine* Court concluded that the obligation of the City to fund its contributions to the Retirement System constituted indebtedness which had been approved by the voters in 1976 when they adopted Measure R. The Court also rejected the challenge that the voters must approve the specific tax levied to pay the indebtedness to the Retirement System because the City Council, under the City's home rule power as a charter city, had the legal authority to levy the Tax Override. In a validation action filed in the Alameda County Superior Court prior to the issuance of the Series 1997 Bonds, the Court determined that the City may use the Tax Override Revenues to pay principal of, interest on, and the redemption price, if any, on the Senior Pension Bonds.

State legislation enacted in 1985 limits the rate of the levy of the Tax Override to the rate levied by the City in Fiscal Year 1983 or 1984, which was 0.1575% of the assessed value of taxable property within the City. In addition, the tax levy rate may be affected by other existing and future statutory and constitutional limitations on taxes and appropriations, which may limit tax levy rates or otherwise have an adverse effect on the taxing or spending powers of the City. See "CERTAIN RISK FACTORS–Appropriation of Base Rental Payments" and APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND –Constitutional and Statutory Limitations on Taxes and Appropriations." For Fiscal Year 2007-08, the City Council levied the Tax Override on all taxable property within the City at a rate of 0.1575% and has budgeted collection of Tax Override Revenues in the amount of $47.8 million. The City has levied the Tax Override at this 0.1575% rate since 1983. The City is authorized pursuant to Measure O to levy the Tax Override through Fiscal Year 2025-2026. Tax Override Revenues have grown an average annual rate of 6.2% over the last 10 Fiscal Years. The amount of Tax Override Revenues and the annual growth rate of such Tax Override Revenues for the last 10 Fiscal Years are shown in the following table:

City of Oakland
Tax Override Revenues
Fiscal Years 1997-98 through 2006-07
($ in 000's)

Fiscal Year (June 30)	Assessed Valuation	Tax Levy	Tax Override Revenues Levied	Annual Growth Rate	Annual Delinquency Rate
1997-98	$17,390,605	0.1575%	$27,390,203	–	–
1998-99	18,312,807	0.1575	28,842,671	5.30%	4.75%
1999-00	19,210,099	0.1575	30,255,906	4.90	4.79
2000-01	20,721,033	0.1575	32,635,627	7.87	4.24
2001-02	22,929,991	0.1575	36,114,736	10.66	3.48
2002-03	24,801,511	0.1575	39,062,380	8.16	3.91
2003-04	27,045,906	0.1575	42,597,302	9.05	3.50
2004-05	29,276,917	0.1575	46,111,144	8.25	4.44
2005-06	32,243,583	0.1575	50,783,643	10.13	5.09
2006-07	35,819,879	0.1575	56,416,309	11.09	3.49

(1) Estimate.
Source: City of Oakland Finance and Management Agency.

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The following table sets forth the debt service obligations of the City's outstanding Senior Pension Bonds.

City of Oakland
Senior Pension Bonds
Fiscal Year Debt Service

Fiscal Year	Taxable Pension Obligation Bonds, Series 1997	Taxable Pension Obligation Bonds, Series 2001	Total Debt Service
2008	$37,011,289	–	$37,011,289
2009	38,082,816	–	38,082,816
2010	39,181,314	–	39,181,314
2011	40,305,000	–	40,305,000
2012	–	$38,375,000	38,375,000
2013	–	39,555,000	39,555,000
2014	–	40,765,000	40,765,000
2015	–	42,010,000	42,010,000
2016	–	43,285,000	43,285,000
2017	–	44,590,000	44,590,000
2018	–	45,925,000	45,925,000
2019	–	47,925,000	47,925,000
2020	–	48,700,000	48,700,000
2021	–	50,140,000	50,140,000
2022	–	51,620,000	51,620,000
2023	–	53,130,000	53,130,000
TOTAL	$153,580,419	$545,390,000	$698,970,419

As discussed above, the City has no obligation under the Sublease to levy the Tax Override in any Fiscal Year to the extent other legally available revenues are available or budgeted by the City in such Fiscal Year and expected by the City to be available for the payment of the Bonds. The pledge of the Tax Override Revenues to the payment of the Senior Pension Bonds is prior in right to any other pledge, lien or security interest created by the City in the Tax Override Revenues, including the pledge of Tax Override Revenues to the payment of the Base Rental Payments. The City may also issue additional Senior Pension Bonds and additional subordinate obligations secured by the Tax Override Revenues in the future.

Reserve Fund

The Indenture establishes a Reserve Fund, the moneys in which will be held in trust as a reserve for the payment when due of all debt service payments on the Bonds or to make the final payment on the Bonds at maturity. Under the Indenture, the Reserve Fund Requirement means an amount equal to the least of (i) ten percent of the original proceeds of the Bonds; (ii) maximum annual debt service on all Bonds Outstanding; or (iii) 125% of average annual debt service on all Bonds Outstanding. So long as the Authority is not in default under the Indenture, any amounts on deposit in the Reserve Fund in excess of the Reserve Fund Requirement on any Interest Payment Date will be transferred to the Interest Account of the Revenue Fund. In lieu of funding the Reserve Fund with cash or investment securities, the Authority at its option may fund all or any portion of the Reserve Fund Requirement by providing to the Trustee a surety bond, an insurance policy or a letter of credit issued by a financial institution or municipal bond insurance company or similar entity meeting the requirements of the Indenture in an amount sufficient, together with other available funds on deposit in the Reserve Fund, so that the sum on deposit in the Reserve Fund shall equal the Reserve Fund Requirement.

Upon the issuance of the Bonds, the Reserve Fund will be cash funded in an amount equal to the Reserve Fund Requirement. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–INDENTURE–Creation and Application of Funds and Accounts."

Use of the Leased Property

General. The City covenants in the Sublease not to install, use, operate or maintain the Leased Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the provisions of the Sublease. The City is required to provide all permits and licenses, if any, necessary for the installation and operation of the Leased Property. In addition, the City agrees to comply with all respects (including, without limitation, with respect to the use, maintenance and operation of the Leased Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Leased Property; *provided*, *however*, that the City may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the estate of the Authority in and to the Leased Property or its interest or rights under the Sublease.

Maintenance and Utilities. Throughout the term of the Sublease, all maintenance and repair, both ordinary and extraordinary, of the Leased Property will be the responsibility of the City, which will at all times maintain or otherwise arrange for the maintenance of the Leased Property, and the City will pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and will pay for or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof or any other cause and will pay for or otherwise arrange for the payment of all insurance policies required to be maintained with respect to the Leased Property.

Changes to the Leased Property. Subject to the Sublease, the City will, at its own expense, have the right to remodel the Leased Property or to make additions, modifications and improvements to the Leased Property and be subject to the provisions of the Sublease. Such additions, modifications and improvements may not in any way damage the Leased Property or cause it to be used for purposes other than those authorized under the provisions of the State and federal law; and the Leased Property, upon completion of any additions, modifications and improvements made pursuant to the Sublease, must be of a value which is at least equal to the value of the Leased Property immediately prior to the making of such additions, modifications and improvements.

Liens. The City covenants in the Sublease not to grant or permit any encumbrances or liens upon the Leased Property except for Permitted Encumbrances or as expressly provided therein.

Insurance

The Sublease provides that all policies of insurance described below must be provided by an insurance company with a claims paying ability rated at least "A" by Moody's and S&P and provide that all proceeds thereunder be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in the form customarily used in the State. The Sublease does not require the City to maintain rental interruption insurance on the Leased Property due to loss of use and occupancy of the Leased Property caused by earthquakes, flood or terrorism. See "CERTAIN RISK FACTORS."

Hazard Insurance. The City, at its own expense, is required insure or have insured the Leased Property with companies acceptable to the Authority for such amounts and against such hazards as the Authority may require, including, but not limited to, insurance for damage to the Leased Property, all such policies being with companies and on terms satisfactory to the Authority. Such insurance is required to be in an amount equal to the replacement cost (without deduction for depreciation) of all property constituting any part of the Leased Property (excluding the cost of excavations, of grading and filling, and of the land attributable to said replacement cost) for any single loss and except that such other insurance may be subject to deductible provisions for any single loss of not to exceed $250,000 or a comparable deductible adjusted for inflation), or, in the alternative, to enable all Bonds then Outstanding to be redeemed.

As an alternative to providing hazard insurance, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection affords reasonable coverage for the risks to be insured against in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Sublease, the City is required to file with the Trustee a certificate of an Insurance Consultant or other qualified person setting forth the details of such substitute method or plan of protection and stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Sublease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby.

In the event of any damage to or destruction of any part of the Leased Property caused by any of the perils covered by such insurance or condemnation proceeds, the Authority (or the City, acting as agent of the Authority), except as described below, will cause the proceeds of such insurance or condemnation proceeds to be used for the repair, reconstruction or replacement of the damaged or destroyed portion of the Leased Property, and the Authority is required to cause the Trustee to hold said proceeds under the provisions of the Indenture separate and apart from all other funds, in a special fund to be designated the "Insurance and Condemnation Fund," to the end that such proceeds will be applied to the repair, reconstruction or replacement of the Leased Property to at least the same good order, repair and condition as it was in prior to the damage or destruction, insofar as the same may be accomplished by the use of said proceeds. Any balance of said proceeds not required for such repair, reconstruction or replacement will be treated by the Trustee as Base Rental Payments and applied in the manner provided in the Indenture. Alternatively, the Authority, if the proceeds of such insurance and any amounts transferable from the Reserve Fund as allocable to the Bonds to be redeemed, together with any other moneys then available for the purpose, are at least sufficient to redeem an aggregate principal amount of Outstanding Bonds equal to the amount of Outstanding Bonds attributable to the portion of the Leased Property so destroyed or damaged (determined by reference to the proportion which the cost of such portion of the Leased Property bears to the aggregate cost of the Leased Property), may elect *not* to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property and thereupon will cause said proceeds to be used for the redemption of Outstanding Bonds pursuant to the provisions of the Indenture.

The Authority and the City will promptly apply for federal disaster aid or State disaster aid in the event that the Leased Property is damaged or destroyed as a result of an earthquake or other disaster occurring at any time. Any proceeds received as a result of such disaster aid will be used to repair, reconstruct, restore or replace the damaged or destroyed portions of the Leased Property, or to redeem Outstanding Bonds pursuant to the provisions of the Indenture (but only to the extent such use of such disaster aid is permitted).

Liability Insurance. The City is required to procure or cause to be procured and maintain or cause to be maintained, throughout the term of the Sublease, a standard comprehensive general liability insurance policy or policies in protection of the Authority and its members, directors, officers, agents and employees, and the Trustee, indemnifying said parties against all direct or contingent loss or liability for damages for personal injury, death or property damage occasioned by reason of the operation of the Leased Property, with minimum liability limits of $5,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $750,000 for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $10,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance carried by the City.

As an alternative to providing the insurance described above, or any portion thereof, the City may provide a self-insurance method or plan of protection if and to the extent such self-insurance method or plan of protection affords reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee, in light of all circumstances, giving consideration to cost, availability and similar plans or methods of protection adopted by public entities in the State other than the City. Before such other method or plan may be provided by the City, and annually thereafter so long as such method or plan is being provided to satisfy the requirements of the Sublease, the City is required to file with the Trustee a certificate of an Insurance Consultant or other qualified person setting forth the details of such substitute method or plan and stating that, in the opinion of the signer, the substitute method or plan of protection is in accordance with the requirements of the Sublease and, when effective, would afford reasonable protection to the Authority, its members, directors, officers, agents and employees and the Trustee against loss and damage from the hazards and risks covered thereby.

Rental Interruption or Use and Occupancy Insurance. The City is required to procure or cause to be procured and maintain or cause to be maintained throughout the term of the Sublease, to the extent such insurance is commercially available, rental interruption or use and occupancy insurance to cover loss, total or partial, of the rental income from or the use of the Leased Property as the result of any of the hazards covered by the insurance described under "*–Hazard Insurance,*" in an amount sufficient to pay Base Rental Payments for three months, except that such insurance may be subject to a deductible provision of not to exceed an amount equal to 30 days of Base Rental Payments for the portion of the Leased Property damaged or destroyed. Any proceeds of such insurance and any amounts transferred from the Reserve Fund shall be used by the Trustee to reimburse the City any rental theretofore paid by the City under the provisions of the Sublease attributable to such portion of the Leased Property for a period of time during which the payment of rental under the Sublease is abated, and any proceeds of such insurance not so used will be applied as Base Rental Payments or Additional Payments, as provided in the Sublease.

The Sublease does not require the City to maintain rental interruption insurance on the Leased Property due to loss of use and occupancy of the Leased Property caused by earthquakes, floods or terrorism. See "CERTAIN RISK FACTORS."

Worker's Compensation. The City is also required to maintain worker's compensation insurance issued by a responsible insurer authorized under the laws of the State to insure the City against liability for compensation under the Worker's Compensation, Insurance and Safety Act now in force in the State, or any statute or regulation hereinafter enacted or promulgated as an amendment or supplement thereto or implementation thereof. As an alternative, such insurance may be maintained as part of or in conjunction with any other insurance carried by the City. Such insurance may be maintained by the City in the form of self-insurance.

Abatement due to Damage or Destruction

The Base Rental Payments and Additional Payments due under the Sublease will be abated proportionately during any period in which by reason of any material damage or destruction (other than by condemnation which is hereinafter provided for) there is substantial interference with the use of the Leased Property by the City, in the proportion in which the cost of that portion of the Leased Property rendered unusable bears to the cost of the whole of the Leased Property. Such abatement will continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease will continue in full force and effect, and the City has waived the benefits of California Civil Code Section 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Indenture or are available as Pledged Revenues pursuant to the provisions of the Sublease, Base Rental Payments will not be abated as provided above, but rather will be payable by the City as a special and limited obligation payable solely from said funds, accounts and revenues (including, without limitation, Pledged Revenues consisting of Tax Override Revenues).

Eminent Domain

If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the City is taken under the power or threat of eminent domain, the term of the Sublease will cease as of the day that possession is taken. If less than the whole of the Leased Property is taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it is used by the City at the time of such taking, then the Sublease will continue in full force and effect as to such remainder, and the Authority and the City waive the benefits of any law to the contrary, and in such event there will be a partial abatement of the rental due thereunder in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the proceeds of the award in eminent domain to the redemption of Outstanding Bonds. So long as any Bonds are Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof is required to be paid to the Trustee and applied to the prepayment of Base Rental Payments as provided in the Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, will be paid to the City. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Prepayment."

The City covenants in the Sublease that it will not take the Authority's interest in the Leased Property under the power or threat of eminent domain unless the City prepays all Base Rental Payments pursuant to the Sublease. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Prepayment."

Option to Purchase, Sell, Substitute or Dispose of Leased Property

Pursuant to the Sublease, the City has the option to purchase the Authority's interest in any part of the Leased Property upon the payment to the Authority of an option price in an amount sufficient to provide funds to pay to the aggregate amount for the entire remaining term of the Sublease of the part of the total rent thereunder attributable to such part of the Leased Property (determined by reference to the proportion which the cost of such part of the Leased Property bears to the cost of all of the Leased Property).

The City may request the Authority to sell, substitute or otherwise transfer, convey or dispose of any part of the Leased Property, and to release said part of the Leased Property from the Sublease if: (i) in the opinion of the City the property so sold or for which a substitution is made, is no longer required or useful in connection with the operation of the Leased Property, and (ii) the consideration to be received from the property is of a value substantially equal to the value of the property to be released or the property which is substituted for or replaces all or any portion of the Leased Property has fair rental value, together with the fair rental value of the remaining Leased Property, not less than the remaining Base Rental Payments and has a remaining useful life not shorter than the remaining average maturity of the Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Option to Purchase; Sale or Disposition of Leased Property."

Defaults and Remedies

Events of default under the Sublease include: (i) failure of the City to pay any Base Rental Payment, Additional Payment or other amount payable thereunder when the same becomes due and payable as provided in the Sublease, (ii) failure for a period of 30 days after notice of such failure has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required, in the discretion of the Trustee to correct the same, to keep, observe or perform any other term, covenant or condition contained herein to be kept or performed by the City; or (iii) assignment of all or part of the City's interest in the Sublease without the prior written consent of the Authority; (iv) certain events of bankruptcy or insolvency with respect to the City, or (v) abandonment or vacation of the Leased Property by the City.

Upon the occurrence of an event of default under the Sublease, the Authority is required to proceed to protect and enforce the rights vested in the Authority by the Sublease. The provisions of the Sublease and the duties of the City and of its officials, officers or employees is enforceable by the Authority by *mandamus* or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may bring any of the following actions: (i) by action or suit in equity, to require the City and its officials, officers and employees and their assigns to account as the trustee of an express trust; (ii) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of any right of the Authority; or (iii) by *mandamus* or other suit, action or proceeding at law or in equity, to enforce any right of the Authority against the City (and its officials, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Authority as provided in the Sublease. Upon the occurrence or during the pendency of any such event of default, the Authority, without terminating the Sublease, may collect each Base Rental Payment and Additional Payment installment and other amounts as they become due and enforce any other terms or provisions of the Sublease to be kept or performed by the City, regardless of whether or not the City has abandoned the Leased Property or any portion thereof. In such event, the City will remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease required to be kept or performed by the City and to pay the full amount of the Base Rental Payments, Additional Payments and other amounts to the end of the term of the Sublease and further agrees to pay said Base Rental Payments and Additional Payments and other amounts punctually at the same time and in the same manner as provided for the payment of Base Rental Payments, Additional Payments and other amounts under the Sublease (without acceleration).

The remedies provided to the Authority under the Sublease or by any law are cumulative, and the single or partial exercise of any right, power or privilege thereunder will not impair the right of the Authority to the exercise of any or all other rights, powers and privileges. In no event does the Authority have the right to accelerate the payment of any Base Rental Payments under the Sublease. See

"SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Defaults and Remedies."

Additional Bonds

In addition to the Bonds, the Authority and the City may by supplemental Indenture provide for the issuance of Additional Bonds, subject to satisfaction of certain provisions contained in the Indenture. Additional Bonds will be payable from the Revenues as provided in the Indenture and secured by a pledge of and charge and lien upon the Revenues equal to the pledge, charge and lien securing the outstanding Bonds theretofore issued under the Indenture, subject to the terms and conditions of the Indenture. See APPENDIX C–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–INDENTURE–Additional Bonds."

BOND INSURANCE

The following information is not complete and reference is made to Appendix G for a specimen of the financial guaranty insurance policy (the "Policy") of Assured Guaranty Corp. ("Assured Guaranty" or the "Insurer").

The Insurance Policy

Assured Guaranty has made a commitment to issue the Policy relating to the Bonds, effective as of the date of issuance of such Bonds. Under the terms of the Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of principal of and interest on the Bonds that becomes Due for Payment but shall be unpaid by reason of Nonpayment (the "Insured Payments"). Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. The Policy is non-cancelable for any reason, including without limitation the non-payment of premium.

"Due for Payment" means, when referring to the principal of the Bonds, the stated maturity date thereof, or the date on which such Bonds shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and, when referring to interest on such Bonds, means the stated dates for payment of interest.

"Nonpayment" means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on the Bonds. It is further understood that the term Nonpayment in respect of a Bond also includes any amount previously distributed to the Holder (as such term is defined in the Policy) of such Bond in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. Nonpayment does not include nonpayment of principal or interest caused by the failure of the Trustee or the Paying Agent to pay such amount when due and payable.

Assured Guaranty will pay each portion of an Insured Payment that is Due for Payment and unpaid by reason of Nonpayment, on the later to occur of (i) the date such principal or interest becomes Due for Payment, or (ii) the business day next following the day on which Assured Guaranty shall have received a completed notice of Nonpayment therefor in accordance with the terms of the Policy.

Assured Guaranty shall be fully subrogated to the rights of the Holders of the Bonds to receive payments in respect of the Insured Payments to the extent of any payment by Assured Guaranty under the Policy.

The Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Insurer

Assured Guaranty Corp. ("Assured Guaranty") is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, structured finance and mortgage markets. Neither AGL nor any of its shareholders is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit Assured Guaranty's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by Assured Guaranty, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which Assured Guaranty is subject also require the approval of policy rates and forms.

Assured Guaranty's financial strength is rated "AAA" by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"), "AAA" by Fitch, Inc. ("Fitch") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty does not guaranty the market price of the securities it guarantees, nor does it guaranty that the ratings on such securities will not be revised or withdrawn.

Capitalization of Assured Guaranty Corp. As of December 31, 2007, Assured Guaranty had total admitted assets of $1,361,538,502 (unaudited), total liabilities of $961,967,238 (unaudited), total surplus of $399,571,264 (unaudited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2006, Assured Guaranty had total admitted assets of $1,248,270,663 (audited), total liabilities of $962,316,898 (audited), total surplus of $285,953,765 (audited) and total statutory capital (surplus plus contingency reserves) of $916,827,559 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference. The portions of the following documents relating to Assured Guaranty are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- The Annual Report on Form 10-K of AGL for the fiscal year ended December 31, 2007 (which was filed by AGL with the Securities and Exchange Commission (the "SEC") on February 29, 2008); and

- The Current Reports on Form 8-K filed by AGL with the SEC, as they relate to Assured Guaranty.

All consolidated financial statements of Assured Guaranty and all other information relating to Assured Guaranty included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

Any statement contained in a document incorporated herein by reference or contained herein under the heading "BOND INSURANCE–The Insurer" shall be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document which is incorporated by reference herein also modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

Copies of the consolidated financial statements of Assured Guaranty incorporated by reference herein and of the statutory financial statements filed by Assured Guaranty with the Maryland Insurance Administration are available upon request by contacting Assured Guaranty at 1325 Avenue of the Americas, New York, New York 10019 or by calling Assured Guaranty at (212) 974-0100. In addition, the information regarding Assured Guaranty that is incorporated by reference in this Official Statement that has been filed by AGL with the SEC is available to the public over the Internet at the SEC's web site at *http://www.sec.gov* and at AGL's web site at *http://www.assuredguaranty.com*, from the SEC's Public Reference Room at 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the office of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Assured Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE."

THE LEASED PROPERTY

The Leased Property consists of all of the eight-inch diameter sewer pipeline (which is generally located under or adjacent to City streets) owned by the City, including all property which may be acquired by the City in replacement of such existing property and which is located within the City. The Leased Property does not include sewer pipeline which connects collection sewers to residences and businesses and any other pipeline not owned by the City.

BASE RENTAL PAYMENT SCHEDULE

The following table presents the estimated Base Rental payments for the Bonds.

Bond Year (ending January 1)	Principal	Interest	Total Debt Service
2009	$12,790,000	$4,071,297	$16,861,297
2010	11,695,000	5,244,941	16,939,941
2011	12,315,000	4,695,133	17,010,133
2012	16,010,000	4,154,186	20,164,186
2013	16,675,000	3,554,997	20,229,997
2014	17,480,000	2,810,803	20,290,803
2015	12,930,000	2,005,550	14,935,550
2016	13,685,000	1,388,350	15,073,350
2017	14,380,000	715,950	15,095,950
TOTAL†	$127,960,000	$28,641,205	$156,601,205

† Totals may not add due to independent rounding.

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007."

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 City 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.

CERTAIN RISK FACTORS

This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the marketability of the Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Base Rental Payments Not City Debt

The Bonds are special limited obligations of the Authority and will be payable from and secured solely by (i) the Revenues, (ii) all amounts on deposit in the Revenue Fund, (iii) any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Indenture (other than the Rebate Fund). Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the Base Rental Payments or the principal or redemption price of or interest on the Bonds, except to the extent of the Tax Override Revenues. The pledge of the Tax Override Revenues to the payment of the Base Rental Payments is subordinate to the pledge of the Tax Override Revenues to the payment of the City's Senior Pension Bonds. There can be no assurances that the City will not issue additional Senior Pension Bonds secured by the pledge of Tax Override Revenues. The City is also authorized to issue additional subordinate obligations secured by the pledge of Tax Override Revenues. The Authority has no taxing power. Neither the Bonds nor the obligation of the City to make Base Rental Payments under the Sublease constitutes a debt of the City, the State or any political subdivision thereof within the meaning of the Constitution or the laws of the State.

Appropriation of Base Rental Payments

The obligation of the City to make Base Rental Payments, when due, is a General Fund obligation of the City and, does not constitute a debt of the City for which the City is obligated to pledge or levy any form of taxation or for which the City has levied or pledged any form of taxation, except to the extent of the Tax Override Revenues. Base Rental Payments will be made from amounts included in the City's annual budget and appropriated therefor, except to the extent payments are made from rental interruption insurance, the net proceeds of insurance or condemnation awards, or certain other accounts, funds or moneys held under the Indenture, including the Reserve Fund established under the Indenture, or from the Tax Override Revenues. The obligation of the City to make Base Rental Payments is in consideration of the right of the City to the continued beneficial use and possession of the Leased Property. In the event of failure of such beneficial use and possession, the obligation of the City may be abated in whole or in part as described herein.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the City except the Tax Override Revenues, the City is obligated under the Sublease to pay the Base Rental Payments and Additional Payments from any source of legally available funds and the City covenants in the Sublease that, for so long as the Leased Property is available for its use, it will make the necessary annual appropriations (and to the extent necessary, supplemental appropriations) within its budget for the Base Rental Payments and Additional Payments. The City is currently liable and may become liable on other obligations, including the City's Senior Pension Bonds, payable from its General Fund, some of which may have a priority over the Base Rental Payments.

The City has also covenanted in the Sublease, so long as any Base Rental Payments and Additional Payments remain unpaid under the Sublease, to levy the Tax Override (up to the maximum tax permitted by applicable law) in each Fiscal Year, in an amount sufficient when aggregated with the other amounts legally available to the City and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay all Base Rental Payments and Additional Payments when due. The amount of annual Tax Override Revenues available to the City is determined by the rate of the levy of the Tax Override by the City Council, the assessed valuation of property in the City and the amounts of taxes collected. Changes in the City's assessed valuation have occurred and will continue to occur. Economic and other factors beyond the City's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, fire, terrorist activities, toxic dumping, etc., could cause a reduction in the assessed value of taxable property within the City and could thereby result in a decrease in the amount of annual Tax Override Revenues available.

The pledge of the Tax Override Revenues to the payment of the Bonds is subordinate to the pledge of the Tax Override Revenues to the payment of the City's Senior Pension Bonds. The City has the capacity to enter into other obligations which may be payable from its General Fund and to issue additional obligations secured by Tax Override Revenues, including additional Senior Pension Bonds and additional subordinate obligations. To the extent that additional obligations are incurred by the City, the funds available to make Base Rental Payments may be decreased. The same result could occur if, because of State constitutional and statutory limits on expenditures, the City is not permitted to appropriate and spend all of its collected taxes. See APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND–Constitutional and Statutory Limitations on Taxes and Appropriations."

The City relies on a number of revenue sources that are dependent on economic conditions and that could be reduced or eliminated by State legislation, including, among others, sales and use taxes, property taxes, and motor vehicle license fees. There can be no assurance that the State will not adopt legislation to reduce or eliminate one or more of these revenue sources. See "CERTAIN RISK FACTORS–Risks Involving State Budget and Legislation."

Legal Limitations on City's Revenues

There are legal limitations on the ability of the City to increase revenues payable to the General Fund of the City. The ability of the City to increase ad valorem property taxes (a major source of revenues for cities in California) is limited pursuant to Article XIII A of the State Constitution, which was enacted in 1978. In addition, in 1986 California voters approved an initiative statute (Proposition 62) which attempts to limit the imposition of new or higher taxes by local agencies, including the City. These same legal limitations generally restrict the ability of cities to increase fees in excess of the reasonable amount needed to provide the service or facilities with respect to which such fees are charged. An initiative approved by the voters on November 5, 1996 (Proposition 218), further limits the ability of local governments to raise revenues and grants voters expanded initiative powers to reduce or repeal property related taxes. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Tax Override Revenues" and

APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND–Constitutional and Statutory Limitations on Taxes and Appropriations."

State legislation enacted in 1985 limits the rate of the levy of the Tax Override to 0.1575%, the rate levied by the City Council in Fiscal Year 1983 and 1984.

At the same time as limitations have been imposed on the ability of the City to raise revenues, State and federally mandated expenditures for justice, health and welfare have increased. At times, the annual increase in mandated expenditures has exceeded the annual increase in City revenues. In the event the City's revenue sources are less than its total obligations, the City could choose to fund other municipal services before paying Base Rental Payments under the Sublease and in some cases may be obligated to fund such other services prior to paying such Base Rental Payments.

Abatement

Beneficial Use and Possession of the Leased Property. The obligation of the City under the Sublease to make Base Rental Payments is in consideration for the beneficial use and possession of the Leased Property. The obligation of the City to make Base Rental Payments (other than to the extent that funds are available in the Revenue Fund, including the Reserve Fund, or from the proceeds of rental interruption insurance, if available) may be abated in whole or in part if the City does not have full use and possession of the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Abatement Due to Damage or Destruction" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

Damage or Destruction; Eminent Domain. If damage or destruction or eminent domain proceedings with respect to the Leased Property result in abatement or adjustment of Base Rental Payments and the resulting Base Rental Payments, together with moneys in the Reserve Fund (and in the event of damage or destruction, together with rental interruption insurance proceeds, if any) or Tax Override Revenues, are insufficient to make all payments of principal of and interest on the Bonds during the period that the Leased Property is being restored, repaired or reconstructed, then such payments of principal and interest may not be made in full and no remedy is available to the Trustee or the Owners of the Bonds under the Sublease or Indenture for nonpayment under such circumstances. The City, however, is obligated under the Sublease to maintain casualty insurance. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

Seismic Risks

The City is in a seismically active area. 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 with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 7, 1989 Loma Prieta Earthquake 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. The Leased Property does not include any unreinforced masonry buildings. 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. The liquefaction potential at the Leased Property sites is considered "very low," and therefore, the potential damage to the Leased Property resulting from a major earthquake due to soil liquefaction is minimal.

The Leased Property lies close to three major active earthquake faults (the Hayward, Calaveras and San Andreas faults) and may sustain damage as a result of an earthquake. The City is not obligated under the Sublease to provide earthquake insurance on the Leased Property. In the event of damage or destruction to the Leased Property caused by perils for which the City is not required to provide insurance under the Sublease, the City will not be obligated to repair, replace or reconstruct the Leased Property or to make Base Rental Payments with respect to any damaged portion of the Leased Property. The obligation of the City to make Base Rental Payments may be abated if the Leased Property or any improvements thereon are damaged or destroyed by hazards such as earthquakes. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE."

Risks Involving State Budget and Legislation

The State has been experiencing serious budgetary shortfalls for the past three Fiscal Years, and it is currently projected to experience budgetary shortfalls in the future. Although the ability of the State to use local government revenues to balance future State budgets has been limited by Proposition IA, enacted in March 2005, State Budget decisions may still have a profound impact on the City. See APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND–State Budget."

Limitation on Enforcement of Remedies; Limited Recourse on Default

The enforcement of any remedies provided in the Sublease and Indenture could prove both expensive and time consuming. The Authority does not have the authority under the Sublease to relet the Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS–Default and Remedies."

In the event of a default under the Sublease, there is no available remedy of acceleration of the total Base Rental Payments due over the term of the Sublease. The City will only be liable for Base Rental Payments on an annual basis as they come due, and the Trustee would be required to seek separate judgments for each annual Base Rental Payments. The City's Senior Pension Bonds, however, are subject to acceleration. In addition, any such suit for rent or money damages could be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

The Trustee is not empowered to sell the Leased Property for the benefit of the Owners. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–SUBLEASE–Defaults and Remedies." IN NO EVENT DOES THE AUTHORITY OR ANY ASSIGNEE HAVE THE RIGHT TO ACCELERATE THE PAYMENT OF ANY BASE RENTAL PAYMENTS UNDER THE SUBLEASE.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for public agencies, there are no involuntary petitions in bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Authority could be prohibited from taking any steps to enforce their rights under the Sublease, and from taking any steps to collect amounts due from the City under the Sublease.

If a Bankruptcy Court were to determine that the Sublease is a lease for the purposes of the Bankruptcy Code, the City would have the right to reject (*i.e.,* terminate) the Sublease. The Bankruptcy Code severely limits any claim for damages suffered as a result of rejection of a lease.

Changes in Law

There can be no assurance that the California electorate will not at some future time adopt initiatives or that the Legislature will not enact legislation that will amend the laws or the Constitution of the State resulting in a reduction of the funds legally available to the City to make Base Rental Payments, and, consequently, having an adverse effect on the Authority's source of payment for the Bonds.

Hazardous Substances

Hazardous substances may exist on or near the Leased Property, although the City knows of no such existing hazardous substances which require remedial action. There are numerous laws which regulate the use or release of hazardous substances and the liability of an owner of property for any contamination. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly and adversely affect the operations and finances of the City and/or the value of the Leased Property. The City does not currently carry insurance covering the risks of hazardous substances.

Investment of Funds

The funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS–Definitions of Certain Terms" for a summary of the definition of Permitted Investments. All investments, including the Permitted Investments and those authorized by law from time to time for investments by municipalities, contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture or the funds and accounts held by the City could have a material adverse affect on the source of payment for the Bonds and/or the financial condition of the City.

No Liability of the Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners with respect to the payment when due of the Base Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Sublease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

TAX MATTERS

2008 Series A-1 Bonds

Federal Income Taxes. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2008 Series A-1 Bonds (the "Tax-Exempt Bonds") for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Tax-Exempt Bonds. Pursuant to the Indenture, the Sublease and the Tax Certificate, the Authority and the City have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City have made certain representations and certifications in the Indenture, the Sublease and the Tax Certificate. Nixon Peabody LLP, Bond Counsel, will not independently verify the accuracy of those representations and certifications.

In the opinion of Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the City described above, interest on the Tax-Exempt Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes. Bond Counsel is of the opinion that interest on the Tax-Exempt Bonds is exempt from California personal income taxation.

Certain Federal Tax Information

General. The following is a discussion of certain additional Federal income tax matters under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular investors. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Tax-Exempt Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Social Security and Railroad Retirement Payments. The Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or railroad retirement benefits received are to be included in taxable income.

Branch Profits Tax. The Code provides that interest on tax-exempt obligations is included in effectively connected earnings and profits for purposes of computing the branch profits tax on certain foreign corporations doing business in the United States.

Borrowed Funds. The Code provides that interest paid (or deemed paid) on borrowed funds used during a tax year to purchase or carry tax-exempt obligations is not deductible. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Property and Casualty Insurance Companies. The Code contains provisions relating to property and casualty insurance companies whereunder the amount of certain loss deductions otherwise allowed is reduced (in certain cases below zero) by a specified percentage of, among other things, interest on tax-exempt obligations acquired after August 7, 1986.

Financial Institutions. The Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their interest expense allocable to tax-exempt obligations acquired after August 7, 1986, other than certain "qualified" obligations. The Tax-Exempt Bonds are not "qualified" obligations for this purpose.

S Corporations. The Code imposes a tax on excess net passive income of certain S corporations that have subchapter C earnings and profits. Interest on tax-exempt obligations must be included in passive investment income for purposes of this tax.

Earned Income Credit. For any taxable year beginning after December 31, 1995, the Code denies the earned income credit to persons otherwise eligible for it if the aggregate amount of disqualified income of the taxpayer for the taxable year exceeds $2,200, subject to adjustment for inflation for taxable years beginning after December 31, 1996. Interest on the Tax-Exempt Bonds will constitute disqualified income for this purpose.

Changes in Law and Post Issuance Events. Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Tax-Exempt Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Tax-Exempt Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Tax-Exempt Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Tax-Exempt Bonds may occur. Prospective purchasers of the Tax-Exempt Bonds should consult their own tax advisers regarding such matters.

On November 5, 2007, the U.S. Supreme Court heard oral argument on *Davis v. Kentucky Department of Revenue of the Finance and Administration Cabinet*, 197 S.W.3d 557 (2006), a case that has questioned the permissibility under the U.S. Constitution of the Commonwealth of Kentucky providing for a state income tax exemption for interest on obligations issued by Kentucky or its subdivisions while taxing interest on obligations of other states or their subdivisions. The laws of California currently result in such differing treatment, by exempting interest on obligations of California and its subdivisions and instrumentalities while taxing the interest on obligations issued by other states or their subdivisions or instrumentalities

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Tax-Exempt Bonds may affect the tax status of interest on the Tax-Exempt Bonds. Bond Counsel expresses no opinion as to any Federal, State or local tax law consequences with respect to the Tax-Exempt Bonds, or the interest thereon, if any action is taken with respect to the Tax-Exempt Bonds or the proceeds thereof upon the advice or approval of other counsel.

2008 Series A-2 Bonds

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the 2008 Series A-2 Bonds (the "Taxable Bonds"). The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Taxable Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Taxable Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Taxable Bonds.

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Taxable Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Taxable Bonds. The advice set forth herein is written to support the promotion or marketing of the Taxable Bonds. Each owner of the Taxable Bonds should seek advice based on its particular circumstances from an independent tax advisor.

Federal Income Taxes. In the opinion of Nixon Peabody LLP, Bond Counsel, interest on the Taxable Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Taxable Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Taxable Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

State Taxes. Bond Counsel is of the opinion that interest on the Taxable Bonds is exempt from California personal income taxation.

Market Discount. Any owner who purchases a Taxable Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Taxable Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Taxable Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Taxable Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Taxable Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner's gross income for the taxable year with respect to such Taxable Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Taxable Bond for the days during the taxable year on which the owner held the Taxable Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Taxable Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.

Bond Premium. A purchaser of a Taxable Bond who purchases such Taxable Bond at a cost greater than its then principal amount will have amortizable bond premium. Purchasers of any Taxable Bonds who acquire such Bonds at a premium should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Taxable Bonds.

Sale or Redemption of Taxable Bonds. A bondowner's tax basis for a Taxable Bond is the price such owner pays for the Taxable Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Taxable Bond, measured by the difference between the amount realized and the Taxable Bond basis as so adjusted, will generally give rise to capital gain or loss if the Taxable Bond is held as a capital asset (except as discussed above under "Market Discount").

Backup Withholding. A bondowner may, under certain circumstances, be subject to "backup withholding" with respect to interest or original issue discount on the Taxable Bonds. This withholding generally applies if the owner of a Taxable Bond (a) fails to furnish the Trustee or other payor with its taxpayer identification number; (b) furnishes the Trustee or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Trustee or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Taxable Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Taxable Bonds will be reported to the bondowners and to the Internal Revenue Service.

Nonresident Bondowners. Under the Code, interest and original issue discount income with respect to Taxable Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax (or backup withholding) if the Agency (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Taxable

Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the "Plans") and persons who, with respect to a Plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Taxable Bonds.

NO MATERIAL LITIGATION

The Authority

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 Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Lease, the Sublease 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.

The City

At the time of delivery of and payment for the Bonds, the City 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 City affecting its existence or the titles of its officers or in any way contesting or affecting the validity or enforceability of the Lease, the Sublease or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the information in this Official Statement or any amendment or supplement thereto under the captions "INTRODUCTION," "THE CITY," "NO MATERIAL LITIGATION," and APPENDIX A–"CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND" and APPENDIX B–"CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2007," or contesting the powers of the City or its authority with respect to any action of the City contemplated by any of said documents, nor, to the knowledge of the City, is there any basis therefor.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance of the Bonds are subject to the approval of Nixon Peabody LLP, San Francisco, California, Bond Counsel. See APPENDIX E–"PROPOSED FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the Authority and for the City by John Russo, Esq., City Attorney of the City of Oakland. Certain legal matters will be passed upon for the Underwriter by Lofton & Jennings, San Francisco, California. Neither Bond Counsel nor Underwriter's Counsel undertake any responsibility for the accuracy, completeness or fairness of this Official Statement. The fees of Bond Counsel and Underwriter's Counsel are contingent upon the delivery of the Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc. ("S&P") and Fitch, Inc., doing business as Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "Aaa," "AAA" and "AAA," respectively, with the understanding that upon delivery of the Bonds, the Policy will be delivered by Assured Guaranty. Moody's, S&P and Fitch have assigned uninsured ratings of "A2," "A+" and "A," respectively, to the Bonds. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from Moody's and S&P, respectively. No assurance can be given that any rating issued by the rating agencies will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agencies, if in their judgment circumstances so warrant. Except as provided under "CONTINUING DISCLOSURE," the Authority, the City and the Trustee undertake no responsibility to bring to the attention of the Holders of the Bonds any revision or withdrawal of the ratings. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets Corporation (the "Underwriter") from the City. The Underwriter has agreed to purchase the 2008 Series A-1 Bonds at a purchase price equal to $113,026,479.85, which represents the par amount of the Bonds, plus a net original issue premium of $5,823,770.95, less an Underwriter's discount of $427,291.10. The Underwriter has agreed to purchase the 2008 Series A-2 Bonds at a purchase price equal to $20,220,218.00, which represents the par amount of the Bonds, less an Underwriter's discount of $109,782.00. The purchase contract pursuant to which the Bonds are being sold provides that the Underwriter will purchase all of the Bonds if any such Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase contract.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., Los Angeles, California, as Financial Advisor to the Authority and the City in connection with the issuance of the Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Bonds and will receive compensation with respect to the Bonds which is contingent upon the sale and delivery of the Bonds. The Financial Advisor has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

The Authority and the City have covenanted for the benefit of the Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than nine months following the end of the City's Fiscal Year (presently June 30) (the "Annual Report"), commencing with the report for the 2007-08 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with each Nationally Recognized Municipal Securities Information Repository and with the State Depository, if any or with the Central Post Office through which the City currently makes its continuing disclosure filings. Any notice of material events will be filed by the City with the Municipal Securities Rulemaking Board and with the State Depository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX F–"FORM OF CONTINUING DISCLOSURE AGREEMENT." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

The Authority and the City have never failed to comply in any material respect with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Bonds the arithmetical accuracy of certain computations included in the schedules provided by the Underwriter on behalf of the City and the Authority relating to the: (i) adequacy of amounts deposited into the escrow funds established under the Escrow Agreement are sufficient to pay the principal of, and interest on, the Refunded Bonds upon redemption; and (ii) yields with respect to the Bonds, will be verified by Grant Thornton LLP, Minneapolis, Minnesota, independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Underwriter. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof, which do not purport to be complete or definite, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the legal documents described herein are available upon request from the City of Oakland, 150 Frank Ogawa Plaza, 5th Floor, Oakland, California 94612, Attention: Treasury Manager.

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 County and the purchasers or holders of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the Authority.

OAKLAND JOINT POWERS FINANCING AUTHORITY

By: /s/ Deborah A. Edgerly
Executive Director

CITY OF OAKLAND

By: /s/ Deborah A. Edgerly
City Administrator

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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 executive officer. The current Mayor, Ronald V. Dellums, is serving his first term, which expires in January 2011. 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 Courtney A. Ruby, 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 current City Administrator is Deborah A. Edgerly.

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.

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 2007-08 and 2008-09 was approved on June 21, 2007, and a mid-cycle review will be conducted prior to the end of Fiscal Year 2007-08. Based on second quarter Fiscal Year 2007-08 data, the City projects a $9.5 million shortfall in the General Fund due primarily to the slow down in the real estate market and a resulting decline in real estate transfer taxes. The budget for Fiscal Year 2007-08 anticipates revenues and expenditures to be balanced at $1,062,043,093 by the end of the Fiscal Year through a combination of higher revenue collections in other areas such as property taxes, business license taxes, and cost cutting measures such as non-public safety hiring freezes and, where possible, deferring projects to future fiscal years. In Fiscal Year 2008-09, the City's proposed budget anticipates revenues and expenditures to be balanced at $1,069,968,584. 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.

City Financial Statements

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 2006-07 was Macias, Gini & Company, LLP.

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

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. Information concerning the State of California's budget can be obtained from public information readily 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 (the "LAO") at www.lao.ca.gov. In addition, a list of 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.

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 (the "Government Code"). The Government Code also directs the City to present an annual investment policy (the "Investment Policy") for confirmation to the City Council. The City Council adopted an Investment Policy for Fiscal Year 2007-08 on June 26, 2007. The Investment Policy may be revised by the City Council at any time. The City expects to adopt an Investment Policy for Fiscal Year 2008-09 in June 2008.

The objectives of the Investment Policy are preservation of capital, liquidity, diversity, and yield. The Investment Policy addresses the soundness of financial institutions in which the City may deposit funds, types of investment instruments permitted by the City and the Government Code, investment duration and the amount which may be invested in certain instruments. The Investment Policy also reflects certain ordinances and resolutions of the City further restricting investments, including the Nuclear Free Ordinance and the Tobacco Divestiture Resolution. Summarized below are the permitted investments under the Policy.

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Summary of Investment Policy
(Fiscal Year 2007-08)

Permitted Investment Types	Maximum Investment	Maximum Maturity
U.S. Treasury Bills, Notes & Bonds(1)	20%	5 years
Federal Agencies	None	5 years
Bankers Acceptance	40%	180 days
Commercial Paper	25%	270 days
Asset-Backed Commercial Paper	25%	270 days
Medium Term Notes	30%	5 years
Negotiable CDs	30%	5 years
Repurchase Agreements	None	360 days
Reverse Repurchase Agreements(2)	20%	92 days
Money Market Mutual Funds	20%	N/A
Certificates of Deposit(3)	$100,000	360 days
Local Agency Investment Fund	$40 million	N/A
Local City / Agency Bonds	None	5 years
State of California Bonds	None	360 days
Other Local Agency Bonds	Prudent Person Standard Applies	5 years
Secured Obligations and Agreements	20%	2 years

(1) Investment in US Treasury securities requires approval of the City Council under the Nuclear-Free Ordinance.
(2) The sum of reverse purchase agreements and securities lending agreements should not exceed 20% of the portfolio.
(3) For deposits over $100,000, the Certificate of Deposit must be collateralized.

Current Investment Portfolio

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 in December 2007. 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 February 29, 2008.

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 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 A-1
City of Oakland
Pooled Operating Portfolio
As of February 29, 2008

Investments	Market Value	Book Value	Percent of Portfolio	Term (Days)	Days to Maturity	360 Day Equivalent	365 Day Equivalent
Federal Agency Issues-Coupon	$64,250,363.87	$63,742,466.10	24.20	1,392	655	3.597	3.647
Federal Agency Issues-Discount	86,703,001.54	86,204,240.83	32.73	95	54	3.402	3.449
Money Market	46,110,000.00	46,110,000.00	17.50	1	1	3.561	3.610
Local Agency Investment Funds	36,983,165.81	37,000,000.00	14.05	1	1	4.340	4.400
Certificates of Deposit	699,000.00	699,000.00	0.27	190	51	4.641	4.706
Negotiable CD's	8,000,000.00	6,000,000.00	2.28	136	61	4.557	4.620
Commercial Paper - Discount	23,872,429.79	23,659,406.66	8.98	111	51	3.997	4.052
TOTAL/AVERAGE	$264,617,980.94	$263,415,113.59	100.00%	383	182	3.692	3.743

Source: City of Oakland, Finance and Management Agency.

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.

The following table presents the major General Fund revenues that are discussed below.

Table A-2
City of Oakland
Major General Fund Revenues
(June 30, 2007)

Revenue Source	Amount	Percent of Total General Fund Revenues
Property Tax	$170,105,000	32%
Sales Tax†	46,690,000	9
Business Tax	50,339,000	9
Utility Consumption Tax	51,426,000	10
Real Estate Transfer Tax	61,505,000	11
Charges for Services	55,837,000	10
Subtotal	435,902,000	81
Other	100,764,000	9
TOTAL	$536,902,000	100%

† This amount is net of incentive payments to United Airlines under an economic development agreement. See "–Other Taxes–*Sales & Uses Taxes*."
Source: City of Oakland, Comprehensive Annual Financial Report for the Fiscal Year ending June 30, 2007.

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 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 0.33% of taxes collected for tax collection services provided in Fiscal Year 2006-07.

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 "FINANCIAL INFORMATION–State Budget," and "–Other Taxes."

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.

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

Table A-3
City of Oakland Assessed Valuations
(in $000s)

Fiscal Year	Total Assessed Value	*Less:* Tax-Exempt Property	*Less:* Redevelopment Tax Increments	Total Taxable Assessed Value
2002-03	$26,629,771	($1,828,260)	($3,524,500)	$21,277,011
2003-04	28,909,796	(1,863,890)	(4,090,609)	22,955,297
2004-05	31,344,145	(2,067,228)	(5,186,441)	24,090,476
2005-06	34,553,772	(2,310,189)	(7,750,010)	24,493,573
2006-07	38,167,160	(2,347,281)	(9,552,758)	26,267,121

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.

Certain counties within the State, including Alameda County, have adopted an "Alternative Method of Distribution of Tax Levies and Collections and Tax Sale Proceeds" authorized under the Revenue and Taxation Code (the "Teeter Plan"). Under the Teeter Plan local taxing agencies receive 100% of the tax levy for each Fiscal Year, rather than on the basis of actual collections. The City does not participate in a Teeter Plan. 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 A-4
City of Oakland
Property Tax Levies and Collections
(in $000s)

Fiscal Year	City's Share of 1%	Levy Voter-Approved	Total	Total Collected[1]	Percent Collected	Delinquent Collections[2]
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
2004-05	68,095	59,673	127,768	123,859	96.91	3,909
2005-06	73,331	63,369	136,700	132,085	96.62	4,615
2006-07	79,357	75,071	154,428	146,240	94.70	8,188

(1) As of June 30, of the related Fiscal Year.
(2) As of June 30, 2007. Note that delinquent collections are higher in later years due to delinquencies paid when property is transferred.
Source: Alameda County Auditor-Controller.

Tax Rates. The City is divided into thirty-three Tax Rate Areas. A five-year history of the property tax rates levied by the City and other local government agencies on properties in these combined Tax Rate Areas is shown below.

Table A-5
City of Oakland
Property Tax Rates

Fiscal Year	County-wide Tax	City of Oakland	Others[1]	Total
2002-03	1.00%	0.1897%	0.1143%	1.3040%
2003-04	1.00	0.2326	0.1059	1.3385
2004-05	1.00	0.2049	0.1018	1.3057
2005-06	1.00	0.2034	0.1195	1.3229
2006-07	1.00	0.2182	0.1277	1.3459

[1] "Others" 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.
Source: County of Alameda, Office of the Auditor-Controller.

Principal Property Taxpayers. A summary of the Fiscal Year 2007-08 largest secured taxpayers in the City is presented below:

Table A-6
City of Oakland
Top Ten Taxpayers
Fiscal Year 2007-08 [1]

Property Taxpayer	Primary Land Use	FY 2007-08 Assessed Valuation	Percentage of Total Assessed Valuation[1]
OCC Venture LLC	Office Building	$189,872,519	0.45%
Kaiser Foundation Health Plan Inc.	Office Building	179,991,560	0.43
SIC Lakeside Drive LLC	Office Building	172,784,989	0.41
Oakland Property LLC	Office Building	159,120,000	0.38
1800 Harrison Foundation	Office Building	117,197,866	0.28
555 Twelfth Street Venture LLC	Office Building	105,113,958	0.25
Brandywine Ordway LLC	Office Building	104,040,000	0.25
Clorox Company	Office Building	93,865,620	0.22
KSI Claremont Resort Inc.	Hotel	85,149,410	0.20
Zhone Technologies Campus LLC	Office Building	71,004,400	0.17
SUBTOTAL TOP TEN		$1,278,140,322	2.91%
All Others	Various	40,519,437,956	97.09
TOTAL		$41,797,578,278	100.00%

[1] Includes non-unitary utilities.
Source: County of Alameda, Office of the Auditor-Controller.

Other Taxes

The City's General Fund receives taxes from seven other sources, 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 the County is 8.75%. The City's General Fund traditionally receives one percent of the 8.75% under State Bradley-Burns law, which portion is allocated on the basis of the point of sale. Effective July 1, 2004, the traditional Bradley-Bums 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 amount of property taxes from the countywide Education Revenue Augmentation Fund (ERAF) until the State's deficit bonds are retired.

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

Pursuant to California Sales and Use Tax Regulations, the City has received additional net sales tax revenues of approximately $6.3 million since 2004, based upon the location by United Airlines of a centralized jet fuel buying company within the City. In an action pending in San Francisco Superior Court, the County of San Mateo has challenged the validity of the state regulations and seeks redistribution of these tax revenues. In addition, Board of Equalization has indicated that it may contest the applicability of the regulations to the United situation. The City could lose all or a portion of these tax revenues as a result of these actions.

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 current tax rate is 7.5%. Low-income ratepayers have been exempted from certain rate increases on gas and electric bills and pay 5.5%.

Based on recent court decisions and an Internal Revenue Service ruling involving the Federal Excise Tax on Telephones ("FET"), some telephone carriers have asserted claims against the City of Oakland contesting the validity and proper collection of local telephone Utility Users Taxes ("UUT"). Litigation on this issue is occurring in other jurisdictions. The City is continuing its review of the telephone UUT with legal counsel. At this time, local carriers have been instructed by the City to continue collection of Oakland's telephone UUT. Given the ongoing litigation in the other jurisdictions, the City can make no assurances as to the continued validity of the UUT or the continued availability of the proceeds of the UUT to the City. The City's telephone users tax revenue for Fiscal Year 2007-08 is projected to be approximately $19.2 million, or approximately 4% of the General Fund.

Business License. The City's business license tax is charged annually to businesses based in the City, and is applied to gross receipts, payroll, number of employees, number of permits, number of vehicles, value added gross receipts or manufacturing expenses, 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 .012% when applied to gross payroll. See the tax table below for the tax rate based on the number of employees. The business license tax rate of .012% is applied to value added gross receipts and manufacturing expenses for manufacturers. The business tax rate of $180 per permit applies to the taxicab business and $75 per vchicle applies to the ambulance and limousine business.

The following business license tax rate table applies to all other transportation businesses:

For the first person employed (Owner)	$72.00
For the next 19 persons employed, per person	18.00
For the next 80 persons employed, per person	9.00
For the next 100 persons employed, per person	7.50
For all other persons employed, per person	4.50

Real Estate Transfer. Real Estate Transfer Tax ("RETT") 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 typically 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, RETT 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 ("VLF") 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 received approximately $2.98 million from the State in Fiscal Year 2005-06 for its share of the payment in lieu of VLF.

Parking. The City's 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, which is applied to the gross receipts of parking facility operators, is 18.5%, with 8.5% of the parking tax revenues restricted to funding the Violence Prevention and Public Safety Act of 2004 (Measure Y).

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 A-7
City of Oakland
Revenues and Expenditures
General Fund
(in $000s)
Fiscal Year Ending June 30

Revenues	2002-03	2003-04	2004-05	2005-06	2006-07
Taxes					
Property	$114,742	$109,927	$143,436	$151,754	$170,105
State(1)	62,423	54,642	51,307	47,859	48,958
Local(2)	160,618	179,192	200,488	204,354	197,475
Licenses and Permits	13,074	13,453	15,652	18,975	1,066
Traffic Fines and Various Penalties	18,543	26,817	24,632	23,888	24,727
Interest Income	16,996	(5,100)	20,845	3,808	7,007
Revenue from Current Services	51,708	56,887	66,375	66,849	55,837
Grant Revenue	1,794	2,147	591	3,587	7,051
Other Revenue, Including Transfers	17,927	23,276	21,896	17,075	15,116
Annuity Income	15,851	–	–	–	9,324
TOTAL REVENUES	$473,674	$461,237	$545,222	$538,149	$536,666
Expenditures					
General Government(3)	$44,251	$51,673	$53,433	$62,458	$69,902
Public Safety(4)	238,568	247,630	262,081	280,448	296,390
Public Works	23,261	27,475	28,909	32,621	33,595
Life Enrichment(5)	37,526	41,359	37,581	37,930	40,015
Economic and Community Development	26,701	20,152	18,902	20,592	2,780
Other (6)	21,353	24,902	31,237	17,565	25,601
TOTAL EXPENDITURES	$391,660	$413,191	$432,143	$451,614	$468,283
Other Financing Sources and Uses(7)	(54,629)	(67,856)	(54,550)	(91,853)	(72,995)
Net Change in Fund Balance	27,385	(19,810)	58,529	(5,318)	(4,612)

(1) Includes Sales and Use, Motor Vehicle in-lieu.
(2) Includes Business License, Utility Consumption, Real Estate Transfer, Transient Occupancy, Parking, Voter Approved Special Tax, Franchise.
(3) Includes elected and appointed officials, general governmental agencies and administrative services.
(4) Includes police and fire services.
(5) Includes Parks and Recreation, Library, Museum, Aging and Health, and Human Services.
(6) Includes capital outlays and certain debt service charges not paid from a general obligation bond tax levy.
(7) Includes transfers in and transfers out.

Source: City of Oakland, Comprehensive Annual Financial Reports for Fiscal Years Ending June 30, 2003 through June 30, 2007.

Table A-8
City of Oakland
Balance Sheet
General Fund
(in $000s)
Fiscal Year Ending June 30

	2003	2004	2005	2006	2007
ASSETS					
Cash and investments	$ 38,566	$ 51,902	$79,445	$128,760	$133,649
Receivables					
Accrued interest	87	429	418	1,194	1,436
Property taxes	7,125	3,161	5,484	7,982	6,928
Accounts receivable	51,391	49,669	65,855	45,096	43,572
Due from component unit	11,377	24,527	20,367	18,438	11,352
Due from other funds	87,652	67,378	68,721	60,190	74,730
Notes and loans receivable	15,034	37,059	38,619	40,835	21,693
Restricted cash and investments	196,035	172,468	175,198	153,735	143,542
Other	35	35	1,887	36	36
TOTAL ASSETS	407,302	406,628	455,994	456,266	436,938
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other accrued liabilities	92,433	114,151	102,181	$101,796	$108,730
Due to other funds	451	23,571	25,110	27,348	8,228
Due to other governments	–	–	21	65	60
Deferred revenue	57,483	31,633	29,882	29,813	36,413
Other	3,817	3,965	6,963	10,725	1,600
TOTAL LIABILITIES	154,184	173,320	164,157	169,747	155,031
Fund Balances:					
Reserved:					
Encumbrances	3,227	4,779	4,115	6,708	7,440
Long term receivables	–	–	6,000	6,000	–
Debt service	–	6,000	3,379	2,443	16,451
Capital projects	198,058	–	–		
Pension obligations	13,032	–	138,000†	119,000†	115,000
Unreserved	214,317	10,799	140,343	152,368	143,016
TOTAL FUND BALANCES	38,801	222,529	291,837	286,519	281,907
TOTAL LIABILITIES AND FUND BALANCES	$253,118	$233,328	$455,944	$456,266	$436,938

Source: City of Oakland 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, 2007, the City had outstanding a total of $233,559,000 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. The City issued no other general obligation debt during Fiscal Year 2006-07.

Table A-9
City of Oakland
General Obligation Bonds
As of June 30, 2007
(in $000's)

Issue Name	Purpose	Dated Date	Final Maturity	Original Par	Par Outstanding
General Obligation Bonds, Series 2002A (Measure G)	Museum, Zoo and Chabot Space and Science Center	11/6/2002	2032	$ 38,000	$ 35,930
General Obligation Bonds, Series 2003A (Measure DD)	Lake Merritt	8/6/2003	2033	71,450	64,745
Oakland Joint Powers Financing Authority Revenue Bonds, Series 2005 (City of Oakland General Obligation Bond Program)	Refunded Measure I and K Bonds, which were used on various recreational and educational projects	6/16/2005	2025	122,170	112,084
General Obligation Bonds, Series 2006 (Measure G)	Museum and Zoo	6/28/2006	2036	21,000	20,800
TOTAL					$233,559

Source: City of Oakland.

All of the City's general obligation debt is authorized by voter approval of certain measures. The table below summarizes the voter-approved measures for which debt obligations have not yet been issued.

Table A-10
City of Oakland
General Obligation Bond Remaining Authorization
As of June 30, 2007
(in $000's)

Authorization	Date Passed	Use	Bond Total	Authorization Remaining
Measure DD	11/5/2002	Recreational and aquatic facilities	$198,250	$126,800
TOTAL				$126,800

Short-Term Obligations

The City has issued short-term notes to finance general fund temporary cash flow deficits for each of the last 13 Fiscal Years. The City anticipates issuing Tax and Revenue Anticipation Notes in July 2008. 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 A-11
City of Oakland
Tax and Revenue Anticipation Notes
(in $000's)

Fiscal Year	Par Amount
2003-04	$76,325
2004-05	65,000
2005-06	70,000
2006-07	75,000
2007-08	141,800†

† Consists of $65,000,000 principal amount of Series A tax-exempt notes and $76,800,000 principal amount of Series B taxable notes, both of which mature on July 11, 2008.

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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 as of June 30, 2007. The City issued no other lease obligations during Fiscal Year 2006-07.

Table A-12
City of Oakland
Lease Obligations
As of June 30, 2007
(in $000s)

Issue Name	Dated Date	Final Maturity	Original Par	Par Outstanding	Leased Asset
Civic Improvement Corporation Variable Rate Demand COPs, 1985	12/26/1985	2015	$ 52,300	$ 29,500	Portion of sewer system
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds (Arena Project), Series 1996 Series A1 and A2 (1)	8/2/1996	2026	35,000	29,450	Coliseum Arena
	8/2/1996	2026	35,000	29,450	
Oakland – Alameda County Coliseum Authority Lease Revenue Bonds, Series 2000 C-1, C-2, & D (1)	5/25/2000	2025	37,700	37,700	Coliseum Stadium
	5/25/2000	2025	37,700	37,700	
	5/25/2000	2011	25,250	9,950	
Oakland Joint Powers Financing Authority Lease Revenue Bonds, (Oakland Convention Center) Series 2001	5/15/2001	2014	134,890	91,280	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	105,725	Oakland Administration Buildings
Oakland Joint Powers Financing Authority Lease Revenue Bonds, 2005 Series A-1, A-2 and B Bonds(3)	6/21/2005	2017	65,500	55,075	Portion of sewer system
	6/21/2005	2017	63,475	55,050	
	6/21/2005	2026	17,975	17,975	
Total				$515,200	

(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) These bonds are being refunded from proceeds of the 2008 Series B Bonds.
(3) These bonds are being refunded in April 2008.
Source: City of Oakland.

Swaps Agreements

On June 26, 2007, the City adopted a written interest rate swap policy for Fiscal Year 2007-08 (the "Swap Policy"). The Swap Policy established prudent guidelines for the use of management of interest rate swaps. The Swap Policy is adopted annually to provide the appropriate internal framework to ensure that consistent objectives, practices, controls and authorizations are maintained to minimize the City's risk related to its debt portfolio.

The obligation of the City to make payments to the Swap Provider under the Swap Agreements is an obligation of the City payable from any source of available funds on a parity with payments of principal of and interest on the applicable series of bonds. Under certain circumstances, the Swap Agreements are subject to termination and the City may be required to make a substantial termination payment to the respective Swap Providers depending upon the then current market value of the swap transaction. Any payment due upon the termination of a Swap Agreement is payable from any source of available funds on a parity with payments of principal of and interest on the Bonds.

Series 1998 Bonds. The City entered into a forward starting interest rate swap agreement in connection with the issuance of the Oakland Joint Powers Authority Lease Revenue Bonds, 1998 Series A1/A2 (the "Series 1998 Bonds"). In June 2005, the Series 1998 Bonds were refunded, however the swap associated with these bonds remains in effect until the stated termination date on July 31, 2021. Pursuant to this swap agreement, the City receives a variable rate payment from each counterparty equal to 65% of USD-LIBOR-BBA, times the notional amount of the swap, which is intended to approximate the variable rate interest payments the City will pay on the Series 1998 Bonds. The City makes semiannual fixed rate payments to the counterparties as set forth below. The interest rate swap is terminable at any time at the option of the City at its market value. The objective of the swaps is to achieve a synthetic fixed rate with respect to the Series 1998 Bonds.

Series 2004 Bonds. The City entered into two forward starting synthetic fixed rate interest rate swap agreements in connection with the issuance of the Oakland Joint Powers Authority Lease Revenue Bonds (Oakland Administration Buildings), 2004 Series A1/A2 (the "Series 2004 Bonds"). Pursuant to these swap agreements, the City receives a variable rate payment from each counterparty equal to 58% of USD-LIBOR-BBA, plus 0.35% times the notional amount of each swap, which is intended to approximate the variable rate interest payments the City will pay on the Series 2004 Bonds. The City makes semiannual fixed rate payment to the counterparties as set forth below. The interest rate swaps are terminable at any time at the option of the City at its market value. The objective of the swaps is to achieve a synthetic fixed rate with respect to the Series 2004 Bonds.

The Series 2004 Bonds are being refunded from proceeds of the 2008 Series B Bonds and the related swaps are being terminated.

The table below summarizes the interest rate swap agreements entered into by the City.

Summary of Interest Rate Swap Agreements

Associated Bonds	Effective Date	Notional Amount[1]	Counterparty/ Guarantor	Counterparty Credit Ratings (Moody's/S&P/Fitch)	Fixed Rate Payable by City	Market Value to City[1]	Expiration Date
Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2	01/09/97	$110,400,000	Goldman Sachs Mitsui	Aa3/AA/AA	5.6775%	($19,326,665.02)	July 31, 2021
Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings), 2004 Series A1/A2		51,075,000	Bank of America, N.A	Aaa/AA+/AA	3.533	(3,485,258.29)	August 1, 2026
		51,075,000	UBS AG	Aa1/AA-/AA-	3.533	(3,458,258.29)[2]	August 1, 2026
TOTAL		$216,150,000				($26,297,181.60)	

(1) As of April 1, 2008.
(2) Does not include accruals.

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"), a closed plan covering uniformed employees hired prior to July 1, 1976. The second series, issued in 2001, was part of a plan of finance undertaken by the City to restructure the City's 1997 pension obligation bonds and to reduce the annual net 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 debt service on the 1997 and 2001 Bonds. The 1997 and 2001 Bonds are secured by a senior pledge of certain tax override revenues.

Table A-13
City of Oakland
Pension Obligation Bonds
As of June 30, 2007
(in $000s)

Issue Name	Dated Date	Final Maturity	Original Par	Par Outstanding
City of Oakland Taxable Pension Obligation Bonds, Series 1997, Sub-Series A	2/1/1997	2011	$420,495	$117,989
City of Oakland Taxable Pension Obligation Bonds, Series 2001	10/17/2001	2022	195,636	195,636
TOTAL				$313,625

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, which occurs in Fiscal Year 2022-23.

Table A-14
City of Oakland
Annual Payments for Pension Obligation Bonds

Fiscal Year	Annual Payment
2007-08	$37,011,289
2008-09	38,082,816
2009-10	39,181,314
2010-11	40,305,000
2011-12	38,375,000

For additional information on the City's pension systems, see "OTHER FISCAL INFORMATION–*Retirement Programs*" herein.

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 tax increment revenues received from the specific redevelopment project areas which they support. Tax allocation bonds have been issued for the Acorn Redevelopment Project Area, the Central District Redevelopment Project Area, the Coliseum Area Redevelopment Project Area, the Broadway/MacArthur/San Pablo Redevelopment Project Area and the Central City East Redevelopment Project Area. In addition, bonds have been issued that are secured by dedicated housing set-aside revenues from all the City's redevelopment project areas.

The table on the following page summarizes the Redevelopment Agency's outstanding tax allocation debt and other financings, including the final maturity date, original par amounts and amounts outstanding. All information below is presented as of June 30, 2007.

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Table A-15
Tax Allocation Bonds
(In $000's)
As of June 30, 2007

Acorn Redevelopment Project Area

Issue Name	Dated	Final Maturity	Original Par	Par Outstanding
Acorn Redevelopment Project 1988 Tax Allocation Refunding Bonds	11/1/1988	2007	$3,375	$0 (1)

Central District Redevelopment Project Area

Issue Name	Dated	Final Maturity	Original Par	Par Outstanding
Central District Redevelopment Project Senior Tax Allocation Refunding Bonds, Series 1992	11/15/1992	2014	$97,655	$41,745
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2003	1/9/2003	2019	120,605	107,110
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005	2/8/2005	2022	44,360	44,360
Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T	11/21/2006	2022	33,135	33,135
Total Central Business District			$295,755	$226,350

Broadway/MacArthur/San Pablo Redevelopment Project Area

Issue Name	Dated	Final Maturity	Original Par	Par Outstanding
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds Series 2006C-TE and 2006C-T	10/12/2006	2037	17,270	17,270

Central City East Redevelopment Project Area

Issue Name	Dated	Final Maturity	Original Par	Par Outstanding
Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE and 2006A-T	10/12/2006	2037	76,300	76,300

Coliseum Area Redevelopment Project Area

Issue Name	Dated	Final Maturity	Original Par	Par Outstanding
Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE and 2006B-T (2)	10/12/2006	2037	102,590	102,590

City-wide Housing

Issue Name	Issuance Date	Final Maturity	Original Par	Par Outstanding
Subordinated Housing Set-Aside Revenue Bonds, Series 2000T	5/16/00	2018	$39,395	$7,980 (3)
Subordinated Housing Set-Aside Revenue Bonds, Series 2006A and 2006A-T	4/4/06	2037	$84,840	$83,720 (3)

(1) The last outstanding Series 1988 bonds matured on May 1, 2007 leaving no Series 1988 bonds outstanding as of June 30, 2007

(2) The Series 2006B bonds issued by the Agency in October 2006 defeased in their entirety the Series 2003 Coliseum bonds, leaving no Series 2003 Coliseum bonds outstanding as of June 30, 2007

(3) The Series 2006A and A-T bonds issued by the Agency in April 2006 partially defeased the Series 2000T bonds in the amount of $25,485,000, leaving $7,980,000 Series 2000T bonds outstanding as of June 30, 2007.

Tax Allocation Bonds
(In $000's)
As of June 30, 2007

Issue Name	Final Maturity	Original Par	Par Outstanding
General Obligation, Series 1998 (Tribune Towers Restoration)†	2011	$600	$265

† The Agency issued these bonds solely to the County of Alameda. Repayment is secured by a pledge of legally available funds of the Agency.

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 special assessment bonds.

Table A-16
City of Oakland
Special Assessment Bonds
As of June 30, 2007
(in $000s)

Issue Name	Dated Date	Final Maturity	Original Par	Par Outstanding
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1996 A	8/1/1996	2020	$ 465	$ 200
Oakland Joint Powers Financing Authority Special Assessment Pooled Revenue Bonds, Series 1997	12/3/1997	2012	1,250	565
Oakland Joint Powers Financing Authority Reassessment Revenue Bonds, Series 1999	7/27/1999	2024	7,255	5,955
TOTAL				$6,720

Enterprise Revenue Bonds

The City also has 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 June 1, 2007, 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. According to California Municipal Statistics, Inc., self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations are excluded from this debt statement.

Table A-17
City of Oakland
Statement of Direct and Overlapping Debt
As of April 1, 2008

2007-08 Assessed Valuation:	$39,700,406,610
Redevelopment Incremental Valuation:	9,552,757,929
Adjusted Assessed Valuation:	$30,147,648,681

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 4/1/08
Bay Area Rapid Transit District	7.099%	$ 33,175,047
East Bay Municipal Utility District, Special District No. 1	51.995	16,724,192
East Bay Regional Park District	10.313	15,412,263
Chabot-Las Positas Community College District	1.154	5,498,974
Peralta Community College District	54.783	198,144,633
Berkeley and Castro Valley Unified School Districts	0.004 & 0.126	122,477
Oakland Unified School District	99.997	563,973,080
San Leandro Unified School District	11.451	8,910,596
City of Oakland	**100.**	**230,999,363**
City of Oakland 1915 Act Bonds	100.	6,495,000
City of Emeryville 1915 Act Bonds	4.183	429,385
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,079,885,010
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County and Coliseum Authority General Fund Obligations	17.969%	$ 80,813,601
Alameda County Pension Obligations	17.969	41,062,781
Alameda County Board of Education Public Facilities Corporation	17.969	44,923
Alameda-Contra Costa Transit District Certificates of Participation	21.582	2,913,570
Chabot-Las Positas Community College District General Fund Obligations	1.154	57,585
Peralta Community College District Pension Obligations	54.783	81,541,664
Oakland Unified School District Certificates of Participation	99.997	76,692,699
San Leandro Unified School District Certificates of Participation	11.451	176,918
Castro Valley Unified School District Certificates of Participation	0.126	1,027
City of Oakland and Coliseum Authority General Fund Obligations	**100.**	**483,525,000**
	(1)	
City of Oakland Pension Obligations	**100.**	**282,704,842**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$1,049,534,610
COMBINED TOTAL DEBT		$2,129,419,620
	(2)	

(1) Excludes issue 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 2007-08 Assessed Valuation:
Direct Debt ($230,999,363)..0.58%
Total Direct and Overlapping Tax and Assessment Debt 2.72%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($997,229,205)..3.31%
Combined Total Debt...7.06%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $46,462

Source: California Municipal Statistics, Inc.

OTHER FISCAL INFORMATION

Insurance and Risk Management

The City is insured up to $25,000,000 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 against damage from fire and other forced perils at full replacement value after a $10,000 deductible to be paid by the City. The City does not insure for damage from earthquakes and floods. The City is also insured up to $100,000,000 after a $1,000,000 per occurrence self-insured retention for workers' compensation losses. As of June 30, 2006, the amount of all self-insured general liability exposure is valued at approximately $44,945,000. Of this amount, approximately $19,019,000 is estimated to be due within one year. Payment of Workers' Compensation claims is provided through annual appropriations. As of June 30, 2006, the amount of Workers' Compensation liability determined to be probable is approximately $100,495,000. Of this amount, $19,068,000 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 presented in the following table. 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.

Table A-18
City of Oakland
Labor Relations
As of July 1, 2007

Employee Organization/Bargaining Unit[1]	Number of Employees	Contract Termination
International Association of Firefighters (Local 55)	466	6/30/08
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	705	6/30/10[2]
Oakland Sworn Management Police Officers	13	6/30/06[3]
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	3	6/30/08
Deputy City Attorney V & Special Counsel Association (DCAV5&SC)	8	6/30/08
	4,794	

(1) The City has negotiated the following cost of living adjustments with employee organizations: - Locals 1245, 21, 790, 55 & DCAV5 & SC, increases of 4% each year until contract termination.
(2) Pending Council acceptance.
(3) The City and the Oakland Sworn Management Police Officers are in contract negotiations.
Source: City of Oakland Office of Personnel and Resource Management.

Retirement Programs

The City maintains two closed pension 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 December 31, 2006, PFRS covered three active employees and 1,296 retired employees. On December 12, 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, 126 former members transferred to PERS.

In November 2006, City voters passed Measure M to modify the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

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. A voluntary payment of $17.7 million was made during Fiscal Year 2005-06 to fund a portion of the City's obligation under its Charter to make payments to its police and fire system. The next required 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 combined 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 dated July 1, 2005. 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, and average salary increases of 4.5%.

The following schedule shows PFRS's recent funding progress.

Table A-19
Police and Fire Retirement System Schedule of Funding Progress
($ 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	890.3	621.6	268.6	69.8	0.3
2005[2]	883.6	614.9	268.7	69.6	0.3

(1) Because this is a closed system with few employees, UAAL as a percentage of payroll is not presented.
(2) Most recent valuation data available.
Source: Actuary's Report.

In light of the contribution holiday funded by proceeds of Pension Obligation Bonds, the purpose of the actuarial valuations prior to 2011 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, beginning in July of 2011. The Actuary's Report 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 A-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	$37 million	$41 million	$32 million

Source: Actuary's Report.

Oakland Municipal Employees Retirement System. The Oakland Municipal Employees Retirement System ("OMERS") is the second closed pension 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 78 retired employees. OMERS is administered by a seven-member Board of Administration. An actuarial valuation of OMERS is conducted every three years; the most recent complete valuation was for the period ended June 30, 2005. 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, and average increases of 3.0%. As of July 1, 2005, the actuarially determined surplus was $5.3 million. During Fiscal Year 2005-06 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 Fiscal Year 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 Fiscal Year 2004, benefits were further increased for safety members to provide 3.0% of highest salary at age 50. In Fiscal Year 2004, the City increased its benefits for miscellaneous employees, increasing retirement benefits to 2.7% 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 Fiscal Year 2007-08.

Table A-21
Public Employees Retirement System
Contribution Rates
City of Oakland

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-2009 (Projected)
Miscellaneous Plan	0.00%	15.04%	18.55%	17.48%	19.20%	19.00%
Safety Plan	25.29%	29.83%	29.71%	27.70%	27.01%	26.80%

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 3.0% 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 A-22
Public Employees Retirement System Schedule of Funding Progress
Public Safety Employees
City of Oakland
($ millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL as % of Payroll
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
2004	730.1	529.5	200.6	72.5	115.5	173.8
2005	820.6	602.4	218.2	73.4	122.9	177.6
2006	907.4	678.6	228.8	74.8	124.1	184.3

Source: PERS.

Table A-23
Public Employees Retirement System Schedule of Funding Progress
Miscellaneous Employees
City of Oakland
($ millions)

Valuation Date July 1	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Status	Annual Covered Payroll	UAAL % as of Payroll
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
2004	1,259.6	1,066.0	193.6	84.6	216.3	89.5
2005	1,397.2	1,156.7	240.5	82.8	206.3	116.6
2006	1,507.9	1,250.7	254.2	82.9	217.0	118.6

Source: PERS.

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

Table A-24
Public Employees Retirement System
Annual Pension Cost
City of Oakland
($ millions)

Fiscal Year Ended June 30	Annual Cost
2003	$37.0
2004	48.4
2005	87.4
2006	95.0
2007	89.3

Source: City of Oakland Comprehensive Annual Financial Reports.

For Fiscal Year 2006-07, the City's contribution to PERS was $89.3 million. The City's unfunded liability with PERS, as of June 30, 2006, was $228.8 million for the public safety (police and fire) retirement plan, resulting in a 74.8% funded status, and $254.2 million for the miscellaneous retirement plan, resulting in a 82.9% funded status.

Post-Retirement Benefits

In August 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" ("OPEB") which addresses how state and local governments should account for and report the annual cost. GASB 45 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 amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 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 on the income statement. The City is required to implement GASB 45 for the Fiscal Year ending June 30, 2008.

The City has engaged the services of consultants to determine the Actuarial Accrued Liability (the "AAL"), which is equal to that portion of the Actuarial Present Value of Benefits deemed to have been earned to date, to analyze the cost drivers in valuation, and the feasibility of cost saving measures such as employee contribution, and to otherwise assist the City in meeting the reporting requirements of GASB 45. The report of this valuation is expected to be incorporated into the City's annual financial report for the fiscal year ending June 30, 2008.

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.

ECONOMIC HIGHLIGHTS

The City of Oakland, located immediately east of the City and County of San Francisco in Alameda County, lies at the heart of the East Bay. Occupying approximately 53.8 square miles, the City's land uses range from industrialized lands bordering the Bay on the west to suburban foothills in the east. The City is served by two major interstate freeways, lies at the crossroads of the Bay Area Rapid Transit system and major railroads, and boasts a world-class seaport and a growing international airport. Oakland is a strategic location for companies seeking to move goods and ideas quickly and seamlessly through air, water, land or cyberspace.

Oakland has a solid, diverse mix of traditional and new economy companies. Companies are attracted to its excellent quality of life, comparatively lower business costs, extensive fiber-optic infrastructure, vast inter-modal network, and a highly skilled labor pool – ranked the eighth most educated in the nation.[1]

All of these factors – combined with favorable weather, a vibrant waterfront, lush hills, plentiful open space, beautiful neighborhoods, panoramic vistas, and abundant cultural amenities – make Oakland a highly desirable place to live, work and do business.

The following represent some of the major projects recently completed, currently underway or in the final planning stages in the City.

Downtown Central District

- The Fox Theater, which is a national historic landmark, is undergoing renovation into a 750- to 3000-seat live performance venue as well as the home for the Oakland School for the Arts.

- The Uptown Housing Project Phase I will provide 665 rental apartments, of which 20 percent will be affordable housing for households earning less than 50 percent of the area's median income, 9,000 square feet of neighborhood-serving retail, and a 25,000 square foot public park. Phase II of the project will provide an additional 380 residential units and 20,000 square feet of retail space.

[1] 2000 U.S. Census.

- A new development has been proposed for Jack London Square that will feature 1.2 million square feet of mixed-use retail commercial, and office space, a 1,700 seat movie theater, a 250 room hotel, a supermarket, restaurants, and offices.

- Block T-12 of City Center was purchased by Shorenstein Properties LLC in December of 2007 and will be developed into a mixed-use facility offering 588,000 square feet of office space and 9,500 square feet of retail space.

Central City East Projects

- Estuary Cove, a 1.1 acre site on Embarcadero Drive, will include a three-story 26,005 square foot building that will house new boat showrooms and offices by 2008 year end.

- Monte Vista Homes, where 545 residential units are currently under construction along with an already completed 6,000 square foot community center and 10,000 square feet of neighborhood-serving retail and commercial space.

Coliseum Area

- Lion Creek Crossings, a new development that includes 434 of affordable rental and 28 units for first time home buyers received $34.5 million of HUD funding and is expected to be completed by December 2008.

- Coliseum Transit Village, which will be used as a mixed-use, sustainable transit oriented development, including 600-800 units of market rate housing and 20,000-30,000 square feet of neighborhood-serving retail space.

- Champions Coliseum Shopping Center, which is estimated to be completed in March of 2008 and will include 166,000 square feet of proposed retail development.

Other Developments

- The Kaiser Hospital Master Plan includes construction of a new hospital building, parking structures, medical office, and administrative offices.

- Trader Joe's, a national specialty food retailer, opened two new locations in Oakland in 2007. The first, a 12,000 square-foot store on Lakeshore Avenue, opened in the Fall of 2007 and the second location, a 14,000 square-foot store, opened just one block north of the busy Rockridge BART station.

- Whole Foods, America's first national "certified organic" grocer, opened an Oakland location in the last quarter of 2007 in the Adams Point District.

Population

The Demographic Research Unit of the California Department of Finance estimated the City's population on January 1, 2007, at 415,492. This figure represents 27.2% of the corresponding County figure and 1.1% of the corresponding State figure. The City's population has grown over 3% since 2000. The following table illustrates the City's population as well as the population of Alameda County and the State of California.

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

Year	City	County	State
2000	402,100	1,454,300	34,336,000
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
2005	412,300	1,507,500	36,810,000
2006	411,755	1,510,303	37,172,015
2007	415,492	1,526,148	37,662,518

Sources: The 2000 total are U.S. Census figures. The figures for the years 2001 through 2007 are based upon adjusted January 1 estimates provided by the California State Department of Finance.

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Industry and Employment

The following Table A-26 compares estimates of the labor force, civilian employment and unemployment for City residents, State residents and United States residents between 2002 through 2006.

Table A-26
City of Oakland, State of California and United States
Civilian Labor Force, Employment and Unemployment
Annual Average for Years 2002 Through 2006

Year and Area	Labor Force	Civilian Employment	Unemployment	Unemployment Rate
2002				
City	203,300	182,300	21,000	10.3%
State	17,326,900	16,165,100	1,161,800	6.7
United States	144,863,000	136,485,000	8,378,000	5.8
2003				
City	199,500	178,500	21,000	10.5
State	17,414,000	16,223,500	1,190,500	6.8
United States	146,510,000	137,736,000	8,774,000	6.0
2004				
City	195,200	177,500	17,700	9.1
State	17,552,300	16,459,900	1,092,400	6.2
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
City	192,900	177,600	15,300	7.9
State	17,695,600	16,746,900	948,700	5.4
United States	149,321,000	141,730,000	7,591,000	5.1
2006†				
City	192,900	179,600	13,300	6.9
State	17,901,900	17,029,300	872,600	4.9
United States	151,428,000	144,427,000	7,001,000	4.6

† Most recent annual data available.
Source: State Employment Development Department, Labor Market Information Division.

Commercial Activity

Table A-27
City of Oakland
Trade Outlets and Taxable Sales
for Calendar Years 2002-2006
($ In Thousands)

Taxable Retail Sales	2002	2003	2004	2005	2006†
Apparel Stores	$51,754	$48,401	$47,989	$528,532	$54,090
General Merchandise	162,157	131,558	126,945	148,962	181,926
Food Stores	170,028	170,543	172,540	179,294	183,913
Eating & Drinking	371,761	368,871	379,758	403,583	433,736
Household	95,632	103,301	85,276	72,249	69,353
Building Materials	203,916	209,276	250,265	317,662	325,065
Auto Dealers and Supplies	534,126	534,496	512,749	512,545	543,896
Service Stations	270,561	310,513	315,573	376,643	404,202
Other Retail	423,891	468,034	502,893	531,027	481,694
SUBTOTAL	1,183,826	2,344,993	2,393,988	2,594,818	2,677,875
All Other Outlets	942,384	1,057,984	1,428,834	1,617,919	1,779,513
TOTAL ALL OUTLETS	$3,226,210	$3,402,977	$3,822,822	$4,212,737	$4,457,388

† Most recent data available.
Source: Taxable Sales in California (Sales and Use Tax) Annual Reports, California State Board of Equalization.

Construction Activity

The total valuation of building permits issued in the City as estimated by the Construction Industry Research Board was approximately $442 million as of 2007. The following Table A-28 provides an estimated building permit valuation summary for 2003 through 2007.

Table A-28
City of Oakland
Building Permit Valuation
for Years 2003- 2007(1)
($ In Thousands)

	Residential							
	Single Family		Multifamily		Value of Alterations	Total Residential	Nonresidential	
Year	Units	Valuation	Units	Valuation	and Additions	Valuation	Valuation	Total(2)
2003	229	$82,516	756	$85,812	$72,268	$240,596	$160,879	$401,474
2004	351	82,007	890	104,611	65,087	251,705	125,838	377,542
2005	199	63,542	1,275	186,944	78,841	329,327	158,139	487,465
2006	217	64,059	2,137	295,256	67,494	426,809	119,700	546,509
2007(1)	223	72,618	741	125,267	59,404	25,729	185,095	442,384

(1) Preliminary
(2) Total represents the sum of residential and nonresidential building permit valuations. Data may not total due to independent rounding.
Source: Construction Industry Research Board.

Personal Income

The United State Department of Commerce, Bureau of Economic Analysis (the "BEA") produces economic accounts statistics that enable government and business decision-makers, researchers, and the public to follow and understand the performance of the national economy.

The BEA defines "personal income" as income received by persons from all sources, including income received from participation in production as well as from government and business transfer payments. Personal income represents the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Per capita personal income is calculated as the personal income divided by the resident population based upon the Census Bureau's annual midyear population estimates.

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The Table A-29 below presents the latest available total effective buying income and median household effective buying income for the Oakland-Fremont-Hayward Metropolitan Division (the "Oakland MD"), the County, the State and the nation for the calendar years 2001 through 2005.

Table A-29
Personal Income
Calendar Years 2001 through 2005†

Year and Area	Personal Income (millions of dollars)	Per Capita Personal Income (dollars)
2005		
Oakland MD	$111,807	$45,290
County	62,332	42,956
State	1,335,386	36,936
United States	10,220,942	34,495
2004		
Oakland MD	106,516	43,299
County	59,180	40,737
State	1,268,049	35,380
United States	9,716,351	33,050
2003		
Oakland MD	100,602	40,920
County	56,424	38,666
State	1,187,040	33,469
United States	9,150,320	31,484
2002		
Oakland MD	98,621	40,170
County	55,317	37,731
State	1,147,716	32,769
United States	8,872,871	30,810
2001		
Oakland MD	99,594	40,671
County	56,122	38,135
State	1,135,304	32,859
United States	8,716,992	30,472

† Most recent data available.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

The largest industries in the City, in terms of the percentage of employment in each respective industry, are estimated by the State Employment Development Department as follows:

Table A-30
City of Oakland
Employment by Industry Group
Annual Averages

Industry Employment[1]	2003	2004	2005	2006	2007
Agriculture	2,600	1,500	1,600	1,500	1,500
Natural Resources and Mining	900	1,200	1,100	1,200	1,200
Construction	67,100	69,800	72,800	73,300	72,400
Manufacturing	98,000	98,200	95,600	95,800	93,700
Trade, Transportation, Warehousing and Utilities	197,200	193,800	195,000	197,100	198,100
Information	32,600	31,300	30,700	30,100	29,400
Finance, Insurance, and Real Estate	67,700	67,600	69,500	67,700	62,300
Professional and Business Services	144,900	147,700	150,600	154,900	155,500
Education and Health Services	117,000	117,200	118,500	121,800	124,700
Leisure and Hospitality	80,400	80,600	83,000	85,600	87,500
Other Services	37,500	36,600	35,600	35,900	36,200
Government	179,700	179,700	180,000	182,000	186,800
TOTAL[2]	1,028,200	1,025,200	1,033,700	1,046,900	1,049,100

(1) Based on place of work.
(2) "Total" may not be precise due to independent rounding.
Source: State of California, Employment Development Department, Labor Market Information Division.

APPENDIX B

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

WILLIAM E. NOLAND • DIRECTOR
ACE A. TAGO • CONTROLLER

PRINTED ON RECYCLED PAPER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:

STATISTICAL SECTION

INTRODUCTORY SECTION

CITY OF OAKLAND

FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION

150 FRANK H. OGAWA PLAZA, SUITE 6353
OAKLAND, CALIFORNIA 94612
(510) 238-3916

December 7, 2007

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 net assets for the fiscal year ended June 30, 2007, 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).

This report consists of management's representations concerning the finances of the City. 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.

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, 2007, 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, 2007. 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. The Basic Financial Statements presents information on the activities of the City and its component units.

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

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

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

Profile of the Government

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

In November 1998, the citizens of Oakland passed Measure X changing the form of government from Council-City Manager to Mayor-Council through a charter amendment. Legislative authority is vested in the City Council and executive authority is vested in the Mayor. The City 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 Manager 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 30, 2006, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2006-07.

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 context of the specific environment within which the City operates.

Local Economy. The City of Oakland continues to transform itself into one of the most desirable communities to live and most vibrant 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:

- "....9th Best office market in the country in 2006." (Marcus & Millichap))
- "....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 Kantor, former U.S. Secretary of Commerce)

Added to the above list of accomplishments are the City's latest achievements in the following categories.

- 7th in the U.S. and best in the state of California in drinking water quality. (Men's Health Magazine, March 2007)
- Named the greenest city government by drawing 17% of its power from sustainable sources (SustainLane, an environmentally focused Web site)

These declarations 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, and its incentive-driven environment within which to do business. 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 415,492. 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);
- Ranked 8th in the nation in percentage of women-owned businesses;
- Anchored by corporate giants such as Clorox, Kaiser Permanente, Dreyer's, APL, etc.;
- Port of Oakland handles 62% of all export cargo on the West Coast of the U.S..

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. The Port of Oakland is the fourth busiest container port in the United States and handles 99% of all containerized cargo that passes through the Golden Gate plus 62% of all export cargo on the West Coast of the United States. In 2006, the Oakland International Airport handled more than 14.5 million passengers and has more than 200 daily flights to serve 13 domestic and international carriers to 42 non-stop destinations. Part of this tremendous growth is driven by China's booming manufacturing trade and other economies in the Far East.

Long-term Financial Planning

Mayor Ronald V. Dellums priorities for fiscal years 2008 and 2009 budgets reflect the beginning of his vision to transform Oakland as a 21st Century Model city. The main focus will be:

- To foster sustainable economic growth and development for the benefit of Oakland and Oakland residents;
- To create a sense of hope and empowerment, especially among the youth;
- To give Oakland residents the opportunity to lead a healthy life; and
- To deliver City services in an open, transparent, effective and efficient manner.

The administration emphasizes that while the $2.1 billion budget for the next two fiscal years will be the catalyst upon which the Mayor's vision will begin its journey towards realization, it is not, by any means, "a transformative budget because there are simply too few resources to address the magnitude of the problems facing Oakland". To confront this monumental challenge, the Mayor has begun his outreach campaign to develop collaboration with outside funding sources and foster closer working relationships with the State and Federal governments. For example, the City of Oakland and its housing partners were recently awarded over $12 million dollars through four different State programs under Proposition 1C and Proposition 46 funds, which represent 28% of the funding awarded in the entire Bay Area (1) to facilitate home ownership opportunities for low income families, (2) to develop and rehabilitate emergency and supportive housing for seniors and homeless families, and (3) to provide resources to improve parks and library resources for seniors, children and youth in Oakland.

Parallel to this external funding pursuit is the City's fundamental need to continue its aggressive push for sustainable economic development as a response to social problems and improved quality of life for Oakland residents. To this end, the Mayor announced an initiative to create 10,000 new jobs for Oakland. This effort is anchored by, for example, the PG&E Corporation unveiling "a plan to spend $3 million over the next three years to reduce greenhouse gases, conserve energy and train Oakland residents for careers with new 'green' businesses and help new environmentally sensitive businesses get off the ground." Further evidence of this long term, sustainable economic push and of the vibrancy that is taking place in Oakland are witnessed below.

Oakland Base Reuse: Plans for the former United States Army Base development include (1) 41-acre mix of businesses devoted to trade, logistics and maritime; (2) 28 acres of flexible office space and creative industries such as biotechnology or multi-media; (3) 23 acres of regional retail; and (4) a 24-acre auto mall that has already been approved for the area north of West Grand Avenue.

Downtown Business Development: Whole Foods and a new Gourmet Cookies Shop have recently begun operations in Oakland. A new 23-story office tower is being planned for City Center. Seventh Street townhouses are virtually completed and will be open for sale soon. Ownership of the Marriott Hotel and Oakland Courtyard Hotel has been transferred to a new company. The first 30 of the a planned 132 condominiums in a new seven-story Art Deco-inspired residential-retail complex at West Grand Avenue and Broadway has opened for sale. The retail space will include an 8,000 square foot well known Ozumo Japanese restaurant from San Francisco and a Starbucks coffee shop.

Economic Indicators and Next Fiscal Year's Budget and Tax Rates

The City of Oakland's primary economic indicators are highlighted on pages 16 and 17 in the Management Discussion and Analysis (MD&A) section of this report.

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, 2006. 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 17 of the last 18 years. The single missing year was due to the delay in the submission of the City's CAFR to GFOA as a result of conversion to a new financial management system. The City's Fiscal Year 2006-07 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

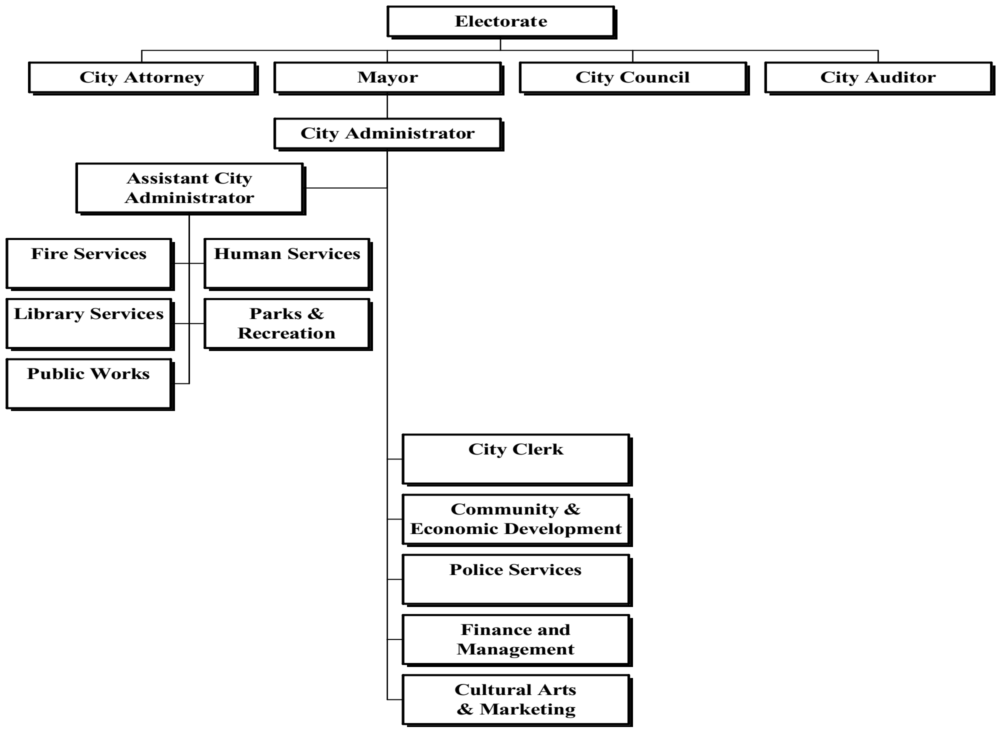
Acknowledgements

I would like to express my appreciation to the entire staff of the Finance and Management Agency, most particularly the Accounting Division, and other agency and departmental staff, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Macias, Gini & O'Connell 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

City of Oakland Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

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

President

Executive Director

DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
June 30, 2007

MAYOR

Ronald V. Dellums

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente, *President (District 5)*
Jean Quan, *Vice-Mayor (District 4)*

At Large – Henry Chang, Jr. | *District 1* – Jane Brunner | *District 2* – Patricia Kernighan
District 3 – Nancy Nadel | *District 6* – Desley Brooks | *District 7* – Larry Reid

COUNCIL APPOINTED OFFICERS

Deborah A. Edgerly, *City Administrator*

La Tonda Simmons, *City Clerk*

ELECTED OFFICERS

John Russo, *City Attorney*
Courtney Ruby, *City Auditor*

AGENCY & DEPARTMENT DIRECTORS

Raul Godinez II
Public Works

Audree Jones-Taylor
Parks & Recreation

Carmen Martinez
Library Services

Daniel Farrell
Fire Services

William E. Noland
Finance & Management

Wayne Tucker
Police Services

Lori Fogarty
Cultural Arts & Marketing

Andrea Youngdahl
Human Services

Claudia Cappio
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

William E. Noland
Director
Finance and Management Agency

Ace A. Tago
Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Acting Assistant Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Theresa Woo
Accountant III

Accounting Team (GL, ORA & GRANTS)

Connie L. Chu
Jennifer Luong
Frank Catalya
Erico Parras
Michelle Wong

Edward Chun
Felipe Kiocho
Lani Pallotta
Leland Lee
David Warner

Bruce Levitch
Norma Torres
Andy Yang
Rogelio Medalla

ADMINISTRATIVE SUPPORT

Ebony Thomas, *Administrative Assistant*

SPECIAL ASSISTANCE

Donna Treglown
David Jones

Deanna Andrews
Gregoria Torres

Katano Kasaine
Sharon Holman

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Administrator's Office | City Attorney's Office | FMA-Treasury Division
Community & Economic Development Agency
Risk Management

FINANCIAL SECTION

MACIAS GINI & O'CONNELL LLP
CERTIFIED PUBLIC ACCOUNTANTS & MANAGEMENT CONSULTANTS

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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, 2007, 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 Municipal Employees' Retirement System (OMERS) and the Oakland Police and Fire Retirement System (PFRS), which collectively represent 70.1%, 73.7% and 26.8%, respectively, of the assets, net assets/fund balances, and revenues/additions of the aggregate remaining fund information as of and for the year ended June 30, 2007. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express such an opinion. 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 reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2007, 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 December 4, 2007, 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 and the other auditors 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 introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP
Certified Public Accountants
Walnut Creek, California

December 4, 2007

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, 2007. 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.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its total liabilities by $821.0 million as of June 30, 2007, compared to $690.5 million at June 30, 2006. This represents a net growth of $130.5 million or 18.9% compared to the previous year. Assets increased by 11.4% or $313.2 million primarily as the result of the combined increase of $199.9 million in pooled and restricted cash and investments attributable to unspent bond proceeds and improved cash collections. Also, an increase of $67 million for Property Held for Resale by the Agency contributed to the increase. Conversely, liabilities grew by 8.9% or $182.7 million compared to the prior fiscal year primarily as a result of new debts associated with the above unspent bond proceeds.

- The City's cumulative fund balances grew by 26.8% ($255.6 million) to $1, 211.0 million compared to $955.3 million for the prior fiscal year. This growth is primarily attributed to: (1) the net increase of $226.1 million is primarily attributable to unspent bond proceeds; (2) the 17.2% improvement in property taxes as a result of double digit increases in property valuation; and (3) offset by 13.5% increase in overall governmental expenditures for its operations.

- As of June 30, 2007, the City had total long-term obligations outstanding of $2.0 billion compared to a similar amount outstanding for the prior fiscal year for an increase of 8.6%. Of this amount, $345 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.7 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.

- The City's General Fund unreserved/undesignated fund balance at June 30, 2007 was $56.1 million compared to $59.4 million for the previous year, a decrease of ($3.3) million or (5.7%). The unreserved/undesignated fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Fund expenditures for fiscal year 2007.

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 (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 comparison schedules.

Government-wide Financial Analysis

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, 2007 by $821.0 million compared to $690.5 million as of June 30, 2006, an increase of $130.5 million. The largest portion of the City's net assets (56.4%) reflects its investment in capital assets of $463.6 million for governmental and business type activities net of related debt. Of the remaining balance, (43.6%) reflects $317.5 million in resources that are subject to external restrictions on how they may be used and unrestricted net assets of $39.9 million are primarily attributed to ongoing projects related governmental activities.

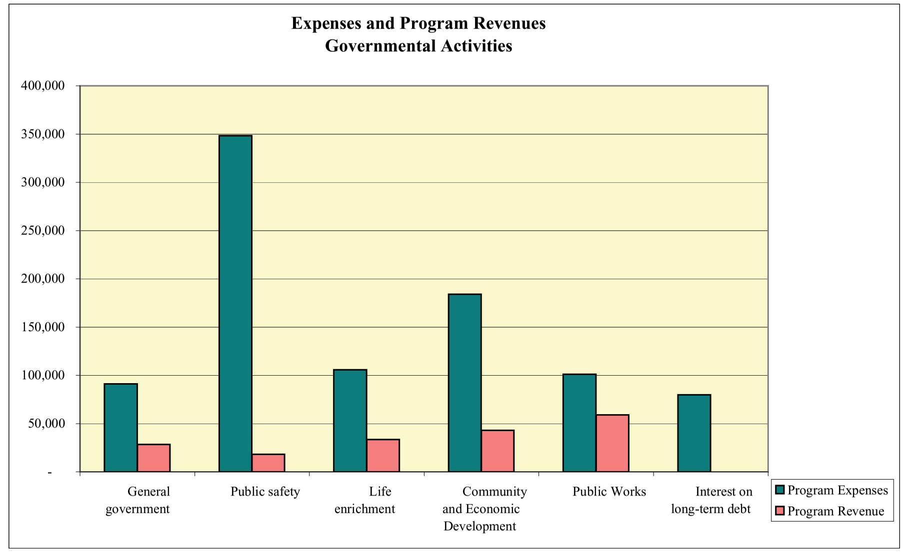
City of Oakland's Net Assets
June 30, 2007
(In Thousands)

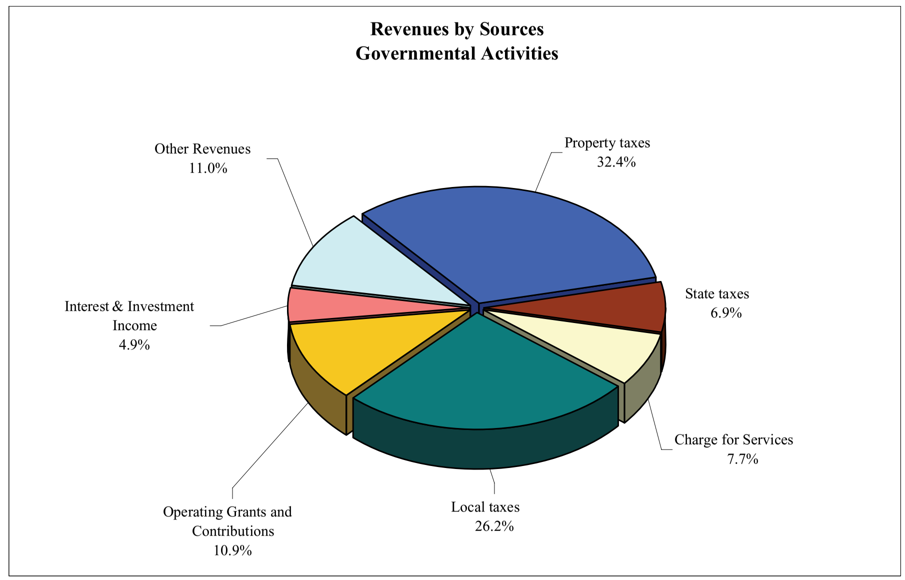
	Governmental Activities		Business-Type Activities		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Assets:						
Current and other assets	2,020,139	$1,723,502	43,835	54,508	2,063,974	1,778,010
Capital assets	854,373	835,991	136,093	127,221	990,466	963,212
TOTAL ASSETS	2,874,512	2,559,493	179,928	181,729	3,054,440	2,741,222
Long-term liabilities outstanding	1,979,249	1,815,189	66,024	68,475	2,045,273	1,883,664
Other liabilities	186,286	165,070	1,845	1,986	188,131	167,056
TOTAL LIABILITIES	2,165,535	1,980,259	67,869	70,461	2,233,404	2,050,720
Net assets:						
Invested in capital assets, net of related debt	353,715	319,932	109,886	110,279	463,601	430,211
Restricted net assets:						
Debt service	2,083	27,470	-	-	2,083	27,470
Pension obligations	138,778	153,735	-	-	138,778	153,735
Urban redevelopment and housing	156,077	82,940	-	-	156,077	82,940
Other purposes	20,620	3,679	-	-	20,620	3,679
Unrestricted	37,704	(8,522)	2,173	989	39,877	(7,533)
TOTAL NET ASSETS	$ 708,977	$ 579,234	$ 112,059	$111,268	$ 821,036	$ 690,502

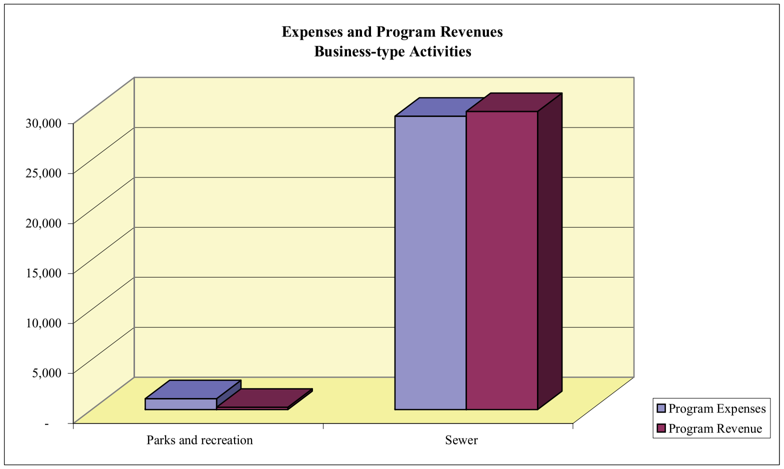
Governmental activities. The City's change in net assets of $130.5 million for the year ended June 30, 2007 compared to $32.9 million for the previous fiscal year represents a net increase of $97.6 million. The key elements of this increase are listed below.

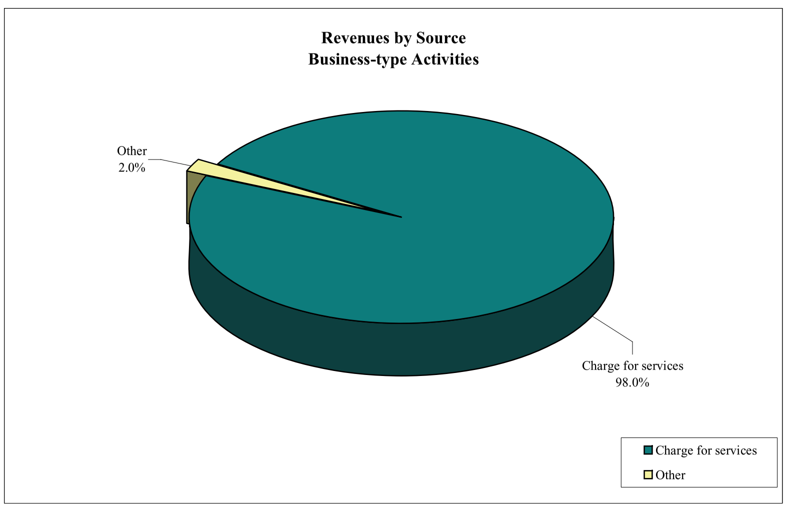
Changes in Net Assets
June 30, 2007
(In Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 75,242	$ 70,711	30,075	24,875	105,317	95,586
Operating grants and contributions	106,903	77,154	21	-	106,924	77,154
General revenues:						
Property taxes	317,666	268,693	-	-	317,666	268,693
State taxes:						
Sales and use taxes	58,006	56,844	-	-	58,006	56,844
Motor vehicles in-lieu tax	2,268	2,984	-	-	2,268	2,984
Gas tax	7,449	7,476	-	-	7,449	7,476
Local taxes:						
Business license	50,339	43,790	-	-	50,339	43,790
Utility consumption	51,426	48,770	-	-	51,426	48,770
Real estate transfer	61,505	79,483	-	-	61,505	79,483
Transient occupancy	12,303	11,690	-	-	12,303	11,690
Parking	16,202	15,196	-	-	16,202	15,196
Voter approved special tax	31,483	31,728	-	-	31,483	31,728
Franchise	13,010	12,152	-	-	13,010	12,152
License and permits	20,390	19,006	-	-	20,390	19,006
Interest and investment income	48,073	30,406	1,745	1,996	49,818	32,402
Other	108,048	78,053	2	62	108,050	78,115
TOTAL REVENUES	980,313	854,136	31,843	26,933	1,012,156	881,069
Expenses:						
General government	91,119	71,471	-	-	91,119	71,471
Public safety	348,436	335,171	-	-	348,436	335,171
Life enrichment	105,728	101,902	-	-	105,728	101,902
Community & economic development	183,968	140,351	-	-	183,968	140,351
Public works	101,075	100,448	-	-	101,075	100,448
Interest on long-term debt	79,864	73,224	-	-	79,864	73,224
Sewer	-	-	29,365	24,841	29,365	24,841
Parks and recreation	-	-	1,087	734	1,087	734
TOTAL EXPENSES	910,190	822,567	30,452	25,575	940,642	848,142
Change in net assets before tranfers and special item	70,123	31,569	1,391	1,358	71,514	32,927
Tranfers	600	600	(600)	(600)	-	-
Special item:						
Net resale properties from OBRA	59,020	-	-	-	59,020	-
Change in net assets	129,743	32,169	791	758	130,534	32,927
Net assets at beginning of year	579,234	547,065	111,268	110,510	690,502	657,575
NET ASSETS AT END OF YEAR	$ 708,977	$ 579,234	$ 112,059	$ 111,268	$ 821,036	$ 690,502









The increase of $97.6 million (18.9%) is attributed to the following significant elements:

- While the increases in property taxes of $49 million or 18.2% were driven by enhancement in assessed property valuation within the boundaries of the City of Oakland during fiscal year 2006-07, operating grants and contributions, and other revenues increased by $30 million or 38.6%, and $29.9 million or 38.3% respectively.

- The increase in interest and investment income of $17.4 million or 53.7% is primarily attributable to the increase in earnings from the City's pooled and restricted cash and investments as a result of carrying higher balances compared to the previous year.

- The increase of $19.6 million or 27.5% of spending in general government when compared to the pervious year is due primarily to spending related to the Urban Area Security Initiative Grant.

- The increase of $13.3 million or 4.0% of spending in public safety when compared to the previous year is due primarily to overtime costs resulting from the continuing problem of shortage in sworn staff, and the added costs to recruit new officers and conduct police academies to train and certify new recruits.

- The increases in community & economic development and life enrichment expenses of $43.6 million or 31.1% and $3.8 million or 3.8% respectively are attributed to completed projects and costs related to continuing projects from previous years.

- Interest on long-term debt increased by $6.6 million or 9.1% due to defeasance and refunding of certain debts by the City.

Business-type activities. Business-type activities ended the fiscal year with a positive change in its net assets of $0.8 million compared to a similar amount for the previous fiscal year. The increase of $0.03 million in net assets is attributable to an 18.2% or $4.9 million increase in revenues offset by an 18.2% or $4.5 million increase in sewer project related expenses.

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.

The Oakland Redevelopment Agency had a fund balance of $598.6 million as of June 30, 2007 that represents an increase of 86.1% over the prior fiscal year. The net increase of

$276.9 million was primarily related to the improvement in property tax revenues in the project areas and the remaining bond proceeds for the Low and Moderate Housing Project Area to be completed by fiscal year 2007.

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

The portion of net assets invested in capital assets, net of related debt amounted to $109.9 million as of June 30, 2007, compared to $110.3 million for the previous fiscal year. The -0.4% or $0.4 million decrease is related to partial proceeds spent from a debt issued to finance sewer projects. During the fiscal year, the City capitalized $8.8 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

Differences between the original and the final amended expenditure budgets totaling $11.9 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 $12.6 million for the year ended June 30, 2007, compared to $19.8 million in savings for the previous fiscal year. The net budget savings is attributed to (1) the significant turnover in full time sworn officers through attrition, (2) the absorption of a certain portion of sworn officers salaries and benefits by Measure Y funds to satisfy that Measure's mandates while recruitment for additional authorized full time peace officers is in progress, and (3) the completion of carryforward projects during the fiscal year.

Actual revenues compared to the final amended general fund revenue budget exceeded projections by $15.3 million, compared to a favorable variance of $16.3 million for the previous fiscal year. The increase is primarily attributed to improved property taxes driven by a 42% improvement in assessed property valuation as reported by the County of Alameda.

Capital Assets

The City's capital assets, net of depreciation, totaled $990.5 million as of June 30, 2007 compared to $963.2 million as of June 30, 2006, an increase of $27.3 million or 3%. Governmental activities additions of $68.6 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 an increase of $18.4 million in adjustments against capital assets for governmental activities. Business activities,

primarily the sewer fund, increased its capital assets by $8.8 million, net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has active construction projects as of June 30, 2007 totaling $316,073,158. The projects include street construction, park construction, building improvements and sewer and storm drain improvements.

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75% of property valuation, net of exemptions subject to taxation) was $985.0 million. The total amount of debt applicable to the debt limit was $345.2 million. The resulting legal debt margin was $639.8 million.

The City of Oakland's underlying ratings for its general obligation bonds as of June 30, 2007, were as follows:

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

As of June 30, 2007, the City had total long-term obligations outstanding of $2.05 billion compared to $1.88 billion outstanding for the prior fiscal year, an increase of 8.6%. Of this amount, $345.2 million is general obligation bonds backed by the full faith and credit of the City. The remaining $1.70 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, 2007
(In Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
General obligation bonds	$ 345,214	$ 358,124	$ -	$ -	345,214	358,124
Tax allocation bonds	514,475	319,115	-	-	514,475	319,115
Certificate of participation	45,795	49,154	-	-	45,795	49,154
Lease revenue bonds	325,105	346,110	-	-	325,105	346,110
Pension obligation bonds	313,625	341,475	-	-	313,625	341,475
Special assessment debt with government commitments	6,800	7,085	-	-	6,800	7,085
Accreted interest on appreciation bonds	104,356	85,884	-	-	104,356	85,884
Sewer-bonds & notes payable	-	-	63,431	65,765	63,431	- 65,765
Less: deferred amounts						
Bond issuance premiums	22,887	22,734	2,593	2,710	25,480	25,444
Bond refunding loss	(20,035)	(22,216)			(20,035)	(22,216)
Total Bonds Payable	1,658,222	1,507,465	66,024	68,475	1,724,246	1,575,940
Notes & Leases payable	48,899	38,158	-	-	48,899	38,158
Other long-term liabilities	272,128	269,566	-	-	272,128	269,566
Total Outstanding Debt	$ 1,979,249	$1,815,189	$ 66,024	$ 68,475	$2,045,273	$1,883,664

The City's overall total long-term obligations increased by $161.6 million compared to fiscal year 2006. The net increase is primarily attributable to (1) the City issuance of Capital Lease for 450 Lancaster Building and Parking Meters, (2) the Agency issuance of the Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE & Series 2006A-T, (3) the Agency issuance of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE & Series 2006B-T, (4) the Agency issuance of Broadway/MacArther/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE & Series 2006C-T and (5) the Agency issuance of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable). The other long-term obligations increased basically because of the additional amounts provided for estimated environmental remediation cost for fiscal year 2007.

Summary of New Debt:

City of Oakland Capital Lease – 450 Lancaster Building

On July 21, 2006, the City of Oakland closed a lease transaction with Bank of America in the principal amount of $4,940,000 for the purpose of purchasing a building at 450 Lancaster Street (Oakland, CA). The financing is tax-exempt with a final maturity of August 1, 2021; the interest rate on this lease transaction is 5.30%.

City of Oakland Capital Lease – Parking Meters

On June 14, 2007, the City of Oakland closed a lease transaction with CitiCapital in the principal amount of $4,520,000 for the purpose of purchasing multi-space pay and display parking meters ("Meters"). The financing is tax-exempt with a final maturity of July 15, 2014; the interest rate on this lease transaction is 3.90%.

The City also entered into other capital leases during the year amounting to $8,805,000.

Redevelopment Agency of the City of Oakland
Central City East Redevelopment Project Tax Allocation Bonds
Series 2006A-TE & Series 2006A-T (Federally Taxable)

On October 12, 2006, the Redevelopment Agency of the City of Oakland ("Agency") issued $13,780,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE (the "Series 2006A-TE Bonds") and $62,520,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T (Federally Taxable) (the "Series 2006A-T Bonds"). The Series 2006A-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2034; the interest rates of these bonds range from 5.263% to 5.537%.

Redevelopment Agency of the City of Oakland
Coliseum Area Redevelopment Project Tax Allocation Bonds
Series 2006B-TE & Series 2006B-T (Federally Taxable)

On October 12, 2006, the Redevelopment Agency of the City of Oakland ("Agency") issued $28,770,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE (the "Series 2006B-TE Bonds") and $73,820,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T (Federally Taxable) (the "Series 2006B-T Bonds"). The Series 2006B-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rates of these bonds range from 4.000% to 5.000%. The Series 2006B-T Bonds are federally taxable with a final maturity of September 1, 2035; the interest rates of these bonds range from 5.263% to 5.537%.

The refunding resulted in a cash flow savings of $2,797,908. In addition, the Agency obtained a net economic gain on this financing of $626,658.

Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds
Series 2006C-TE & Series 2006C-T (Federally Taxable)

On October 12, 2006, the Redevelopment Agency of the City of Oakland (“Agency”) issued $4,945,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the “Series 2006C-TE Bonds”) and $12,325,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the “Series 2006C-T Bonds”). The Series 2006C-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rate of these bonds is 5.000%. The Series 2006C-T Bonds are federally taxable with a final maturity of September 1, 2032; the interest rates of these bonds range from 5.283% to 5.587%.

Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Subordinated Tax Allocation Bonds
Series 2006T (Federally Taxable)

On November 21, 2006 the Redevelopment Agency of the City of Oakland (“Agency”) issued $33,135,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the “Series 2006T Bonds”). The Series 2006T Bonds are federally taxable with a final maturity of September 1, 2021; the interest rates of these bonds range from 5.252% to 5.411%.

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 2006-07.

The City of Oakland’s unemployment rate increased to 7.4% in July 2007 compared to an average unemployment rate of 7.1% for August 2006.

The Bay Area’s consumer price index for all urban consumers in October 2007 was 217.949 compared to the U.S. city average consumer price index (CPI-U) for all urban consumers at 208.936. (Base period: 1982 – 84 = 100).

Average forecast residential rental and vacancy rates for 2007 were $1,321 per month and 3.8% respectively compared to $1,236 and 6.0% for 2006.

For the 2007 third quarter, the average office space rental rate per square foot for the City ranged from $1.68 to $2.42 compared to $3.39 for San Francisco and $2.62 for the Silicon Valley.

Oakland’s gross metropolitan product, estimated at $107.8 billion for 2004, ranks in the top 20 metropolitan economies in the United States and among the top 60 largest economy in the world.

Estimated population for January 1, 2007 is 415,492 with a total number of households of 150,790 and an average household size of 2.60 persons with a mean household income of $59,500.

Electric utility rates for commercial range from 13.15 to 15.85 cents per kilowatt hour while industrial rates are from 8.87 to 12.82 cents per kilowatt hour.

Increases in expenditures due to new union contracts, CalPERS pension rates, and healthcare costs have been factored into the City’s Fiscal Year 2006-07 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, 2007
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	$ 418,276	$ 3,936	$ 422,212	$ 84,346
Receivables (net of allowance for uncollectibles of $6,404 for City and $1,733 for Port):				
Accrued interest	2,561	-	2,561	740
Property taxes	21,304	-	21,304	-
Accounts receivable	59,401	3,498	62,899	39,855
Grants receivable	32,550	-	32,550	-
Due from Port	11,694	-	11,694	-
Internal balances	3,416	(3,416)	-	-
Due from pension trust fund	4,206	-	4,206	-
Notes and loans receivable (net of allowance for uncollectibles of $41,564 for the City)	230,605	-	230,605	-
Restricted assets:				
Cash and investments	712,135	39,160	751,295	193,882
Receivables	-	-	-	7,374
Inventories	1,228	-	1,228	-
Property held for resale	120,586	-	120,586	-
Capital assets:				
Land and other assets not being depreciated	119,379	6,919	126,298	754,574
Facilities, infrastructures, and equipment, net of depreciation	734,994	129,174	864,168	1,525,828
Unamortized bond issuance costs	26,117	657	26,774	-
Net pension asset	376,024	-	376,024	-
Other	36	-	36	79,756
TOTAL ASSETS	2,874,512	179,928	3,054,440	2,686,355
LIABILITIES				
Accounts payable and other current liabilities	130,306	1,813	132,119	54,364
Accrued interest payable	15,813	-	15,813	28,059
Due to other governments	15,558	-	15,558	-
Due to primary government	-	-	-	11,694
Unearned revenue	9,704	25	9,729	65,925
Matured bonds and interest payable	520	-	520	-
Other	14,385	7	14,392	45,310
Noncurrent liabilities:				
Due within one year	158,812	2,483	161,295	40,608
Due in more than one year	1,820,437	63,541	1,883,978	1,543,146
TOTAL LIABILITIES	2,165,535	67,869	2,233,404	1,789,106
NET ASSETS (deficit)				
Invested in capital assets, net of related debt	353,715	109,886	463,601	894,073
Restricted net assets:				
Debt service	2,083	-	2,083	469
Pension	138,778	-	138,778	-
Urban redevelopment and housing	156,077	-	156,077	-
Other purposes	20,620	-	20,620	9,337
Unrestricted net assets (deficit)	37,704	2,173	39,877	(6,630)
TOTAL NET ASSETS	$ 708,977	$ 112,059	$ 821,036	$ 897,249

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

City of Oakland
Statement of Activities
Year Ended June 30, 2007
(In Thousands)

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Port of Oakland	Oakland Base Reuse Authority
Primary government:									
Governmental activities:									
General government	$ 91,119	$ 13,741	$ 14,707	$ -	$ (62,671)	$ -	$ (62,671)		
Public safety	348,436	9,803	8,341	-	(330,292)	-	(330,292)		
Life enrichment	105,728	3,992	29,582	-	(72,154)	-	(72,154)		
Community and economic development	183,968	16,437	26,641	-	(140,890)	-	(140,890)		
Public works	101,075	31,269	27,632	-	(42,174)	-	(42,174)		
Interest on long-term debt	79,864	-	-	-	(79,864)	-	(79,864)		
TOTAL GOVERNMENTAL ACTIVITIES	910,190	75,242	106,903	-	(728,045)	-	(728,045)		
Business-type activities:									
Sewer	29,365	29,838	21	-	-	494	494		
Park and recreation	1,087	237	-	-	-	(850)	(850)		
TOTAL BUSINESS-TYPE ACTIVITIES	30,452	30,075	21	-	-	(356)	(356)		
TOTAL PRIMARY GOVERNMENT	$ 940,642	$ 105,317	$ 106,924	$ -	$ (728,045)	$ (356)	$ (728,401)		
Component units:									
Port of Oakland	$ 299,140	$ 277,374	$ -	$ 35,667				$ 13,901	
Oakland Base Reuse Authority	$ 91,350	$ -	$ -	$ -					$ (91,350)
General revenues:									
Property taxes					317,666	-	317,666	-	-
State taxes:									
Sales and use taxes					58,006	-	58,006	-	-
Motor vehicle in-lieu tax					2,268	-	2,268	-	-
Gas tax					7,449	-	7,449	-	-
Local taxes:									
Business license					50,339	-	50,339	-	-
Utility consumption					51,426	-	51,426	-	-
Real estate transfer					61,505	-	61,505	-	-
Transient occupancy					12,303	-	12,303	-	-
Parking					16,202	-	16,202	-	-
Voter approved special tax					31,483	-	31,483	-	-
Franchise					13,010	-	13,010	-	-
License and permits					20,390	-	20,390	-	-
Interest and investment income					48,073	1,745	49,818	10,457	-
Other					108,048	2	108,050	45,309	-
Transfers					600	(600)	-	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					798,768	1,147	799,915	55,766	-
Special Items									
Net resale properties from OBRA					59,020	-	59,020	-	-
Changes in net assets					129,743	791	130,534	69,667	(91,350)
NET ASSETS - BEGINNING					579,234	111,268	690,502	827,582	91,350
NET ASSETS - ENDING					$ 708,977	$ 112,059	$ 821,036	$ 897,249	$ -

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

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2007
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$133,649	$ -	$ 187,187	$ 9,304	$ 86,795	$ 416,935
Receivables (net of allowance for uncollectibles of $3,902):						
Accrued interest	1,436	-	35	363	727	2,561
Property taxes	6,928	795	9,663	-	3,918	21,304
Accounts receivable	43,572	33	3,758	-	11,969	59,332
Grants receivable	-	32,118	-	-	432	32,550
Due from component unit	11,352	-	-	-	342	11,694
Due from other funds	74,730	-	14,552	-	2,804	92,086
Notes and loans receivable (net of allowance for uncollectibles of $41,564)	21,693	91,844	97,581	-	19,487	230,605
Restricted cash and investments	143,542	7,115	309,213	90,144	153,314	703,328
Property held for resale	-	-	120,586	-	-	120,586
Other	36	-	-	-	-	36
TOTAL ASSETS	$436,938	$ 131,905	$ 742,575	$ 99,811	$ 279,788	$1,691,017
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	$108,730	$ 5,554	$ 5,798	$ 1,796	$ 5,336	$ 127,214
Due to other funds	8,228	16,087	2,955	-	17,530	44,800
Due to other governments	60	257	15,240	-	1	15,558
Deferred revenue	36,413	104,965	113,044	-	23,153	277,575
Matured bonds and interest payable	-	-	-	520	-	520
Other	1,600	-	4,169	612	8,004	14,385
TOTAL LIABILITIES	155,031	126,863	141,206	2,928	54,024	480,052
Fund balances						
Reserved:						
Encumbrances	7,440	19,619	-	6,867	6,591	40,517
Long-term receivables	-	-	1,739	-	-	1,739
Debt service	16,451	17,090	-	1,610	146,201	181,352
Property held for resale	-	-	120,586	-	-	120,586
Capital projects	-	-	477,399	-	-	477,399
Pension obligations	115,000	-	-	-	-	115,000
Unreserved/(deficit) reported in:						
General fund	143,016	-	-	-	-	143,016
Special revenue funds	-	(31,667)	-	-	64,111	32,444
Capital project funds	-	-	1,645	88,406	8,861	98,912
TOTAL FUND BALANCES	281,907	5,042	601,369	96,883	225,764	1,210,965
TOTAL LIABILITIES AND FUND BALANCES	$436,938	$ 131,905	$ 742,575	$ 99,811	$ 279,788	$1,691,017

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, 2007
(In Thousands)

Fund balance - total governmental funds		$ 1,210,965
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resource and therefore, are not reported in the funds.		
Primary government capital assets, net of depreciation	$ 854,373	
Less: internal service funds' capital assets, net of depreciation	(19,319)	835,054
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.		26,117
Net pension assets are recognized in the 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.		376,024
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.		(15,813)
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.		267,871
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Long-term liabilities	$ (1,979,249)	
Less: long-term liabilities for internal service funds	13,748	(1,965,501)
Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.		(25,740)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 708,977

The note 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, 2007
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	$ 170,105	$ -	$ 109,613	$ -	$ 34,750	$ 314,468
State:						
Sales and use	46,690	-	-	-	11,316	58,006
Motor vehicle in-lieu	2,268	-	-	-	-	2,268
Gas	-	-	-	-	7,449	7,449
Local:						
Business license	50,339	-	-	-	-	50,339
Utility consumption	51,426	-	-	-	-	51,426
Real estate transfer	61,505	-	-	-	-	61,505
Transient occupancy	12,303	-	-	-	-	12,303
Parking	8,892	-	-	-	7,310	16,202
Voter approved special tax	-	11,148	-	-	18,630	29,778
Franchise	13,010	-	-	-	-	13,010
Licenses and permits	1,066	-	-	-	19,324	20,390
Fines and penalties	24,727	358	-	-	1,774	26,859
Interest and investment income	7,007	3,112	18,590	4,951	15,481	49,141
Charges for services	55,837	77	-	-	19,328	75,242
Federal and state grants and subventions	7,051	83,772	-	5	6,554	97,382
Annuity income	9,324	-	-	-	-	9,324
Other	15,116	8,764	17,018	161	24,375	65,434
TOTAL REVENUES	536,666	107,231	145,221	5,117	166,291	960,526
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	2,745	-	-	-	199	2,944
Council	3,701	-	-	23	1,269	4,993
City Manager	11,089	10,400	-	1,354	3,023	25,866
City Attorney	9,365	169	-	-	4,231	13,765
City Auditor	1,043	-	-	-	49	1,092
City Clerk	2,757	-	-	-	74	2,831
Agencies/Departments:						
Personnel Resource Management	5,232	-	-	-	319	5,551
Information Technology	9,339	109	-	668	36	10,152
Financial Services	24,631	252	-	12	1,123	26,018
Police Services	195,206	3,848	-	3	7,504	206,561
Fire Services	101,184	2,001	-	1,840	7,674	112,699
Life Enrichment:						
Parks and Recreation	15,285	-	-	212	3,651	19,148
Library	11,799	12,674	-	42	116	24,631
Cultural Arts and Museum	6,595	-	-	2	379	6,976
Aging & Health and Human Services	6,336	25,773	-	28	21,091	53,228
Community and Economic Development	2,780	29,789	93,695	609	42,360	169,233
Public Works	33,595	8,777	-	9,359	39,759	91,490
Other	9,162	-	1,116	-	363	10,641
Capital outlay	14,885	8,911	-	18,511	7,588	49,895
Debt service:						
Principal repayment	832	850	12,040	833	65,409	79,964
Bond issuance costs	172	-	4,295	-	-	4,467
Interest charges	550	1,143	21,998	77	45,914	69,682
TOTAL EXPENDITURES	468,283	104,696	133,144	33,573	252,131	991,827
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68,383	2,535	12,077	(28,456)	(85,840)	(31,301)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	17,283	-	126,705	-	-	143,988
Issuance of refunding bonds		-	102,590	-	-	102,590
Premiums on issuance of bonds	-	-	1,963	-	-	1,963
Payment to refunding bond escrow agent	-	-	(22,729)	-	-	(22,729)
Property sale proceeds	328	237	-	-	53	618
Transfers in	2,857	-	-	899	93,641	97,397
Transfers out	(93,463)	-	-	-	(2,434)	(95,897)
TOTAL OTHER FINANCING SOURCES (USES)	(72,995)	237	208,529	899	91,260	227,930
SPECIAL ITEMS						
Net resale properties from OBRA	-	-	59,020	-	-	59,020
NET CHANGE IN FUND BALANCES	(4,612)	2,772	279,626	(27,557)	5,420	255,649
Fund balances - beginning	286,519	2,270	321,743	124,440	220,344	955,316
FUND BALANCES - ENDING	$ 281,907	$ 5,042	$ 601,369	$ 96,883	$ 225,764	$ 1,210,965

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 Balance of Governmental Funds to the Statement of Activities of Governmental Activities
Year Ended June 30, 2007
(In Thousands)

Net change in fund balance - total governmental funds		$ 255,649
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 exceeds depreciation in the current period.		
Primary government:		
Capital asset acquisition	$ 68,598	
Retirement of capital assets	(3,630)	
Depreciation	(46,586)	
Net changes of capital assets within internal service funds	5,408	23,790
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.		41,996
Some expenses such as claims, vacations and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.		3,567
Changes to the net pension assets, as 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.		(8,401)
Bond issuance costs are expended in the governmental funds when paid, and are deferred and amortized over the life of the corresponding life of the 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.		2,268
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 financing sources of the 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.		
Debt and capital lease principal payments	$ 79,964	
Payments to escrow agent for refunded debt	22,729	
Issuance of bonds and notes	(246,578)	
Premium on bond proceeds	(1,963)	(145,848)
Amortization of bond premiums		1,810
Amortization of refunding loss		(3,015)
Additional accrued and accreted interest calculated on bonds and notes payable		(24,527)
Principal payments of Coliseum Authority pledge obligation		2,750
Net changes on other long-term liability for mandated Alameda County environmental clean-up health costs		(8,879)
The net loss of activities of internal service funds is reported with governmental activities		(11,417)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 129,743

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

CITY OF OAKLAND
Statement of Fund Net Assets
Proprietary Funds
June 30, 2007
(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	$ -	$ 3,936	$ 3,936	$ 1,341
Accounts receivables (net of uncollectibles of $2,148 and $354) for the enterprise funds and internal service funds, respectively)	3,466	32	3,498	69
Due from other funds	-	-	-	55
Inventories	-	-	-	1,228
Restricted cash and investments	39,160	-	39,160	8,807
Total Current Assets	42,626	3,968	46,594	11,500
Noncurrent Assets:				
Capital assets:				
Land and other assets not being depreciated	6,620	299	6,919	326
Facilities and equipment, net of depreciation	127,463	1,711	129,174	18,993
Total capital assets	134,083	2,010	136,093	19,319
Unamortized bond issuance costs	657	-	657	-
Total Noncurrent Assets	134,740	2,010	136,750	19,319
TOTAL ASSETS	177,366	5,978	183,344	30,819
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	1,803	10	1,813	3,092
Due to other funds	3,416	-	3,416	39,719
Unearned revenue	25	-	25	-
Other payables	7	-	7	-
Bonds, notes payables	2,483	-	2,483	2,907
Total Current Liabilities	7,734	10	7,744	45,718
Noncurrent Liabilities:				
Bonds, notes and other payables	63,541	-	63,541	10,841
Total Noncurrent Liabilities	63,541	-	63,541	10,841
TOTAL LIABILITIES	71,275	10	71,285	56,559
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	107,876	2,010	109,886	9,765
Unrestricted (deficit)	(1,785)	3,958	2,173	(35,505)
TOTAL NET ASSETS (DEFICIT)	$ 106,091	$ 5,968	$ 112,059	$ (25,740)

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, 2007
(In Thousands)

	Business-type Activities Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
OPERATING REVENUES				
Rental	$ -	$ 237	$ 237	$ -
Sewer services	29,792	-	29,792	-
Charges for services	-	-	-	40,373
Other	46	-	46	751
TOTAL OPERATING REVENUES	29,838	237	30,075	41,124
OPERATING EXPENSES				
Personnel	13,965	259	14,224	18,191
Supplies	704	282	986	8,767
Depreciation and amortization	3,820	151	3,971	6,529
Contractual services and supplies	1,362	74	1,436	1,851
Repairs and maintenance	41	110	151	2,556
General and adminsitrative	4,160	62	4,222	4,750
Rental	1,392	133	1,525	1,773
Other	916	16	932	7,679
TOTAL OPERATING EXPENSES	26,360	1,087	27,447	52,096
OPERATING INCOME (LOSS)	3,478	(850)	2,628	(10,972)
NONOPERATING REVENUES (EXPENSES)				
Interest and investment income	1,564	181	1,745	(1,068)
Interest expense	(3,005)	-	(3,005)	(723)
Federal and State grants	21	-	21	184
Other, net (Property sale proceeds)	2	-	2	2,062
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,418)	181	(1,237)	455
INCOME (LOSS) BEFORE TRANSFERS	2,060	(669)	1,391	(10,517)
Transfers in	-	-	-	2,761
Transfers out	(600)	-	(600)	(3,661)
TOTAL TRANSFERS	(600)	-	(600)	(900)
Change in net assets (deficit)	1,460	(669)	791	(11,417)
Net Assets (Deficit) - Beginning	104,631	6,637	111,268	(14,323)
NET ASSETS (DEFICIT) - ENDING	$ 106,091	$ 5,968	$ 112,059	$ (25,740)

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

CITY OF OAKLAND
Combining Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007
(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	$ 29,256	$ -	$ 29,256	$ 40,015
Cash received from tenants for rents	-	237	237	-
Cash from other sources	46	-	46	751
Cash paid to employees for services	(13,965)	(259)	(14,224)	(18,191)
Cash paid to suppliers for goods & services	(8,733)	(651)	(9,384)	(26,146)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	6,604	(673)	5,931	(3,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	7,557
Repayment of interfund loans	(1,244)	-	(1,244)	(2,447)
Federal and state grants	21	-	21	184
Transfers in	-	-	-	2,761
Transfers out	(600)	-	(600)	(3,661)
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	(1,823)	-	(1,823)	4,394
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(12,577)	(245)	(12,822)	(1,129)
Proceeds from sales of property	2	-	2	55
Long-term debt:				
Loan Proceeds	-	-	-	982
Repayment of long-term debt	(2,451)	-	(2,451)	(5,009)
Interest paid on long-term debt	(3,005)	-	(3,005)	(723)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(18,031)	(245)	(18,276)	(5,824)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income (expense)	1,564	181	1,745	(1,068)
Rental income	-	-	-	2,007
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,564	181	1,745	939
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,686)	(737)	(12,423)	(4,062)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	50,846	4,673	55,519	14,210
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 39,160	$ 3,936	$ 43,096	$ 10,148
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	$ 3,478	$ (850)	$ 2,628	$ (10,972)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Depreciation and amortization	3,820	151	3,971	6,529
Retirement of capital assets	-	16	16	8
Changes in assets and liabilities:				
Receivables	(536)	-	(536)	20
Inventories	-	-	-	(378)
Accounts payable and accrued liabilities	(142)	10	(132)	1,222
Unearned revenue	(16)	-	(16)	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ 6,604	$ (673)	$ 5,931	$ (3,571)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	-	3,936	3,936	1,341
Restricted cash and investments	39,160	-	39,160	8,807
TOTAL	$ 39,160	$ 3,936	$ 43,096	$ 10,148

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, 2007
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ASSETS		
Cash and investments	$ 3,136	$ 6,435
Receivables:		
Accrued interest and dividends	2,588	37
Investments and contributions	57,572	-
Retired members and beneficiaries	303	-
Restricted:		
Cash and investments:		
Short-term investments	31,011	-
U.S. government bonds	172,558	-
U.S. Corporate bonds	109,194	-
Other government bonds	2,838	-
Domestic equities and mutual funds	231,735	-
International equities and mutual funds	103,116	-
Real estate mortgage loans	54	-
Securities lending collateral	42,014	-
TOTAL ASSETS	756,119	6,472
LIABILITIES		
Accounts payable and accrued liabilities	115,641	5
Due to other funds	4,206	-
Securities lending collateral	42,014	-
Other	-	7
TOTAL LIABILITIES	161,861	12
NET ASSETS		
Net assets held in trust	$ 594,258	$ 6,460

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, 2007
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Fund
ADDITIONS:		
Contributions:		
Member contributions	$ 18	$ -
Trust receipts	-	993
Investment income:		
Net appreciation in fair value of investments	59,550	-
Interest	15,123	216
Dividends	5,328	-
Securities lending	2,419	-
TOTAL INVESTMENT INCOME	82,420	216
Less investment expenses:		
Investment expenses	(2,788)	-
Borrowers rebates and other agent fees on securities lending transactions	(2,350)	-
Total investment expenses	(5,138)	-
NET INVESTMENT INCOME	77,282	216
Other income	-	-
TOTAL ADDITIONS	77,300	1,209
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	43,805	-
Disability	26,267	-
Death	2,251	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	72,323	-
Administrative expenses	1,164	5
Change in payable to City	548	-
Other	-	77
Police services	-	346
TOTAL DEDUCTIONS	74,035	428
Change in net assets	3,265	781
NET ASSETS - BEGINNING	590,993	5,679
NET ASSETS - ENDING	$ 594,258	$ 6,460

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) is the City's discretely presented component unit and is reported in a separate column in the government-wide financial statements to emphasize that they possess characteristics that they are legally separate from the City. Although the Port has a significant relationship with the City, it is fiscally independent and does not provide services solely to the City and, therefore, is presented discretely.

Blended Component Units

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

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. The Corporation's activities are 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 and the Port of Oakland Marine Terminal Facilities. 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.

Oakland Base Reuse Authority (OBRA), reported as discretely presented component unit of the City in the prior fiscal year, was dissolved and all its assets and obligations were transferred to and were accepted by the Oakland Redevelopment Agency on August 7, 2006. The OBRA assets transferred to the Agency was net of the amount of the property held for resale that was transferred to the Port of Oakland as part of OBRA's dissolution. Also transferred were the rights and obligations with respect to the balance of $1.05 million of a $2.4 million public works grant awarded by the United States Department of Commerce Economic Development Administration. OBRA is now accounted for and reported as a project area of the Agency.

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 remaining 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 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, 2007.

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 revenues 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 and certain gifts that are not related to Agency 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 business-type activities in 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 and the Port are not eliminated because the elimination of these charges would distort the direct costs and revenues reported.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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, museum collections, construction in progress, 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, the Agency, municipal capital improvements, 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. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

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 16 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), collectively the Plans. 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 16 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.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

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.

1. **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.

2. **Reserve for Long-Term Receivables** – This fund balance is reserved for long-term receivables that do not represent expendable available financial resources

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

4. **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.

5. **Reserve for Capital Projects** – This fund balance is reserved for ongoing projects in specific areas excluding the General Fund. This reservation includes $95,583,035 reserved for low and moderate housing projects.

6. **Reserve for Pension Obligations** – This fund balance is reserved for the City's obligations under its pension plans.

Designations of portions of the General Fund unreserved fund balance have been made to indicate those portions of the fund balances which the City has tentative plans to utilize in a future period. These amounts may or may not result in actual expenditures. See Note 13 for specific designations.

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.

Special Item – OBRA

The dissolution of OBRA and its absorption by the Agency on August 7, 2006 resulted in substantial revenue for the Agency of $59,020,242 mainly due to the transfer of real property at the former Oakland Army Base. The dissolution involved the distribution of real property between the Agency and the Port. The Agency's portion of the OBRA properties had a total historical value of $46,534,025. In addition to the real property received, the Agency also received OBRA's other assets and liabilities in the net amount of $67,217 and the $12,419,000 payment by the Port for one of the parcels of land included in the agreed property transfers.

Effects of New Pronouncements

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.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also contains provisions that apply to certain situations in which a government does not receive resources but, nevertheless, pledges or commits future cash flows generated by collecting specific future revenues. In addition, this Statement establishes accounting and financial reporting standards that apply to all intra-entity transfers of assets and future revenues. The requirements of this Statement are effective for financial statement periods beginning after December 15, 2006.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.* This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of this Statement are effective for financial statements periods beginning after December 15, 2007.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement is effective for periods beginning after June 15, 2007, except for requirements related to the use of the entry age actuarial cost method, which are effective for periods for which the financial statements and RSI contain information resulting from actuarial valuations as of June 15, 2007, or later.

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce inconsistencies in reporting, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The provisions of this Statement generally are required to be applied retroactively.

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

- United States Treasury securities (subject to restrictions by the Nuclear Free Ordinance);
- federal agency issues;
- bankers' acceptances;
- commercial paper;
- medium term corporate notes and deposit notes;
- negotiable certificates of deposit;
- certificates of deposit;
- 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, 2007, the number of external investment managers was nine for the PFRS and one for the OMERS.

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

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Port
Cash and investments	$ 418,276	$ 3,936	$ 9,571	$ 431,783	$ 84,346
Restricted cash and investments	712,135	39,160	650,506	1,401,801	193,882
Restricted securities lending collateral	-	-	42,014	42,014	-
TOTAL	$ 1,130,411*	$ 43,096	$ 702,091	$ 1,875,598	$ 278,228
Deposits				$ 19,065	$ 15,635
Investments				1,856,533	262,593
TOTAL				$ 1,875,598	$ 278,228

*$1,130,411 consists of all governmental funds and the internal service funds.

Investments - Primary Government

Custodial Credit Risk: For investments, custodial risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of the investments or collateral securities in the possession of an outside party. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the City shall be held in the name of the City for safekeeping by a third party bank trust department, acting as an agent for the City under the terms of the Custody Agreement. The City's investments subject to Custodial Credit Risk Category is very low.

At June 30, 2007, the carrying amount of the City's deposits was $19.1 million and the bank balance was $18.5 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, $0.7 million was FDIC insured and $17.8 million 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.

Credit Risk (Financial Risk): Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. The City invests only in securities from highly rated entities. As of June 30, 2007, approximately 66% of the pooled investments was invested in "AAA" quality securities.

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2007 (in thousands):

Pooled Investments

	Rating as of Fiscal Year Ended 06-30-07			
	Fair Value	**AAA/Aaa**	**A1/P1/F1**	**Not Rated**
U.S. Govt. Agency Securities	$ 232,168	$ 232,168	$ -	$ -
U.S. Govt. Agency Securities (Disc)	38,719	38,719	-	-
Money Market Funds	64,317	64,317	-	-
Local Agency Investment Fund (LAIF)	72,136	-	-	72,136
Commercial Paper	85,263	-	85,263	-
Negotiable CD's	12,000	-	12,000	-
Total Investment Pool	**$ 504,603**	**$ 335,204**	**$ 97,263**	**$ 72,136**

Restricted Investments

	Rating as of Fiscal Year Ended 06-30-07			
	Fair Value	**AAA/Aaa**	**A1/P1/F1**	**Not Rated**
U.S. Govt. Agency Securities	$ 20,337	$ 20,337	$ -	$ -
U.S. Govt. Agency Securities (Disc)	33,502	33,502	-	-
U.S. Treasury Strips	22,385	-	-	22,385
Money Market Funds	108,738	108,738	-	-
Local Agency Investment Fund (LAIF)	11,612	-	-	11,612
Commercial Paper	131,135	-	131,135	-
Corporate Bonds	2,925	-	2,925	-
Investment Agreement	192,800	-	-	192,800
Local Government Bond	112,084	-	-	112,084
Annuity	115,000	-	-	115,000
Total	**$ 750,518**	**$ 162,577**	**$ 134,060**	**$ 453,881**

Concentration of Credit Risk: This risk represents the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by the lack of diversification. The City believes in the importance of a well-diversified portfolio. It is the policy of the City to review the diversity of the portfolio on a regular basis so that reliance on any one issuer will not place an undue financial burden on the City.

Under the City's Investment Policy, no more than five percent (5%) 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 Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes. The JPFA's investment in the City of Oakland General Obligation Refunding Bonds, Series 2005 in the amount of $112,084,363 and the guaranteed non-participating annuities in New York Life Insurance Company in the amount of $115,000,000 represents' 8.93% and 9.16% of the total City portfolio respectively, at June 30, 2007. The City also has U.S. Government Securities with Federal National for $141,486,171 and Federal Home Loan Bank for $183,239,085 that represents 11.27% and 14.60% of the total City portfolio respectively, at June 30, 2007. The City also has Investment Agreements with the following; AIG Matching Funding Corporation $77,764,952, FSA Capital Management $62,837,230 and Natixis Funding Corp $ 52,197,930, representing 15.36% of the total City portfolio at June 30, 2007.

The following table shows the diversification of the City's portfolio (in thousands):

Pooled Investments

	Fair Value	% of Portfolio
U.S. Govt. Agency Securities	$ 232,168	46.01%
U.S. Govt. Ag. Security Disc.	38,719	7.67%
Money Market Funds	64,317	12.75%
LAIF	72,136	14.30%
Commercial Paper	85,263	16.90%
Negotiable CD's	12,000	2.38%
TOTAL	**$ 504,603**	**100.00%**

Restricted Investments

	Fair Value	% of Portfolio
U.S. Govt. Ag. Securities	$ 20,337	2.71%
U.S. Govt. Ag. Security Disc.	33,502	4.46%
U.S. Treasury Strips	22,385	2.98%
Money Market Funds	108,738	14.49%
LAIF	11,612	1.55%
Commercial Paper	131,135	17.47%
Corporate Bond	2,925	0.39%
Investment Agreement	192,800	25.69%
Local Government Bonds	112,084	14.93%
Annuity	115,000	15.32%
TOTAL	**$ 750,518**	**100.00%**

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the City's policy that the maximum maturity for any one investment shall not exceed five (5) years unless authority for such investment is expressly granted in advance by the City Council.

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2007, the City's pooled portfolio had an average day to maturity of 171 days and had the following investments and original maturities (in thousands):

Pooled Investments

	Fair Value	Interest Rates (%)	Maturity 12 Months or Less	1 - 3 Years	3 - 5 Years
U.S. Govt. Agency Securities	$ 232,168	3.32 - 7.71	$ 125,989	$ 103,209	$ 2,970
U.S. Govt. Agency Securities (Disc)	38,719	4.51 - 5.13	38,719	-	-
Money Market Funds	64,317	5.19 - 5.29	64,317	-	-
Local Agency Investment Fund (LAIF)	72,136	5.25	72,136	-	-
Commercial Paper	85,263	3.72 - 10.59	85,263	-	-
Negotiable CD's	12,000	5.25 - 5.28	12,000	-	-
Total Investment Pool	**$ 504,603**		**$ 398,424**	**$ 103,209**	**$ 2,970**

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

Restricted Investments

	Fair Value	Interest Rates (%)	Maturity 12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Govt. Agency Securities	$ 20,337	5.21 - 5.58	$ 17,343	$ 2,994	$ -	$ -
U.S. Govt. Agency Securities (Disc)	33,502	5.06 - 5.15	33,502	-	-	-
U.S. Treasury Strips	22,385	4.32 - 5.48	2,126	3,938	3,593	12,728
Money Market Funds	108,738	1.14 - 5.17	108,738	-	-	-
Local Agency Investment Fund	11,612	1.00 - 4.92	11,612	-	-	-
Commercial Paper	131,135	4.81 - 8.00	131,135	-	-	-
Corporate Bonds	2,925	7.18	-	-	-	2,925
Investment Agreement	192,800	3.46 - 4.88	77,765	115,035	-	-
Local Government Bond	112,084	4.86	5,551	12,030	13,335	81,168
Annuity	115,000	5.4	-	-	-	115,000
Total	**$ 750,518**		**$ 387,772**	**$ 133,997**	**$ 16,928**	**$ 211,821**

Foreign Currency Risk: The possibility that changes in exchange rates between the U.S. dollar and foreign currencies could adversely affect a deposit/investment's fair value. The City only invests in U.S. dollar denominated obligations. This successfully eliminates all risk of principal erosion due to fluctuations in the values of foreign currencies.

Other Disclosures: As of June 30, 2007, the City's investment in LAIF is $83.7 million ($72.1 million in pooled investments and $11.6 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately $19.7 billion. Of that amount, over 96.5% is invested in non-derivative financial products and 3.5% 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.

Pensions Cash and Investments

Oakland Municipal Employee's Retirement System (OMERS)

City's Investment Pool

Cash and cash equivalents are funds held by the City Treasurer as pooled cash or held by the third party custodian as short-term investment funds for the temporary placement of proceeds from the sale or maturity of investments or in anticipation of investment purchases.

OMERS maintains its operating cash in the City's investment pool. It is not possible to disclose relevant information about the OMERS separate portion of the investment pool. As of June 30, 2007, the OMERS share of the City's investment pool totaled $155,000.

Investments

OMERS investment policy authorizes investment in domestic common stocks and bonds. During the year ended June 30, 2007, OMERS investment portfolio was managed by one external investment manager.

OMERS investment policy states that the asset allocation of the investment portfolio shall be 70% Domestic Equity and 30% Domestic Fixed Income. As of June 30, 2007, OMERS investment portfolio consists of shares of two commingled fund investments (Funds). OMERS invests in the Western Asset Core Bond Fund and the American Century Equity Fund. Specific guidelines for the Funds are detailed in the prospectus, or declaration of Trust, for each individual fund. OMERS also has $15,000 in cash equivalents held by trustee.

The following summarizes OMERS investment allocation at June 30, 2007 (in thousands):

Investments	Fair Value	Fund Allocation
Equity Investments		
American Century Equity Mutual Fund	$ 6,560	71%
Fixed Investments		
Western Asset Core Bond Mutual Fund	2,714	29%
Total Investment	$ 9,274	100%

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. OMERS investment policy states that the fixed income portfolio shall not exceed 8% below investment grade securities (rated Ba/BB) or below by at least one Nationally Recognized Statistical Rating Organization (NRSRO) at the fair market value. OMERS fixed income portfolio consists of shares of the Western Asset Core Bond Fund. The Western Asset Core Bond Fund has an average credit quality rating of AA.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

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. As the City holds all cash and certificates of deposit on behalf of OMERS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

The City, on behalf of OMERS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. OMERS does not have any investments that are not registered in the name of OMERS and are either held by the counterparty or the counterparty's trust department or agent but not in OMERS's name.

Oakland Police and Fire Retirement System (PFRS)

City's Investment Pool

Cash in treasury is held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. It is not possible to disclose relevant information about PFRS separate portion of the investment pool. As of June 30, 2007, the PFRS share of the City's investment pool totaled $2,966,000.

Investments

PFRS investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non U.S. issued fixed income securities denominated in foreign currencies. PFRS investment portfolio is managed by external investment managers. During the year ended June 30, 2007, the number of external investment managers was eleven.

The PFRS investments are also restricted by the City Charter. In November 2006, City voters passed Measure M to amend the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. PFRS investment policy with respect to fixed income investments identifies two standards for credit quality. The policy allows the core style managers to invest in securities rated "BBB" or higher (investment grade using Standard & Poor's or Moody's ratings). The policy also allows enhanced core style managers to invest in securities with a minimum rating of B or higher (non investment grade using Standard & Poor's or Moody's ratings) as long as the portfolio maintains an average credit quality of BBB.

PFRS investment policy states that investments in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 20% of an account's market value with no more than 5% in any one issue. CMOs are mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair value of CMOs are considered sensitive to interest rate changes because they have embedded options.

The investment policy allows for each fixed income asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio.

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. As of June 30, 2007 the average duration for PFRS fixed income investment portfolio was 5.16 years, excluding the fixed income short-term investments and securities lending investments.

As of June 30, 2007, PFRS had the following fixed income investments and maturities (in thousands):

Fixed Investments	Fair Value	Modified Duration (Year)
U.S. Government Agencies	$ 126,367	4.17
U.S. Government Bonds	46,191	5.30
Corporate Bonds	109,194	6.37
Other Government Bonds	2,838	0.71
Total Fixed Income Investments	$ 284,590	5.16

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following table provides information as of June 30, 2007 concerning credit risk of fixed income securities (in thousands):

S & P or Moody's Rating	Fair Value	Fair Value as a Percentage of Total Fixed Maturity Fair Value
AAA	$ 217,066	76.27%
AA	5,946	2.09%
A	12,887	4.53%
BBB	21,304	7.49%
BB	11,953	4.20%
B	10,897	3.83%
Not Rated	4,537	1.59%
Total Fixed Investments	$ 284,590	100.0%

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2007, with the exception of mutual funds and United States Government securities, no investment exceeded 5% of PFRS investments.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a failure of depository financial institution or counterparty to a transaction, the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

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. As the City holds all cash and certificates of deposit on behalf of PFRS, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name.

The City, on behalf of PFRS, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. PFRS does not have any investments that are not registered in the name of PFRS and are either held by the counterparty or the counterparty's trust department or agent but not in the PFRS name.

Foreign Currency Risk: This risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. The following summarizes PFRS investments that are denominated in foreign currencies as of June 30, 2007:

Foreign Currency	Total
Australian Dollar	$ 3,532
Canadian Dollar	3,114
Swiss Franc	7,487
Danish Krone	793
Euro	20,522
British Pound Sterling	11,400
Hong Kong Dollar	4,058
Japanese Yen	11,810
Norwegian Krone	672
Philippines Peso	1
Swedish Krona	772
Singapore Dollar	996
Total Foreign Currency	**$ 65,157**

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.

As of June 30, 2007, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by 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.

The following table provides information as of June 30, 2007 concerning securities lending investments and collateral received (in thousands):

Securities Lending
Investments and Collateral Received (At Fair Value)

Type of Investment	Amount
Cash Collateral	
U.S. Government and Agencies	38,789
U.S. Equity	3,225
Total Securities Lent	$ 42,014
Type of Collateral Received	
Cash Collateral	
Cash	11
Corporate bonds	25,000
Repurchase agreement	18,140
Total Collateral Received	$ 43,151

Fair Value Highly Sensitive to Change in Interest Rates: The term of a debt investment may cause its fair value to be highly sensitive to interest rates changes. The fair value Collateralized Mortgage Obligation (CMO) are considered sensitive to interest rate changes because they have embedded options.

The following table shows sensitive interest rate analysis as of June 30, 2007:

Securities Name	Coupon Rate	Fair Value (in millions)	Percent of account Market value
Commercial Mortgage Pass-Through, reported as part of U.S. Government Agencies	4.51%	$17.46	2.58%

Discretely Presented Component Unit

Port of Oakland

The Port's cash, cash equivalents, investments and deposits consisted of the following at June 30, 2007 (in thousands):

Bank Deposit	
Cash on hand	$ 10
Bank deposit - escrow in-lieu of retentions	15,625
Investments	262,593
Total Cash, Cash Equivalents, Investment and Deposits	$ 278,228

Bank deposits consist of amounts received from construction contractors that are deposited into an escrow account in-lieu of retention withheld from construction progress billings. Interest on these deposits accrues to the contractor.

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dated as of April 1, 2006, as it may be amended from time to time (the Restated Indenture). Escrow funds are on deposit with an escrow agent.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

At June 30, 2007 the Port had the following investments (in thousands):

			Maturity		
	Fair Value	Credit Rating	Less than 1 Year	1 - 5 Years	5 Years +
Federal Agency Securities	$ 242	AAA	$ 133	$ 109	$ -
Government Securities Money Market Mutual Funds	39,162	AAA	39,162	-	-
Guaranteed Investment Contracts	106,454	Not Rated	48,859	6,059	51,536
Bank Investment Contract	28,996	Not Rated	-	-	28,996
City Investment Pool	87,739	AAA	87,739	-	-
Total Investment	**$ 262,593**		**$ 175,893**	**$ 6,168**	**$ 80,532**

Investments Authorized by Debt Agreements

The following are the maximum maturities for each type of investment as allowed under the Trust Indenture and the applicable Supplemental Indenture for each bond issue.

Authorized Investment Type	Maximum Maturity
U.S Government Securities	None
U.S. Treasury & Agency Obligations	None
Obligations of any State in the U.S	None
Prime Commercial Paper	270 days
FDIC Insured Deposits	None
Certificates of Deposits/Banker's Acceptances	365 days
Money Market Mutual Funds	None
State-sponsored Investment pools	None
Investment Contracts	None
Forward Delivery Agreement	None

Interest Rate Risk

Most bond proceeds are invested in investment contracts structured so that the entire amount of the investment is available if the need should arise, regardless of changes in the interest rates.

Credit Risk

Provisions of the Port's Trust Indenture limit the Port's investment to agreements or financial institutions that, at the time of investment, are rated Aaa by Moody's and AAA by Standard & Poor's (S&P). Providers must also maintain ratings of at least Aa3 by Moody's or AA- by S&P and all current providers exceed these minimums.

Concentration of Credit Risk

The Trust Indenture places no limit on the amount the Port may invest in any one issuer. Those that exceed 5% of the total investment are as follows.

Investment	Investment Type	% of Investment
Bayerische LandesBank Girozentrale	Bank Investment Contract	11.04%
AMBAC Capital Funding, Inc	Guaranteed Investment Contract	9.34%
IXIS Funding Corp	Guaranteed Investment Contract	9.27%
XL Asset Funding Company I LLC	Guaranteed Investment Contract	16.01%
City Investment Pool	City Pool	33.41%

Port revenues are deposited in the City Treasury. These and all the City funds are commingled and invested in the City's investment pool. The City's investment portfolio average maturity may not exceed 540 days; the weighted average maturity of the City's investment pool as of June 30, 2007 is 215. The maximum maturity for any one investment may not exceed 5 years. Authorized investments included federal agency obligations, repurchase agreements, reverse repurchase agreements, secured obligations and agreements, state investment pool (Local Agency Investment Fund), bonds of the City or its agencies, State of California bonds, bankers' acceptances, commercial paper, medium-term corporate bonds and notes, negotiable certificates of deposit, certificates of deposit, and money market mutual funds. All investments deposited in the City Treasury are insured or registered, or held by the City or its agent in the City's name. The City's investment pool is rated annually.

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the inability to recover the value of the investments or collateral securities in the possession of an outside party. The carrying amount of Port bank investment contracts and deposits with banks was $44,621,000 at June 30, 2007. Bank balances and escrow deposits of $622,000 at June 30, 2007 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of $43,999,000 as of June 30, 2007, was exposed to custodial credit risk by not being insured or collateralized.

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's 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.

(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 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, 2007, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

Receivables	Payable Fund	Amount
General Fund	Federal/State Grant Fund	$ 12,920
	Oakland Redevelopment Agency	96
	Other Governmental Funds	14,373
	Sewer Service Fund	3,416
	Internal Service Funds	39,719
	Pension Trust Fund	4,206
TOTAL		74,730
Oakland Redevelopment Agency	General Fund	8,228
	Federal/State Grant Fund	3,167
	Other Governmental Funds	3,157
TOTAL		14,552
Other Governmental Funds	Oakland Redevelopment Agency	2,804
TOTAL GOVERNMENTAL		92,086
Internal Service Funds	Oakland Redevelopment Agency	55
TOTAL		$ 92,141

INTERFUND TRANSFERS:

	TRANSFERS IN				
TRANSFERS OUT	General Fund	Municipal Capital Improvement	Other Governmental Funds	Internal Service Fund	Total Governmental
General Fund	$ -	$ -	$ 93,463	$ -	$ 93,463
Other Governmental Funds	1,357	899	178	-	2,434
Sewer Service Funds	600	-	-	-	600
Internal Service Fund	900	-	-	2,761	3,661
Total	**$ 2,857**	**$ 899**	**$ 93,641**	**$ 2,761**	**$ 100,158**

The $93.5 million transferred from the General Fund consists of transfers made to provide funding for the following:

- $11.6 million for the Kids' First Children's Program;
- $4.3 million for special refunding revenue bonds; and
- $77.1 million for debt service payments.
- $0.4 million for contract compliance administration fee
- $0.1 million for City-owned parcels of land in the Wildfire Prevention Assessment District

The $0.9 million transferred from Other Governmental Funds to Municipal Capital Improvement are for closing capital projects. $0.2 million was transferred from Debt Service Funds to Special Revenue Funds

The $1.3 million transferred from Other Governmental Funds to the General Fund are reimbursements from the Development Service Fund to General Fund for repayment of prior year subsidies, recently purchased telephone equipment, and Capital Improvement Program funding for permit and Enforcement and Record Tracking System.

The $0.6 million transfer from the Sewer Service Fund is to provide funds for City-wide lease payments.

The $0.9 million transfer from Internal Service Fund is to provide funds for the Police Department In-Car Video Management System. $2.7 million was transferred from Equipment to Central Stores.

INTERFUND LOANS:

Certain interfund loans made from the General Fund to the 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 (in thousands):

City Center Garage/Central District	$ 17,058
Oakland Center Project	13,669
Total	$ 30,727

(5) MEMORANDUMS OF UNDERSTANDING

The City and the Port have Memorandums of Understanding (MOUs) relating to: general obligation bonds issued by the City for the benefit of the Port; various administrative, personnel, south airport police security, aircraft rescue and fire fighters, and financial services (Special Services); police, fire, public street cleaning and maintenance, and similar services (General Services) provided by the City to the Port; and Lake Merritt payments. Payments are made upon execution of appropriate agreements and for some payments periodic findings and authorizations from the Board.

Special Services

Payments for Special Services are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Clause Third and have priority over certain other expenditures of Port revenues. Special Services totaled $12,043,000 and are included in "Operating Expenses." At June 30, 2007, $9,724,000 was accrued as a current liability by the Port and as a receivable by the City.

General Services and Lake Merritt

Payments for General Services from the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2007, the Port accrued approximately $1,112,000 of payments for General Services as current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately $858,000 to reimburse the City for General Services for net City expenditures for Lake Merritt tideland trust properties in 2007. Subject to adequate documentation from the City, and subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust purpose costs.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

Lease with the Port

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site.

(6) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2007, 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	$ 7,830	$ 3,167	$ -	$ 799	$ 11,796
Loans to Oakland Hotel Association, LTD	12,038	-	-	-	12,038
Community Development Block Grant	-	62,910	-	-	62,910
Economic Development Loans and Other	1,932	29,580	135,057	18,856	185,425
Less: Allowance for uncollectable accounts	(107)	(3,813)	(37,476)	(168)	(41,564)
TOTAL LOANS, NET	**$ 21,693**	**$ 91,844**	**$ 97,581**	**$ 19,487**	**$ 230,605**

(7) CAPITAL ASSETS

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2007, is as follows (in thousands):

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 76,557	$ 851	$ -	$ 77,408
Museum Collections	287	6	-	293
Construction in progress	17,841	27,359	3,522	41,678
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	94,685	28,216	3,522	119,379
Capital assets, being depreciated:				
Facilities and improvements	676,685	14,393	2	691,076
Furniture, machinery and equipment	154,960	4,178	1,112	158,026
Infrastructure	399,085	21,811	110	420,786
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,230,730	40,382	1,224	1,269,888
Less accumulated depreciation:				
Facilities and improvements	246,727	20,125	-	266,852
Furniture, machinery and equipment	110,619	13,021	1,105	122,535
Infrastructure	132,078	13,440	11	145,507
TOTAL ACCUMULATED DEPRECIATED	489,424	46,586	1,116	534,894
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	741,306	(6,204)	108	734,994
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 835,991	$ 22,012	$ 3,630	$ 854,373

(continued)

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Business-type activities:				
Sewer fund:				
Capital assets, not being depreciated:				
Land	$ 4	$ -	$ -	$ 4
Construction in progress	8,561	11,797	13,742	6,616
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	8,565	11,797	13,742	6,620
Capital assets, being depreciated:				
Facilities and improvements	306	-	-	306
Furniture, machinery and equipment	755	23	23	755
Sewer and storm drains	182,144	14,536	-	196,680
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	183,205	14,559	23	197,741
Less accumulated depreciation:				
Facilities and improvements	71	20	-	91
Furniture, machinery and equipment	723	12	23	712
Sewer and storm drains	65,687	3,788	-	69,475
TOTAL ACCUMULATED DEPRECIATED	66,481	3,820	23	70,278
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	116,724	10,739	-	127,463
SEWER FUND CAPITAL ASSETS, NET	125,289	22,536	13,742	134,083
Other Proprietary Funds:				
Capital assets, not being depreciated:				
Land	218	-	-	218
Construction in progress	-	81	-	81
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	218	81	-	299
Capital assets, not being depreciated:				
Facilities and improvements	2,179	85	-	2,264
Furniture, machinery & equipment	453	79	191	341
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	2,632	164	191	2,605
Less accumulated depreciation:				
Facilities and improvements	482	145	-	627
Furniture, machinery & equipment	436	6	175	267
TOTAL ACCUMULATED DEPRECIATED	918	151	175	894
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,714	13	16	1,711
OTHER PROPRIETARY FUNDS CAPITAL ASSETS, NET	1,932	94	16	2,010
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	$ 127,221	$ 22,630	$ 13,758	$ 136,093

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

Governmental Activities:	
General Government	$ 4,421
Public Saftey:	
Police Services	1,244
Fire Services	1,707
Life Enrichment	12,017
Community and Economic Development	2,949
Public Works	17,719
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	6,529
TOTAL	$ 46,586
Business-Type Activities:	
Sewer	$ 3,820
Parks and Recreation	151
	$ 3,971

Construction Commitments

The City has active construction projects as of June 30, 2007 totaling $316,073,158. The projects include street construction, park construction, building improvements and sewer and storm drain improvements.

Discretely Presented Component Units

Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2007, is as follows (in thousands):

	Balance July 1, 2006	Additions	Adjustments & Retirements	Transfers of Completed Construction	Balance June 30, 2007
Capital assets, not being depreciated:					
Land	$ 331,987	61,025	875	$ -	393,887
Construction in progress	420,718	230,407	37	(290,475)	360,687
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	752,705	291,432	912	(290,475)	754,574
Capital assets, being depreciated:					
Building and improvements	597,743	(780)	(5,724)	175,352	766,591
Container cranes	170,374	-	-	988	171,362
Systems and structures	1,161,112	-	326	103,862	1,265,300
Other equipment	52,055	1,764	(4,015)	10,273	60,077
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	1,981,284	984	(9,413)	290,475	2,263,330
Less accumulated depreciation:					
Building and improvements	282,958	28,633	547	-	311,044
Container cranes	58,490	6,788	-	-	65,278
Systems and structures	297,468	40,044	1,711	-	335,801
Other equipment	23,928	5,323	3,872	-	25,379
TOTAL ACCUMULATED DEPRECIATED	662,844	80,788	6,130	-	737,502
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	1,318,440	79,804	(3,283)	290,475	1,525,828
CAPITAL ASSETS, NET	$ 2,071,145	$ 211,628	$ (2,371)	$ -	$ 2,280,402

Capital Leases

The capital assets leased to others at June 30, 2007, consist of the following (in thousands):

Land	$ 255,859
Container cranes	171,362
Building and other facilities	1,006,986
Total	1,434,207
Less accumulated depreciation	(341,592)
Capital assets, net, on lease	$ 1,092,615

Operating 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. The majority of the 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, 2007, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	$ 120,373
Contingent rentals in excess of minimums	18,876
Secondary use of facilities leased under preferential assignments	2,542
Total	$ 141,791

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):

Year	Rental Revenues
2008	$ 136,105
2009	133,998
2010	125,716
2011	116,746
2012	102,727
2013 - 2017	332,366
2018 - 2022	155,779
2023 - 2027	16,681
2028 - 2032	14,376
2033 - 2037	12,985
2038 - 2042	11,903
2043 - 2047	8,774
Thereafter through 2071	30,261
Total	$ 1,198,417

The Port turned over the operation of its Marina to a private company through a long-term financing lease and operating agreement on May 1, 2004. Minimum future lease payments to be received for the succeeding years ending June 30 are as follows:

Year	Lease Revenues
2008	$ 326
2009	336
2010	346
2011	356
2012	367
2013 - 2017	2,008
2018 - 2022	2,327
2023 - 2027	2,698
2028 - 2032	3,128
2033 - 2037	3,626
2038 - 2042	4,204
2043 - 2047	4,874
Thereafter through 2054	13,776
Total	$ 38,372

(8) PROPERTY HELD FOR RESALE

A summary of changes in Property Held for Resale follows (in thousands):

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Property held for resale	$ 53,266	$ 67,320	$ -	$ 120,586

The increase in Property Held for Resale represents the transfer of property from OBRA to the Agency of $46,534,000 plus the capitalization of $2,077,000 in remediation costs for OBRA and the purchases of land in the amount of $16,998,000 for the uptown project and $1,711,000 for 7001 Oakport.

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE

Accounts payable and accrued liabilities payable as of June 30, 2007, for the City's individual major funds, non major 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	$ 20,408	$ 9,714	$ 78,608	$ 108,730
Federal/State grant fund	4,633	-	921	5,554
Oakland Redevelopment Agency	5,798	-	-	5,798
Municipal Capital Improvement Fund	1,709	-	87	1,796
Other governmental funds	5,300	-	36	5,336
TOTAL	37,848	9,714	79,652	127,214
Governmental activities - Internal service funds	2,978	-	114	3,092
TOTAL	$ 40,826	$ 9,714	$ 79,766	$ 130,306
Business-type activities - Enterprise Funds:				
Park and Recreation	$ 10	$ -	$ -	$ 10
Sewer Service	1,039	-	764	1,803
TOTAL	$ 1,049	$ -	$ 764	$ 1,813

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2007, are as follows (in thousands):

Accounts payable	$ 9
Investments payable	109,048
Accrued investment management fees	642
Member benefits payable	5,942
Total Pension Trust Funds Accounts Payable and Accrued Liabilities	115,641
Private Purpose Trust Fund Accounts Payable	5
Total Accounts Payable and Accrued Liabilities	$ 115,646

(10) 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, 2007, the various components of deferred revenue and unearned revenue reported were as follows (in thousands):

	Unavailable	Unearned
Major Funds:		
General Fund	$ 26,709	$ 9,704
Federal and State Grants Fund	104,965	-
Oakland Redevelopment Agency	113,044	-
Non-major Funds:		
Other Governmental Funds	23,153	-
TOTAL GOVERNMENTAL ACTIVITIES	$ 267,871	$ 9,704

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

(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 4.50%. Principal and interest were paid on June 30, 2007.

The short-term debt activity for the year ended June 30, 2007, is as follows (in thousands):

	Beginning Balance	Issued	Redeemed	Ending Balance
2006-2007 Tax & Revenue Anticipation Notes	$ -	$ 75,000	$ (75,000)	$ -

(12) LONG-TERM OBLIGATIONS

Long-term Obligations

The following is a summary of long-term obligations for the year ended June 30, 2007 (in thousands):

Governmental Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2036	2.50 - 5.00%	$ 345,214
Tax allocation bonds (B)	2037	2.50 - 8.03%	514,475
Certificate of participation (C)	2015	4.00 - 6.55%	45,795
Lease revenue bonds (C)	2026	3.60 - 5.50%	325,105
Pension obligation bonds (D)	2022	6.09 - 7.31%	313,625
Accreted interest (C) & (D)			104,356
City guaranteed special assessment district bonds (D)	2024	4.60 - 6.70%	6,800
Notes payable (C) & (E)	2016	1.70 - 8.27%	17,090
Capital Leases (C) & (E)	2016	3.54 - 5.52%	31,809
Accrued vacation and Sick leave (C)			33,601
Self - Insurance liability for worker's compensation (C)			98,381
Estimated claims payable (C)			43,598
Estimated environmental cost (B) & (C)			11,198
Pledge obligation for Coliseum Authority debt (C)			85,350
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS			1,976,397
DEFERRED AMOUNTS:			
Bond insurance premiums			22,887
Bond refunding loss			(20,035)
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS, NET			$ 1,979,249

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

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	$ 4,126
Sewer fund - Bonds	2029	3.00 - 5.25%	59,305
Unamortized Bond Premium			2,593
BUSINESS-TYPE ACTIVITIES - TOTAL LONG-TERM OBLIGATIONS			$ 66,024

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Parity bonds	2033	3.00 - 6.00%	$ 1,370,072
Notes and Loans	2030	3.31 - 5.12%	198,366
Total			1,568,438
Self - Insurance liability for workers' compensation			6,000
General Liability			4,747
Environmental Remediation			11,731
Total			1,590,916
Unamortized bond discount and premium, net			(2,762)
Deferred loss on refunding			(4,493)
COMPONENT UNIT TOTAL LONG-TERM OBLIGATIONS			$ 1,583,661

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, 2007, the City's debt limit (3.75% of valuation subject to taxation) was $985,017,038. The total amount of debt applicable to the debt limit was $345,214,363. The resulting legal debt margin was $639,802,675.

Interest Rate Swaps

Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A1/A2
Objective of the interest rate swap. On January 9, 1997, the City entered into a forward-starting synthetic fixed rate swap agreement (the "Swap") with Goldman Sachs Mitsui Marine Derivatives Products, U.S., L.P. (the "Counterparty") in connection with the $187,500,000 Oakland Joint Powers Financing Authority (the "Authority") Lease Revenue Bonds, 1998 Series A1/A2 (the "1998 Lease Revenue Bonds"). Under the swap agreement, which effectively changed the City's variable interest rate on the bonds to a synthetic fixed rate, the City would pay the Counterparty a fixed rate of 5.6775% through the end of the swap agreement in 2021 and receive a variable rate based on the Bond Market Association index. The City received an upfront payment from the Counterparty of $15 million for entering into the Swap.

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 ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of $5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect and is set to terminate on July 31, 2021.

Terms. The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2007 of $110,400,000. The notional amount of the swap declines through 2021. Under the Swap, the City 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 City'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 $13,069,000 as of June 30, 2007. 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, 2007. 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.

Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings), 2004 Series A-1/A-2
Objective of the Interest Rate Swap. On May 21, 2004, the City entered into a synthetic fixed rate swap ("2004 Swap") with Bank of America, N.A. and UBS AG ("Counterparties") in connection with the $117,200,000 Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds, 2004 Series A-1 and A-2 (the "2004 Lease Revenue Bonds"). Under the terms of the 2004 Swap, the City pays the Counterparties a fixed rate of 3.533% through the end of the swap agreement in 2026 and receives a variable rate based on 58% of 1-month LIBOR plus 35 basis points.

The 2004 Swap effectively allowed the City to lock in the low long-term interest rates available in the marketplace at that time

Terms. The 2004 Swap terminates on August 1, 2026, and has a notional amount as of June 30, 2007 of $105,725,000. The notional amount of the swap declines through 2026.

Fair Value. As of June 30, 2007, the interest rate swap with Bank of America, N.A. had an outstanding notional amount of $52,875,000 and had a positive fair value of $138,000. As of June 30, 2007, the interest rate swap with UBS AG had an outstanding notional amount of $52,850,000 and a positive fair value of $142,000. 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, 2007: Bank of America, N.A. (Aa1 by Moody's Investors Service, AA by Standard and Poor's and AA- by Fitch), and UBS AG (Aa2 by Moody's Investors Service, AA+ by Standard and Poor's, and AA+ by Fitch).

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 that 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 Lease Revenue Bonds. It is assumed that the interest rate on the 2004 Lease Revenue Bonds and the variable rate portion of the 2004 Swap (58% of

LIBOR) averages 3.750% through the maturity date of both the 2004 Series A Bonds and the Swap (August 21, 2026).

Year Ending June 30	Principal	Interest*	Net Interest Rate Swap Payment*	Total Debt Service
2008	$ 3,575,000	$ 4,059,280	$ 34,814	$ 7,669,094
2009	3,750,000	3,548,110	33,449	7,331,559
2010	3,875,000	3,762,008	32,390	7,669,398
2011	4,050,000	3,269,193	31,108	7,350,301
2012	4,175,000	3,432,921	29,768	7,637,689
2013	4,375,000	2,955,540	28,176	7,358,716
2014	4,525,000	2,805,999	26,939	7,357,938
2015	4,675,000	2,907,362	25,443	7,607,805
2016	4,875,000	2,459,849	23,896	7,358,745
2017	5,050,000	2,510,767	22,040	7,582,807
2018	5,275,000	2,090,214	20,612	7,385,826
2019	5,450,000	2,090,612	18,868	7,559,480
2020	5,675,000	1,687,532	17,065	7,379,597
2021	5,900,000	1,484,380	14,903	7,399,283
2022	6,125,000	1,401,229	13,235	7,539,464
2023	6,375,000	1,036,978	11,209	7,423,187
2024	6,600,000	886,995	9,100	7,496,095
2025	6,875,000	550,889	6,585	7,432,474
2026	7,125,000	334,431	4,642	7,464,073
2027	7,400,000	28,130	2,285	7,430,415
TOTAL	$ 105,725,000	$ 43,302,419	$ 406,527	$ 149,433,946

*Numbers of estimates; subject to change based on prevailing market conditions. The calculation above assumes to have a 3.750% interest rate and 3.556% swap rate.

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2007, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2006	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2007	Amounts due within one year
Bonds Payable:					
General obligation bonds	$ 358,124	$ -	$ 12,910	$ 345,214	$ 13,686
Tax allocation bonds	319,115	229,295	33,935	514,475	17,845
Certificate of participation	49,154	-	3,359	45,795	5,300
Lease revenue bonds	346,110	-	21,005	325,105	21,925
Pension obligation bonds	341,475	-	27,850	313,625	30,920
City guaranteed special assessment district bonds	7,085	-	285	6,800	305
Accreted interest on appreciation bonds	85,884	20,019	1,547	104,356	-
Less deferred amounts:					
Bond insurance premiums	22,734	1,963	1,810	22,887	1,834
Bond refunding loss	(22,216)	(834)	(3,015)	(20,035)	(3,028)
TOTAL BONDS PAYABLE	1,507,465	250,443	99,686	1,658,222	88,787
Notes payable	17,940	-	850	17,090	810
Capital Leases	20,218	18,265	6,674	31,809	4,840
TOTAL NOTES & LEASES	38,158	18,265	7,524	48,899	5,650
Other Long-Term Liabilities					
Accrued vacation and Sick leave	33,709	54,517	54,625	33,601	25,563
Pledge obligation for Coliseum Authority debt	88,100	-	2,750	85,350	2,900
Estimated environmental cost	2,319	11,173	2,294	11,198	2,691
Self - Insurance worker's compensation	100,493	18,071	20,183	98,381	19,043
Estimated claims payable	44,945	9,663	11,010	43,598	14,178
TOTAL OTHER LONG-TERM LIABILITIES	269,566	93,424	90,862	272,128	64,375
TOTAL GOVERNMENTAL ACTIVITIES - LONG-TERM OBLIGATIONS	$ 1,815,189	$ 362,132	$ 198,072	$ 1,979,249	$ 158,812

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, 2007, $13,748,203 of capital leases related to the internal service funds are included in the above amounts.

Business-Type Activities

	Balance at July 1, 2006	Current maturities, retirements and net decreases	Balance at June 30, 2007	Amounts due within one year
Sewer fund - Notes payable	$ 4,925	$ 799	$ 4,126	$ 780
Sewer fund - Bonds	60,840	1,535	59,305	1,585
Unamortized Bond Premium	2,710	117	2,593	118
Total	68,475	2,451	66,024	2,483

Component Unit - Port of Oakland

	Balance at July 1, 2006	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2007	Amounts due within one year
Parity bonds	$ 1,395,464	$ -	$ 25,392	$ 1,370,072	$ 32,633
Notes and Loans	156,632	45,000	3,266	198,366	184
Total	1,552,096	45,000	28,658	1,568,438	32,817
Self - Insurance worker's compensation	5,829	1,652	1,481	6,000	6,000
General Liability	3,986	4,620	3,859	4,747	-
Environmental Remediation & Others	6,618	6,717	1,511	11,824	1,311
Unamortized bond discount/ premium, net	(1,838)	715	1,639	(2,762)	843
Deferred loss on refunding	(4,856)	-	(363)	(4,493)	(363)
TOTAL DEBT	1,561,835	58,704	36,785	1,583,754	40,608

Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2007, are as follows (in thousands):

	2008	2009	2010	2011	2012	2013-2017	2018-2022	2023-2027	2028-2032	2033-2037	Total
Governmental-type Activities:											
General obligation bonds:											
Principal	$ 13,686	$ 14,340	$ 15,006	$ 15,762	$ 16,587	$ 92,723	$ 104,747	$ 29,253	$ 34,160	$ 8,950	$ 345,214
Interest	16,596	16,014	15,398	14,688	13,936	56,946	33,373	15,026	7,384	756	190,117
Certificate of participation:											
Principal	5,300	5,620	5,965	6,415	7,095	15,400	-	-	-	-	45,795
Interest	1,840	1,627	1,377	1,116	833	1,200	-	-	-	-	7,993
Lease revenue bonds:											
Principal	21,925	22,970	23,755	25,225	26,450	124,005	37,325	43,450	-	-	325,105
Interest	13,709	12,332	11,682	10,259	9,423	28,090	12,649	3,891	-	-	102,035
Pension obligation bonds:											
Principal	30,920	34,250	37,860	14,958	20,860	90,463	71,643	12,671	-	-	313,625
Interest	6,091	3,833	1,321	25,347	17,515	119,742	172,037	40,460	-	-	386,346
Special assessments bonds:											
Principal	305	315	340	345	365	1,685	1,980	1,465	-	-	6,800
Interest	360	342	325	307	287	1,153	664	116	-	-	3,554
Tax allocation bonds:											
Principal	17,845	17,230	16,865	18,680	19,665	102,145	132,310	61,470	55,530	72,735	514,475
Interest	22,633	28,774	27,824	26,843	29,561	101,660	72,379	41,776	27,757	10,139	389,346
Notes payable:											
Principal	810	1,435	2,015	2,180	2,355	8,295	-	-	-	-	17,090
Interest	1,051	995	936	871	799	1,572	-	-	-	-	6,224
Capital leases											
Principal	4,840	5,213	4,010	3,184	3,261	8,345	2,956	-	-	-	31,809
Interest	1,346	1,199	990	815	667	1,741	354	-	-	-	7,112
TOTAL PRINCIPAL	$ 95,631	$ 101,373	$ 105,816	$ 86,749	$ 96,638	$ 443,061	$ 350,961	$ 148,309	$ 89,690	$ 81,685	$ 1,599,913
TOTAL INTEREST	$ 63,626	$ 65,116	$ 59,853	$ 80,246	$ 73,021	$ 312,104	$ 291,456	$ 101,269	$ 35,141	$ 10,895	$ 1,092,727

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

(continued)

	2008	2009	2010	2011	2012	2013-2017	2018-2022	2023-2027	2028-2032	2033-2037	Total
Business-type Activities:											
Sewer revenue bonds:											
Principal	$ 1,585	$ 1,630	$ 1,710	$ 1,800	$ 1,885	$ 10,935	$ 13,815	$ 17,610	$ 8,335	$ -	$ 59,305
Interest	2,900	2,852	2,771	2,685	2,595	11,479	8,598	4,812	630	-	39,322
Sewer notes payable:											
Principal	780	806	833	860	274	573	-	-	-	-	4,126
Interest	135	109	82	54	25	26	-	-	-	-	431
TOTAL PRINCIPAL	$ 2,365	$ 2,436	$ 2,543	$ 2,660	$ 2,159	$ 11,508	$ 13,815	$ 17,610	$ 8,335	$ -	$ 63,431
TOTAL INTEREST	$ 3,035	$ 2,961	$ 2,853	$ 2,739	$ 2,620	$ 11,505	$ 8,598	$ 4,812	$ 630	$ -	$ 39,753

Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2007, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2008	$ 32,817	$ 76,233	$ 109,050
2009	23,655	75,562	99,217
2010	36,583	74,757	111,340
2011	236,101	67,118	303,219
2012	46,393	64,951	111,344
2013 - 2017	265,148	289,071	554,219
2018 - 2022	287,043	207,979	495,022
2023 - 2027	307,750	132,332	440,082
2028 - 2032	290,428	47,381	337,809
2033	42,520	1,063	43,583
SUB TOTAL	1,568,438	1,036,447	2,604,885
Unamortized bond (discount) premium, net	(2,762)	-	(2,762)
Self-insurance workers' compensation	6,000	-	6,000
General Liability	4,747	-	4,747
Environmental Remediation & Others	11,824	-	11,824
Deferred loss on refunding	(4,493)	-	(4,493)
TOTAL	$ 1,583,754	$ 1,036,447	$ 2,620,201

In June 2007, the Port defeased $5,500,000 of 2002 Series M Bonds due on November 1, 2007 and in August 2007 an additional $10,000,000 of 2002 Series M Bonds due on November 1, 2008. Sufficient funds were deposited with the trustee and invested in State and Local Government Series (SLGS) securities to pay both interest and principal on their respective due dates. The $5,500,000 of 2002 Series M Bonds in June 2007 required the Port to increase the applicable reserve fund by $2,125,000 as required by the Twelfth Supplemental Indenture.

Net interest costs of $12,260,000 were capitalized in fiscal 2007. These amounts represented capitalized interest expense of $18,644,000, net of interest revenue of $6,384,000 for fiscal 2007.

Current Year Long-Term Debt Financings

City of Oakland Capital Lease – 450 Lancaster Building

On July 21, 2006, the City of Oakland closed a lease transaction with Bank of America in the principal amount of $4,940,000 for the purpose of purchasing a building at 450 Lancaster Street (Oakland, CA). The 450 Lancaster building was financed in order to house the Oakland Museum's collections and artifacts. The financing is tax-exempt with a final maturity of August 1, 2021; the interest rate on this lease transaction is 5.30%.

City of Oakland Capital Lease – Parking Meters

On June 14, 2007, the City of Oakland closed a lease transaction with CitiCapital in the principal amount of $4,520,000 for the purpose of purchasing multi-space pay and display parking meters ("Meters"). The Meters were financed in order to maximize the efficiency of short-term parking throughout the City of Oakland. The financing is tax-exempt with a final maturity of July 15, 2014; the interest rate on this lease transaction is 3.90%.

The City also entered into other capital leases during the year amounting to $8,805,000.

Redevelopment Agency of the City of Oakland
Central City East Redevelopment Project Tax Allocation Bonds
Series 2006A-TE & Series 2006A-T (Federally Taxable)

On October 12, 2006, the Redevelopment Agency of the City of Oakland ("Agency") issued $13,780,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-TE (the "Series 2006A-TE Bonds") and $62,520,000 of Central City East Redevelopment Project Tax Allocation Bonds, Series 2006A-T (Federally Taxable) (the "Series 2006A-T Bonds"). The collective Series 2006A-TE Bonds and Series 2006A-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central City East Redevelopment Project Area. The Series 2006A-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rate of these bonds is 5.000%. The Series 2006A-T Bonds are federally taxable with a final maturity of September 1, 2034; the interest rates of these bonds range from 5.263% to 5.537%.

The Series 2006A-TE Bonds and Series 2006A-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central City East Redevelopment Project Area.

Redevelopment Agency of the City of Oakland
Coliseum Area Redevelopment Project Tax Allocation Bonds
Series 2006B-TE & Series 2006B-T (Federally Taxable)

On October 12, 2006, the Redevelopment Agency of the City of Oakland ("Agency") issued $28,770,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-TE (the "Series 2006B-TE Bonds") and $73,820,000 of Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2006B-T (Federally Taxable) (the "Series 2006B-T Bonds"). The collective Series 2006B-TE Bonds and Series 2006B-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Coliseum Area Redevelopment Project Area as well as to refund all of the outstanding Coliseum Area Redevelopment Project Tax Allocation Bonds, Series 2003. The Series 2006B-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rates of these bonds range from 4.000% to 5.000%. The Series 2006B-T Bonds are federally taxable with a final maturity of September 1, 2035; the interest rates of these bonds range from 5.263% to 5.537%.

The Series 2006B-TE Bonds and Series 2006B-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Coliseum Redevelopment Project Area.

The refunding resulted in a cash flow savings of $2,797,908. In addition, the Agency obtained a net economic gain on this financing of $626,658.

Redevelopment Agency of the City of Oakland
Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds
Series 2006C-TE & Series 2006C-T (Federally Taxable)

On October 12, 2006, the Redevelopment Agency of the City of Oakland ("Agency") issued $4,945,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-TE (the "Series 2006C-TE Bonds") and $12,325,000 of Broadway/MacArthur/San Pablo Redevelopment Project Tax Allocation Bonds, Series 2006C-T (Federally Taxable) (the "Series 2006C-T Bonds"). The collective Series 2006C-TE Bonds and Series 2006C-T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Broadway/MacArthur/San Pablo Redevelopment Project Area. The Series 2006C-TE Bonds are tax-exempt with a final maturity of September 1, 2036; the interest rate of these bonds is 5.000%. The Series

2006C-T Bonds are federally taxable with a final maturity of September 1, 2032; the interest rates of these bonds range from 5.283% to 5.587%.

The Series 2006C-TE Bonds and Series 2006C-T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Broadway/MacArthur/San Pablo Redevelopment Project Area.

Redevelopment Agency of the City of Oakland
Central District Redevelopment Project Subordinated Tax Allocation Bonds
Series 2006T (Federally Taxable)

On November 21, 2006 the Redevelopment Agency of the City of Oakland ("Agency") issued $33,135,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2006T (Federally Taxable) (the "Series 2006T Bonds"). The Series 2006T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central District Redevelopment Project Area. The Series 2006T Bonds are federally taxable with a final maturity of September 1, 2021; the interest rates of these bonds range from 5.252% to 5.411%.

The Series 2006T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central District Redevelopment Project Area.

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, 2007, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to $93.5 million.

Authorized and Unissued Debt

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.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2007

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 conduit debt issued and outstanding at June 30, 2007, is (in thousands):

	Authorized and Issued	Maturity	Outstanding at June 30, 2007
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	685
City of Oakland Health Facility Revenue Bonds (Children's Hospital Medical Center of Northern California), 1998	23,000	07/01/08	4,590
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	17,800
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc)	5,800	07/01/33	5,600
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
TOTAL			$ 267,820

(13) GENERAL FUND UNRESERVED FUND BALANCE

The following designations reflect the City of Oakland's imposition of limitations on the use of the otherwise available expendable financial resources in the General Fund (in thousands).

Designations:	
Pension obligations - PFRS	$ 55,840
Carryforward for continuing projects	18,398
Lighting and Landscaping Assessment District gap funding	3,504
Oakland Convention & Visitors' Bureau	777
General Fund fiscal year 2008 budget allocation	8,419
Total designations	86,938
Unreserved/undesignated fund balance	56,078
Total General Fund unreserved fund balance	$ 143,016

(14) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2007 and 2006 are as follows (in thousands):

Workers' Compensation

	2007	2006
Unpaid claim's, beginning of fiscal year	$ 100,493	$ 96,166
Current year claims and changes in estimates	18,071	21,039
Claims payments	(20,183)	(16,712)
Unpaid claim's, end of fiscal year (Note 12)	$ 98,381	$ 100,493

General Liability

	2007	2006
Unpaid claim's, beginning of fiscal year	$ 44,945	$ 43,099
Current year claims and changes in estimates	9,663	7,189
Claims payments	(11,010)	(5,343)
Unpaid claim's, end of fiscal year (Note 12)	$ 43,598	$ 44,945

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; employee's injuries; 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, 2007, the amount of liability determined to be probable of occurrence is approximately $43,598,000. Of this amount, claims and litigation approximating $14,178,000 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, 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 $98,381,000 in claims liabilities as of June 30, 2007, approximately $19,043,000 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 $25,000,000 per occurrence
Automobile Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence
Public Officials Errors and Omissions	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual annual aggretate
Products & Completed Operations	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual annual aggretate
Employment Practices Liability	up to $2,000,000	$2,000,000 to $25,000,000 per occurrence/annual annual aggretate
Workers' Compensation	up to $1,000,000	$1,000,000 to $100,000,000 per occurrence/annual annual aggretate

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 $750,000 per accident. The Port carries commercial insurance for claims in excess of $750,000 per accident up to a maximum limit per accident of $1,000,000. There were no workers' compensation claims paid in fiscal years 2007, 2006, and 2005 above the $1,000,000 per accident limit. The excess policy provides full statutory limits as established by California law.

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 an actuarial

valuation performed as of June 30, 2007 and include an estimate of claims that have been incurred but not reported.

Changes in the reported liability resulted from the following (in thousands):

	2007	2006
Workers' compensation liability at beginning of fiscal year	$ 5,829	$ 4,600
Current year claims and changes in estimates	1,652	2,263
Claims payments	(1,481)	(1,034)
Workers' compensation liability at end of fiscal year	$ 6,000	$ 5,829

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 per occurrence. Additionally, the Port maintains a Public Officials Errors & Omissions and Employment Practices policy. The policy limits are $25,000,000 with a $450,000 per claim deductible. Defense costs are in addition to the policy limits, but are included in the deductible. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable.

As of June 30, 2007, the Port was a defendant in various lawsuits arising in the normal course of constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known. The Port's insurance may cover a portion of any losses. For additional information, please contact the Port of Oakland, 530 Water Street, Oakland, California 94607.

Changes in the reported liabilities, which is included as part of accounts payable and accrued liabilities, follows:

	2007	2006
General liability at beginning of fiscal year	$ 3,986	$ 3,539
Current year claims and changes in estimates	4,620	3,544
Vendor payments	(3,859)	(3,097)
General liability at end of fiscal year	$ 4,747	$ 3,986

(15) JOINT VENTURE

Oakland-Alameda County Coliseum

The City is a participant with the County of Alameda (the County) in a joint exercise of powers agreement known as the Oakland-Alameda County Coliseum Authority (the Authority), which was formed on July 1, 1995, to assist the City and County in the financing of public capital improvements in the 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 Administrator 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.

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). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid from the escrow established in 1995 at the time the Coliseum Authority issued the Stadium Bonds.

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. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of club dues, concession and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium 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 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

(the 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 were 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. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Authority entered into a Termination Agreement whereby, in return for certain consideration, the Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006.

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. The Court resolved the issues in this case in a summary judgment declaring that the Raiders could not terminate the license, among other things. 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. Prior to the trial, the Court dismissed the City, the County and the Coliseum Authority from the Fraud claims on summary judgment and Raider Management agreed to arbitrate all breach of contract claims, leaving Coliseum, Inc. as the only defendant at trial. At the conclusion of the trial, the jury found no liability on the fraud claims, but did award the Raiders damages of $34,000,000 for negligent misrepresentation. This judgment has been entered only against Coliseum, Inc. Attorneys for the Oakland-Alameda County Coliseum, Inc. filed an appeal of that decision. On

November 17, 2006, the Third Appellate District of the California Court of Appeal overturned this entire verdict and ordered the Raiders to pay the Coliseum, Inc costs of the appeal. The Raiders and the Coliseum Inc subsequently agreed that the Raiders would waive all rights to further appeals in return for the Coliseums Inc waving the Raiders paying the costs of appeal.

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

For the Period	Stadium Debt		Arena Debt	
Ending June 30,	Principal	Interest	Principal	Interest
2008	$ 5,800	$ 6,289	3,100	7,575
2009	6,200	5,924	3,300	7,377
2010	6,700	5,563	3,600	7,166
2011	7,100	5,212	3,900	6,936
2012	7,500	4,951	4,100	6,687
2013-2017	43,400	20,458	25,400	29,101
2018-2022	54,500	12,089	35,600	19,738
2023-2026	39,500	2,332	38,900	6,491
Total	$ 170,700	$ 62,818	$ 117,900	$ 91,071

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, 2007, the City made contributions of $11,150,000 to fund its share of operating deficits and debt service payments of the Authority.

The Coliseum 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 $20,500,000 million appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute $10,946,000 for the 2007-08 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 $85,350,000. 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.

(16) 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.

	PFRS	OMERS	PERS
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2005	July 01, 2005	June 30, 2006

Significant actuarial assumptions

	PFRS	OMERS	PERS
Investment rate of return	8.0%	8.0%	7.75%
Payroll growth	3.0%	3.0%	3.25%
Inflation rate	3.5%	3.5%	3.00%

Police and Fire Retirement System (PFRS)

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, 2007, stand alone financial statements are available by contacting the City Administrator'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. During the year ended June 30, 2007, these contributions ranged from 5.47% to 6.05%. 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 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 PFRS through 2011. Bond proceeds in the amount of $417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of $17,709,888 to PFRS.

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 Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," for fiscal year ended June 30, 2007, were as follows:

Annual Requred Contribution (ARC)	$ -
Interest on pension asset	30,753,955
Adjustment to the annual required contribution	(39,154,478)
Pension contribution	-
Pension assets, beginning of year	384,424,437
Pension assets, end of year	$ 376,023,914

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2007 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2005	$ 10,833,004	164%	$ 392,202,699
2006	7,778,262	-	384,424,437
2007	8,400,523	-	376,023,914

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

Oakland Municipal Employees Retirement System (OMERS)

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, 2007, stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to CalPERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2007, and will not receive any employee contributions in the future Because of the Retirement System 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 Systems (PERS)

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 8% (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 17.479% for non-safety employees and 27.700% 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 2006-07, the City's annual pension cost of $89,304,252 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.25% to 14.45%), and (c) payroll growth of 3.25%. Both (a) and (b) included an inflation component of 3.0%. 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 over a closed 20 year period.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	$ 87.4	100%	$ -
2006	95.0	100	-
2007	89.3	100	-

(17) 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 $3,305,251 was paid on behalf of 870 retirees under this program for the year ended June 30, 2007.

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

The City has committed to funding in the amount of $82,483,064 to a number of capital improvement projects for fiscal year 2008 through fiscal year 2010.

Discretely Presented Component Unit

The Port anticipates spending $855,362,000 commencing fiscal year 2008 through June 2010 for its capital improvement program. The most significant Aviation projects are the terminal renovation and retrofit; perimeter dike seismic upgrades; paving/reconstruction of parking, roadway, ground access, aprons and taxiways; and air cargo relocation. The most significant Maritime projects are the 50-foot channel deepening; 7th Street upgrade separation and relocation; and the modernization, expansion, and renovation of wharves and terminals.

Other major renovation and expansion projects are in the preliminary planning phase for the Aviation and Maritime Divisions. These projects will not be included in the Capital Improvement Program until they are determined to be feasible.

As of June 30, 2007, the Port had contracts for the acquisition and construction of assets as follows (in thousands):

Maritime	$ 73,752
Aviation	81,958
Commercial real estate	280
Total	$ 155,990

The most significant projects for which the Port has contractual commitments are airport terminal expansion of $67,035,000; and modernization of maritime wharfs and terminals new cranes of $42,427,000.

Power Purchases

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are determined, the Port commits and enters into purchase contracts, in advance, with power providers. The price is fixed at the time the Port enters into the contract. At June 30, 2007, the total purchase commitment was approximately $4,490,000 for 88 megawatts.

Other Commitments and Contingencies

Primary Government

As of June 30, 2007, the Agency has entered into contractual commitments of approximately $55,165,978 for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2007, the Agency was committed to fund $48,842,846 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.

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

The City is also liable for environmental remediation cost of about $1,190,990 as of June 30, 2007 for the Agency's Uptown Project and its Edgewater Service Center.

Environmental Remediation

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 then, and subsequently the Agency and the Port are responsible for the first $13.0 million of environmental remediation costs; including environmental remediation insurance. OBRA has received a federal grant of $13 million to pay for the above-mentioned environmental remediation costs including $3.5 million insurance premium. Of the $13.0 million grant, $9.6 million has been spent of which $9.0 million has been reimbursed and received as of June 30, 2007. The remaining $3.4 million of grant expenditures will be shared equally between the Agency and the Port.

The next $11.5 million of environmental remediation costs are to be shared equally by Agency and the Port. As a result, the Agency will have as its share in the remaining Oakland Army Base remediation costs, a total of $7.4 million. The next $9 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. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above $21 million that are not covered by insurance.

The Agency 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.

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, 2007, is as follows (in thousands):

Environmental remediation	$	11,731
Miscellaneous compliance		93
Total environmental liabilities	$	11,824

(19) DEFICIT FUND BALANCES/NET ASSETS & EXPENDITURE OVER BUDGET

As of June 30, 2007, the following funds reported deficits in fund balance/net assets (in thousands):

Special Revenue:	
ORA Projects	$ (3,399)
State Gas Tax	(1,279)
Landscape & Lighting Assessment District	(2,545)
Debt Service:	
Lease Financing	(481)

The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The State Gas Tax and the Landscape & Lighting Assessment District will be cleared by transferring sufficient funds from the General Fund. The Lease Financing deficit will be cleared by transferring in sufficient funds to cover debt service payments.

Internal Service:	
Facilities	$ (20,607)
Equipment	(1,841)
Central Stores	(3,731)

The City's facilities, equipment, central stores and radio funds deficits are expected to be funded through increased user charges for future years.

As of June 30, 2007, the following funds reported expenditures in excess of budgets (in thousands):

Special Revenue:	
Landscape & Lighting Assessment District	$ (1,622)
Debt Service:	
Civic Improvement	(360)
JPFA Fund	(271)

The Civic Improvement and JPFA Fund had a negative expenditure due to variable interest expense budget on cash basis while the actual amount was calculated on accrual basis. The excess of expenditures of budget in Landscape & Lighting Assessment District is attributed to ongoing project costs that will eventually be distributed to their appropriate funding sources or offset by reimbursements from FEMA for the winter storms disasters.

(20) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 12, 2007, the City issued the 2007-2008 Tax and Revenue Anticipation Notes in the principal amount of $141,880,000. These notes were issued in two series. The Series A Notes, in the principal amount of $65,000,000, were issued to finance General Fund expenditures; Series A Notes are tax-exempt with an interest rate of 4.50%. The Series B Notes, in the principal amount of $76,880,000, were issued to prepay the City's annual contribution to the California Public Employees Retirement System for fiscal year 2007-2008; Series B Notes are taxable with an interest rate of 5.38%. Both series of notes will mature on July 11, 2008.

REQUIRED SUPPLEMENTARY 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. The required contribution was determined as part of the actuarial valuation using the entry age normal actuarial cost method.

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]
2004	$ 730,092,603	$ 529,461,015	$ 200,631,588	72.5%	$ 115,452,259	173.8%
2005	820,642,031	602,422,608	218,219,423	73.4%	122,893,613	177.6%
2006	907,421,303	678,599,629	228,821,674	74.8%	124,174,590	184.3%

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]
2004	$ 1,259,667,702	1,066,027,320	193,640,382	84.6%	216,320,251	89.5%
2005	1,397,236,509	1,156,704,781	240,531,728	82.8%	206,261,519	116.6%
2006	1,507,980,747	1,250,681,091	257,299,656	82.9%	217,024,554	118.6%

(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 2005, the City Council approved the City's two-year budget for fiscal years 2005-07. 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 2006-07 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
Municipal Capital Improvement

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.

CITY OF OAKLAND
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2007
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	$157,397	$ 161,821	$ 170,105	$ 8,284
State:				
Sales and use	44,412	44,412	46,690	2,278
Motor vehicle in-lieu	2,134	2,134	2,268	134
Local:				
Business license	47,799	47,799	50,339	2,540
Utility consumption	51,457	51,457	51,426	(31)
Real estate transfer	63,231	63,231	61,505	(1,726)
Transient occupancy	10,237	10,237	12,303	2,066
Parking	8,996	8,996	8,892	(104)
Franchise	12,908	12,908	13,010	102
Licenses and permits	1,301	1,301	1,066	(235)
Fines and penalties	25,426	25,426	24,727	(699)
Interest and investment income	-	-	6,469	6,469
Charges for services	57,849	58,031	55,837	(2,194)
Federal and state grants and subventions	1,396	1,969	7,051	5,082
Annuity income	13,500	13,500	9,324	(4,176)
Other	17,090	17,613	15,116	(2,497)
TOTAL REVENUES	515,133	520,835	536,128	15,293
EXPENDITURES				
Current:				
Elected and Appointed Officials-				
Mayor	2,185	2,437	2,745	(308)
Council	4,909	4,660	3,701	959
City Manager	10,428	11,302	11,089	213
City Attorney	8,818	9,325	9,365	(40)
City Auditor	1,361	1,382	1,043	339
City Clerk	2,338	2,807	2,757	50
Agencies/Departments:				
Personnel Resource Management	4,959	5,685	5,232	453
Information Technology	8,888	8,950	9,339	(389)
Financial Services	25,647	26,599	24,631	1,968
Police Services	185,492	190,526	195,206	(4,680)
Fire Services	106,793	107,894	101,184	6,710
Life Enrichment:				
Parks and Recreation	14,766	17,099	15,285	1,814
Library	12,103	12,432	11,799	633
Cultural Arts and Museum	6,269	6,403	6,595	(192)
Aging & Health and Human Services	6,644	8,002	6,336	1,666
Community and Economic Development	3,347	6,615	2,780	3,835
Public Works	41,935	44,038	33,595	10,443
Other	5,008	8,533	9,162	(629)
Capital outlay	19	4,748	14,885	(10,137)
Debt service:				
Principal repayment	832	832	832	-
Bond issuance costs	-	32	172	(140)
Interest charges	411	550	550	-
TOTAL EXPENDITURES	453,152	480,851	468,283	12,568
EXCESS OF REVENUES OVER EXPENDITURES	61,981	39,984	67,845	27,861
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	375	17,283	16,908
Property sale proceeds	147	277	328	51
Transfers in	49,176	50,940	2,857	(48,083)
Transfers out	(96,607)	(108,624)	(93,463)	15,161
TOTAL OTHER FINANCING USES, NET	(47,284)	(57,032)	(72,995)	(15,963)
NET CHANGE IN FUND BALANCE	14,697	(17,048)	(5,150)	11,898
Fund balances - beginning	293,522	293,522	293,522	-
FUND BALANCES - ENDING	$308,219	$ 276,474	$ 288,372	$ 11,898

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

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2007

(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, 2007, was $538,093.

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	$ (5,150)
Amortization of debt service deposit agreement	538
Net change in fund balance – GAAP basis	$ (4,612)

The General Fund's fund balance on a Budgetary Basis is reconciled to that on a GAAP basis as of June 30, 2007, which is as follows (in thousands):

	General Fund
Fund Balance, June 30, 2007 - Budgetary Basis	$ 288,372
Unamortized debt service deposit agreement	(6,465)
Fund Balance, June 30, 2007 – GAAP Basis	$ 281,907

General Fund Budgetary Basis Fund Balance at June 30, 2007, is composed of the following (in thousands):

	General Fund
Reserved:	
Encumbrances	$ 7,440
Debt service	16,451
Pension obligations	115,000
Unreserved reported in:	
General fund	143,016
TOTAL FUND BALANCES	$ 281,907

COMBINING NONMAJOR GOVERNMENTAL FUNDS

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	$ 78,263	$ 8,532	$ -	$ 86,795
Receivables, net:				
Accrued interest and dividends	662	65	-	727
Property taxes	2,404	1,514	-	3,918
Accounts receivable	11,969	-	-	11,969
Grants receivable	432	-	-	432
Due from other funds	2,660	144	-	2,804
Due from component unit	342	-	-	342
Notes and loans receivable, net	19,487	-	-	19,487
Restricted cash and investments	-	138,460	14,854	153,314
TOTAL ASSETS	$ 116,219	$ 148,715	$ 14,854	$ 279,788
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	$ 4,964	$ 67	$ 305	$ 5,336
Due to other funds	10,911	1,414	5,205	17,530
Due to other governments	1	-	-	1
Deferred revenue	21,639	1,514	-	23,153
Other	8,004	-	-	8,004
TOTAL LIABILITIES	45,519	2,995	5,510	54,024
Fund Balances				
Reserved:				
Encumbrances	6,589	-	2	6,591
Debt service	-	146,201	-	146,201
Unreserved/designated:				
Special revenue funds	64,111	-	-	64,111
Capital project funds	-	(481)	9,342	8,861
TOTAL FUND BALANCES	70,700	145,720	9,344	225,764
TOTAL LIABILITIES AND FUND BALANCES	$ 116,219	$ 148,715	$ 14,854	$ 279,788

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Nonmajor Governmental Total
REVENUES				
Taxes:				
Property	$ 14,085	$ 20,665	$ -	$ 34,750
State:				
Sales and use	11,316	-	-	11,316
Gas	7,449	-	-	7,449
Licenses and permits	19,324	-	-	19,324
Parking	7,310	-	-	7,310
Voter approved special tax	18,630	-	-	18,630
Fines and penalties	1,730	44	-	1,774
Interest and investment income	5,969	9,132	380	15,481
Charges for services	19,328	-	-	19,328
Federal and state grants and subventions	6,554	-	-	6,554
Other	23,632	743	-	24,375
TOTAL REVENUES	135,327	30,584	380	166,291
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	199	-	-	199
Council	1,269	-	-	1,269
City Manager	3,023	-	-	3,023
City Attorney	4,210	-	21	4,231
City Auditor	49	-	-	49
City Clerk	74	-	-	74
Agencies/Departments:				
Personnel Resource Management	319	-	-	319
Information Technology	36	-	-	36
Financial Services	1,098	25	-	1,123
Police Services	7,504	-	-	7,504
Fire Services	7,674	-	-	7,674
Life Enrichment:				
Parks and Recreation	3,651	-	-	3,651
Library	116	-	-	116
Cultural Arts/Museum	379	-	-	379
Aging & Health and Human Services	21,091	-	-	21,091
Community and Economic Development	42,360	-	-	42,360
Public Works	39,280	-	479	39,759
Other	323	40	-	363
Capital outlay	6,809	-	779	7,588
Debt service:				
Principal repayment	-	65,409	-	65,409
Interest charges	-	45,914	-	45,914
TOTAL EXPENDITURES	139,464	111,388	1,279	252,131
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,137)	(80,804)	(899)	(85,840)
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	53	-	-	53
Transfers in	16,505	77,136	-	93,641
Transfers out	(2,434)	-	-	(2,434)
TOTAL OTHER FINANCING SOURCES (USES)	14,124	77,136	-	91,260
NET CHANGE IN FUND BALANCES (deficit)	9,987	(3,668)	(899)	5,420
Fund balances - beginning	60,713	149,388	10,243	220,344
FUND BALANCES - ENDING	$ 70,700	$ 145,720	$ 9,344	$ 225,764

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Special Revenue Funds
June 30, 2007
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessmt District	Assessment Districts	Other Special Revenue	ORA Projects	Parks and Recreation and Cultural	Total
ASSETS								
Cash and Investments	$ 29,203	$ -	$ -	$ 1,116	$ 44,559	$ -	$ 3,385	$ 78,263
Receivable, net:								
Accrued interest and dividends	242	-	-	16	368	11	25	662
Property taxes	-	-	1,148	81	1,126	-	49	2,404
Accounts receivable	3,151	664	128	22	7,990	-	14	11,969
Grants receivable	129	-	-	-	303	-	-	432
Due from other funds	-	-	-	-	-	2,660	-	2,660
Due from component unit	-	-	342	-	-	-	-	342
Notes and loans receivable, net	-	-	-	-	19,487	-	-	19,487
TOTAL ASSETS	$ 32,725	$ 664	$ 1,618	$ 1,235	$ 73,833	$ 2,671	$ 3,473	$ 116,219
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued liabilities	$ 651	$ 13	$ 375	$ 158	$ 2,569	$ 1,183	$ 15	$ 4,964
Due to other funds	-	1,930	2,298	-	1,797	4,886	-	10,911
Due to other governments	-	-	-	-	-	1	-	1
Deferred revenues	2	-	1,490	81	20,017	-	49	21,639
Other	-	-	-	-	7,731	-	273	8,004
TOTAL LIABILITIES	653	1,943	4,163	239	32,114	6,070	337	45,519
Fund Balances (deficit)								
Reserved:								
Encumbrance	1,211	82	66	-	4,178	1,015	37	6,589
Unreserved/designated:								
Unreserved (deficit)	30,861	(1,361)	(2,611)	996	37,541	(4,414)	3,099	64,111
TOTAL FUND BALANCES (DEFICIT	32,072	(1,279)	(2,545)	996	41,719	(3,399)	3,136	70,700
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT	$ 32,725	$ 664	$ 1,618	$ 1,235	$ 73,833	$ 2,671	$ 3,473	$ 116,219

NONMAJOR SPECIAL REVENUE FUNDS

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

Traffic Safety and Control Fund accounts for monies received from 3-5% parking meter collections and from fines and forfeitures for misdemeanor violations of vehicle codes which are expended or disbursed for purposes immediately connected with traffic safety and control.

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

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

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

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

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

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

CITY OF OAKLAND
Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007
(In Thousands)

	Traffic Safety and Control				State Gas Tax				Landscaping and Lighting District			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Taxes:												
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State:												
Sales and use	10,362	10,362	11,316	954	-	-	-	-	-	-	-	-
Gas	-	-	-	-	7,974	7,974	7,449	(525)	-	-	-	-
Local	-	-	-	-	-	-	-	-	17,692	17,692	15,863	(1,829)
Licenses and permits	-	-	-	-	-	-	-	-	27	27	30	3
Fines and penalties	1,000	1,000	1,204	204	-	-	-	-	-		-	-
Interest and investment income	-	-	1,237	1,237	-	-	-	-	-	-	-	-
Charges for services	181	181	310	129	-	-	-	-	25	25	190	165
Federal and state grants and subventions	77	77	34	(43)	-	-	138	138	-	-	-	-
Voter approved special tax	260	260	-	(260)	-	-	-	-	-	-	-	-
Other	-	-	223	223	-	-	-	-	-	-	1	1
TOTAL REVENUES	11,880	11,880	14,324	2,444	7,974	7,974	7,587	(387)	17,744	17,744	16,084	(1,660)
EXPENDITURES												
Current:												
Elected and Appointed Officials-												
Council	-	897	1	896	-	1,241	1	1,240	-	-	-	-
City Manager	-	1	492	(491)	-	-	-	-	91	91	96	(5)
City Attorney	-	-	-	-	-	-	-	-	148	148	148	-
Information Technology	-	-	-	-	-	-	-	-	36	36	36	-
Financial Services	-	-	-	-	112	112	9	103	134	134	223	(89)
Police Services	-	2	-	2	-	-	-	-	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	-	-	-	-	-	-	3,198	3,202	3,361	(159)
Museum	-	-	-	-	-	-	-	-	340	340	343	(3)
Aging & Health and Human Services	1,157	2,036	1,503	533	-	-	-	-	-	-	-	-
Community and Economic Development	-	933	419	514	-	-	-	-	-	-	-	-
Public Works	8,877	23,022	9,896	13,126	7,991	8,872	9,458	(586)	17,758	18,039	19,405	(1,366)
Capital outlay	3,856	14,720	2,562	12,158	-	29	11	18	-	-	-	-
TOTAL EXPENDITURES	13,890	41,611	14,873	26,738	8,103	10,254	9,479	775	21,705	21,990	23,612	(1,622)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,010)	(29,731)	(549)	29,182	(129)	(2,280)	(1,892)	388	(3,961)	(4,246)	(7,528)	(3,282)
OTHER FINANCING SOURCES												
Property sale proceeds	-	-	-	-	-	-	53	53	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	4,300	4,300	4,300	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-	-	53	53	4,300	4,300	4,300	-
NET CHANGE IN FUND BALANCES (deficit)	(2,010)	(29,731)	(549)	29,182	(129)	(2,280)	(1,839)	441	339	54	(3,228)	(3,282)
Fund balances -beginning	32,621	32,621	32,621	-	560	560	560	-	683	683	683	-
FUND BALANCES (deficit) - ENDING	$ 30,611	$ 2,890	$ 32,072	$ 29,182	$ 431	$ (1,720)	$ (1,279)	$ 441	$ 1,022	$ 737	$ (2,545)	$ (3,282)

(Continued)

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds-Special Revenue Funds
Year Ended June 30, 2007
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks and Recreation and Cultural	Total
REVENUES								
Taxes:								
Property	$ -	$ -	$ -	$ 1,700	$ 12,385	$ -	$ -	$ 14,085
State:								
Sales and use	11,316	-	-	-	-	-	-	11,316
Gas	-	7,449	-	-	-	-	-	7,449
Licenses and permits	-	-	30	-	19,294	-	-	19,324
Parking	-	-	-	-	7,310	-	-	7,310
Voter approved special tax	-	-	15,863	-	2,767	-	-	18,630
Fines and penalities	1,204	-	-	-	526	-	-	1,730
Interest and investment income	1,237	-	-	24	2,846	1,736	126	5,969
Charges for services	310	-	190	3	18,811	-	14	19,328
Federal and state grants and subventions	34	138	-	-	6,382	-	-	6,554
Other	223	-	1	13	681	22,207	507	23,632
TOTAL REVENUES	14,324	7,587	16,084	1,740	71,002	23,943	647	135,327
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	-	199	-	199
Council	1	1	-	-	-	1,267	-	1,269
City Manager	492	-	96	3	225	2,207	-	3,023
City Attorney	-	-	148	-	1,057	3,005	-	4,210
City Auditor	-	-	-	-	-	49	-	49
City Clerk	-	-	-	-	-	74	-	74
Agencies/Departments:								
Personnel Resource Management	-	-	-	-	283	36	-	319
Information Technology	-	-	36	-	-	-	-	36
Financial Services	-	9	223	-	27	839	-	1,098
Police Services	-	-	-	-	6,734	770	-	7,504
Fire Services	-	-	-	1,392	6,282	-	-	7,674
Life Enrichment:								
Parks and Recreation	-	-	3,361	-	288	-	2	3,651
Library	-	-	-	-	-	5	111	116
Cultural Arts and Museum	-	-	343	-	-	-	36	379
Aging & Health and Human Services	1,503	-	-	-	19,081	507	-	21,091
Community and Economic Development	419	-	-	-	30,875	11,066	-	42,360
Public Works	9,896	9,458	19,405	-	294	195	32	39,280
Other	-	-	-	-	323	-	-	323
Capital outlay	2,562	11	-	-	1,212	3,018	6	6,809
TOTAL EXPENDITURES	14,873	9,479	23,612	1,395	66,681	23,237	187	139,464
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(549)	(1,892)	(7,528)	345	4,321	706	460	(4,137)
OTHER FINANCING SOURCES (USES)								
Property sale proceeds	-	53	-	-	-	-	-	53
Transfers in	-	-	4,300	149	12,056	-	-	16,505
Transfers out	-	-	-	(1,063)	(1,357)	(14)	-	(2,434)
TOTAL OTHER FINANCING SOURCES (USES)	-	53	4,300	(914)	10,699	(14)	-	14,124
NET CHANGE IN FUND BALANCES (DEFICIT)	(549)	(1,839)	(3,228)	(569)	15,020	692	460	9,987
Fund balances (deficit) - beginning	32,621	560	683	1,565	26,699	(4,091)	2,676	60,713
FUND BALANCES (deficit) - ENDING	$ 32,072	$ (1,279)	$ (2,545)	$ 996	$ 41,719	$ (3,399)	$ 3,136	$ 70,700

NONMAJOR DEBT SERVICE FUNDS

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

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

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

The **Civic Improvement Fund** accounts for monies received in connection with leases between the City and the Civic Improvement Corporation.

The **JPFA Fund** accounts for monies received in connection with leases between the City and the JPFA.

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

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

CITY OF OAKLAND
Special Revenue Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007
(In Thousands)

(Continued)	Assessment Districts				Other Special Revenue			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Taxes:								
Property	$ 1,893	$ 1,893	$ 1,700	$ (193)	$ 12,512	$ 12,512	12,385	$ (127)
Local					10,527	10,527	10,077	(450)
Licenses and permits	-	-	-	-	17,844	17,844	19,294	1,450
Fines and penalties	-	-	-	-	769	769	526	(243)
Interest and investment income	-	-	24	24	-	561	2,846	2,285
Charges for services	-	-	3	3	12,266	12,266	18,811	6,545
Federal and state grants and subventions	-	-	-	-	4,216	5,038	6,382	1,344
Other	2	2	13	11	280	1,053	681	(372)
TOTAL REVENUES	1,895	1,895	1,740	(155)	58,414	60,570	71,002	10,432
EXPENDITURES								
Current:								
Elected and Appointed Officials-								
City Manager	3	3	3	-	709	1,081	225	856
City Attorney	-	-	-	-	1,057	1,057	1,057	-
City Auditor	-	-	-	-	15	34	-	34
Agencies/Departments:				-				
Personnel Resource Management	-	-	-	-	-	442	283	159
Financial Services	-	-	-	-	71	88	27	61
Police Services	-	-	-	-	9,925	16,841	6,734	10,107
Fire Services	1,822	1,880	1,392	488	7,617	11,390	6,282	5,108
Life Enrichment:								
Parks and Recreation	-	-	-	-	-	308	288	20
Aging, Health and Human Services	-	-	-	-	18,769	26,162	19,081	7,081
Community and Economic Development	-	-	-	-	29,699	37,944	30,875	7,069
Public Works	-	-	-	-	225	1,385	294	1,091
Other	-	-	-	-	-	4,266	323	3,943
Capital outlay	-	-	-	-	-	2,911	1,212	1,699
TOTAL EXPENDITURES	1,825	1,883	1,395	488	68,087	103,909	66,681	37,228
EXCESS (DEFICIENCY) OF REVENUES	70	12	345	333	(9,673)	(43,339)	4,321	47,660
OVER (UNDER) EXPENDITURES								
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	149	(149)	12,042	12,263	12,056	(207)
Transfers out	-	-	(1,063)	(1,063)	(1,357)	(1,357)	(1,357)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(914)	(1,212)	10,685	10,906	10,699	(207)
NET CHANGE IN FUND BALANCES (DEFICIT)	70	12	(569)	(879)	1,012	(32,433)	15,020	47,453
Fund balances - beginning	1,565	1,565	1,565	-	26,699	26,699	26,699	-
FUND BALANCES - ENDING	$ 1,635	$1,577	$ 996	$ (879)	$ 27,711	$ (5,734)	$ 41,719	$ 47,453

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds-Debt Service Funds
Year Ended June 30, 2007
(In Thousands)

	General Obligation Bonds	Lease Financing	Civic Improvement	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
REVENUES							
Property taxes	$ 20,665	$ -	$ -	$ -	$ -	$ -	$ 20,665
Fines and penalties	44	-	-	-	-	-	44
Interest and investment income	219	-	2,939	5,724	186	64	9,132
Other	-	-	-	-	734	9	743
TOTAL REVENUES	20,928	-	2,939	5,724	920	73	30,584
EXPENDITURES							
Agencies/Departments:							
Financial services	1	-	-	5	19	-	25
Other	3	6	1	13	16	1	40
Debt Service:							
Principal repayment	7,600	9,989	2,300	8,785	285	36,450	65,409
Interest charges	11,061	7,527	1,198	9,836	373	15,919	45,914
TOTAL EXPENDITURES	18,665	17,522	3,499	18,639	693	52,370	111,388
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,263	(17,522)	(560)	(12,915)	227	(52,297)	(80,804)
OTHER FINANCING SOURCES							
Transfers in	-	17,483	-	7,411	164	52,078	77,136
TOTAL OTHER FINANCING SOURCES	-	17,483	-	7,411	164	52,078	77,136
NET CHANGE IN FUND BALANCES (deficit)	2,263	(39)	(560)	(5,504)	391	(219)	(3,668)
Fund balances (deficit) - beginning	3,211	(442)	24,437	117,447	3,874	861	149,388
FUND BALANCES (deficit) - ENDING	$ 5,474	$ (481)	$ 23,877	$111,943	$ 4,265	$ 642	$ 145,720

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Debt Service Funds
June 30, 2007
(In Thousands)

	General Obligation Bonds	Lease Financing	Civic Improvement	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
ASSETS							
Cash and investments	$ 5,410	$ -	$ -	$ -	$ 3,122	$ -	$ 8,532
Receivables, net:							
Accrued interest and dividends	60	-	-	-	5	-	65
Property taxes	1,243	-	-	-	271	-	1,514
Due from other funds	-	-	144	-	-	-	144
Restricted cash and investments	68	8	24,168	112,254	1,140	822	138,460
TOTAL ASSETS	$ 6,781	$ 8	$ 24,312	$ 112,254	$ 4,538	$ 822	$ 148,715
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	$ 64	$ -	$ -	$ -	$ 2	$ 1	$ 67
Due to other funds	-	489	435	311	-	179	1,414
Deferred revenue	1,243	-	-	-	271	-	1,514
TOTAL LIABILITIES	1,307	489	435	311	273	180	2,995
Fund Balances (Deficit)							
Reserved:							
Reserved for debt service	5,474	-	23,877	111,943	4,265	642	146,201
Unreserved/designated:							
Projects	-	(481)	-	-	-	-	(481)
TOTAL FUND BALANCES (DEFICIT)	5,474	(481)	23,877	111,943	4,265	642	145,720
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	$ 6,781	$ 8	$ 24,312	$ 112,254	$ 4,538	$ 822	$ 148,715

CITY OF OAKLAND
Debt Service Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007
(In Thousands)

(Continued)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fines and penalties	-	-	-	-	-	-	-	-	-	-	-	-
Interest and investment income	-	5,710	5,724	14	84	84	186	102	118	118	64	(54)
Other	-	-	-	-	741	741	734	(7)	-	-	9	9
TOTAL REVENUES	-	5,710	5,724	14	825	825	920	95	118	118	73	(45)
EXPENDITURES												
Current:												
Agencies/Departments:												
Financial Services	-	-	5	(5)	25	25	19	6	-	-	-	-
Other	16	22	13	9	38	38	16	22	8	26	1	25
Debt service:												
Principal repayment	3,475	8,785	8,785	-	285	285	285	-	37,850	36,450	36,450	-
Interest charges	3,920	9,561	9,836	(275)	375	375	373	2	8,118	16,351	15,919	432
TOTAL EXPENDITURES	7,411	18,368	18,639	(271)	723	723	693	30	45,976	52,827	52,370	457
EXCESS (DEFICIENCY) OF REVENUES	(7,411)	(12,658)	(12,915)	(257)	102	102	227	125	(45,858)	(52,709)	(52,297)	412
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Transfers in	7,411	7,411	7,411	-	660	660	164	(496)	45,976	52,827	52,078	(749)
Transfers out	-	-	-	-	(660)	(660)	-	660	-	-	-	-
TOTAL OTHER FINANCING SOURCES	7,411	7,411	7,411	-	-	-	164	164	45,976	52,827	52,078	(749)
NET CHANGE IN FUND BALANCES (deficit)	-	(5,247)	(5,504)	(257)	102	102	391	289	118	118	(219)	(337)
Fund balances - beginning	117,447	117,447	117,447	-	3,874	3,874	3,874	-	861	861	861	-
FUND BALANCES - ENDING	$ 117,447	$ 112,200	$ 111,943	$ (257)	$ 3,976	$ 3,976	$ 4,265	$ 289	$ 979	$ 979	$ 642	$ (337)

CITY OF OAKLAND
Debt Service Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007
(In Thousands)

	General Obligation Bonds				Lease Financing				Civic Improvement			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Taxes:												
Property	$ 18,192	$ 18,683	$ 20,665	$ 1,982	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fines and penalties	-	-	44	44	-	-	-	-	-	-	-	-
Interest and investment income	592	-	219	219	500	500	-	(500)	2,601	2,601	2,939	338
Other	-	-	-	-	21,500	21,500	-	(21,500)	-	-	-	-
TOTAL REVENUES	18,784	18,683	20,928	2,245	22,000	22,000	-	(22,000)	2,601	2,601	2,939	338
EXPENDITURES												
Current:												
Agencies/Departments:												
Financial Services	-	-	1	(1)	-	-	-	-	-	-	-	-
Other	37	22	3	19	12	12	6	6	18	18	1	17
Debt service:												
Principal repayment	6,770	7,600	7,600	-	31,489	31,489	9,989	21,500	2,300	2,300	2,300	-
Interest charges	11,385	11,061	11,061	-	7,509	7,509	7,527	(18)	821	821	1,198	(377)
TOTAL EXPENDITURES	18,192	18,683	18,665	18	39,010	39,010	17,522	21,488	3,139	3,139	3,499	(360)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	592	-	2,263	2,263	(17,010)	(17,010)	(17,522)	(512)	(538)	(538)	(560)	(22)
OTHER FINANCING SOURCES												
Proceeds from bonds issuance	-	-	-	-	-	-	-	-	538	538	-	(538)
Transfers in	-	-	-	-	17,504	17,504	17,483	(21)	-	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-	-	17,504	17,504	17,483	(21)	538	538	-	(538)
NET CHANGE IN FUND BALANCES (deficit)	592	-	2,263	2,263	494	494	(39)	(533)	-	-	(560)	(560)
Fund balances (deficit) - beginning	3,211	3,211	3,211	-	(442)	(442)	(442)	-	24,437	24,437	24,437	-
FUND BALANCES (deficit) - ENDING	$ 3,803	$ 3,211	$ 5,474	$ 2,263	$ 52	$ 52	$ (481)	$ (533)	$ 24,437	$ 24,437	$ 23,877	$ (560)

(Continued)

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Capital Projects Funds
June 30, 2007
(In Thousands)

	Parks and Recreation	Emergency Services	Total
ASSETS			
Restricted cash and investments	$ 3,565	$11,289	$ 14,854
TOTAL ASSETS	$ 3,565	$11,289	$ 14,854
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	$ 8	$ 297	$ 305
Due to other funds	88	5,117	5,205
TOTAL LIABILITIES	96	5,414	5,510
Fund balances			
Reserved:			
Encumbrance	1	1	2
Unreserved/designated:			
Projects	3,468	5,874	9,342
TOTAL FUND BALANCES	3,469	5,875	9,344
TOTAL LIABILITIES AND FUND BALANCES	$ 3,565	$11,289	$ 14,854

CITY OF OAKLAND
Capital Project Funds
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007
(In Thousands)

	Parks and Recreation				Emergency Services			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Interest and investment income	$ -	$ -	$ 28	$ 28	$ -	$ -	$ 352	$ 352
TOTAL REVENUES	-	-	28	28	-	-	352	352
EXPENDITURES								
Current:								
Elected and Appointed Officials-								
City Attorney	21	21	21	-	-	-	-	-
Agencies/Departments:								
Parks and Recreation	-	-	-	-	-	20	-	20
Public Works	-	2,230	218	2,012	-	5,339	261	5,078
Capital outlay	-	894	688	206	-	2,224	91	2,133
TOTAL EXPENDITURES	21	3,145	927	2,218	-	7,583	352	7,231
NET CHANGE IN FUND BALANCES (deficit)	(21)	(3,145)	(899)	2,246	-	(7,583)	-	7,583
Fund balances - beginning	4,368	4,368	4,368	-	5,875	5,875	5,875	-
FUND BALANCES (deficit) - ENDING	$ 4,347	$ 1,223	$ 3,469	$ 2,246	$ 5,875	$ (1,708)	$ 5,875	$ 7,583

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds-Capital Projects Funds
Year Ended June 30, 2007
(In Thousands)

	Parks and Recreation	Emergency Services	Total
REVENUES			
Interest and investment income	$ 28	$ 352	$ 380
TOTAL REVENUES	28	352	380
EXPENDITURES			
Current:			
Elected and Appointed Officials:			
City Attorney	21	-	21
Agencies/departments:			
Public Works	218	261	479
Capital outlay	688	91	779
TOTAL EXPENDITURES	927	352	1,279
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(899)	-	(899)
NET CHANGE IN FUND BALANCES	(899)	-	(899)
Fund balances - beginning	4,368	5,875	10,243
FUND BALANCES - ENDING	$ 3,469	$ 5,875	$ 9,344

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

CITY OF OAKLAND
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2007
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Total
ASSETS						
Current assets:						
Cash and Investments	$ -	$ 1,019	$ -	$ 322	$ -	$ 1,341
Accounts receivable	-	66	-	3	-	69
Due from other funds	-	-	-	-	55	55
Inventories	318	-	-	-	910	1,228
Restricted cash and investments	8,265	542	-	-	-	8,807
Total Current assets	8,583	1,627	-	325	965	11,500
Noncurrent assets:						
Capital assets:						
Land and other assets not being depreciated	-	-	326	-	-	326
Facilities and equipment, net of depreciation	17,885	815	293	-	-	18,993
Total Noncurrent Assets	17,885	815	619	-	-	19,319
TOTAL ASSETS	26,468	2,442	619	325	965	30,819
LIABILITIES						
Current liabilities:						
Accounts payable and accrued liabilities	1,533	389	1,121	49	-	3,092
Due to other funds	18,656	-	16,367	-	4,696	39,719
Notes payable	2,245	346	316	-	-	2,907
Total Current Liabilities	22,434	735	17,804	49	4,696	45,718
Noncurrent liabilities:						
Notes payable	5,875	1,544	3,422	-	-	10,841
Total Noncurrent Liabilities	5,875	1,544	3,422	-	-	10,841
TOTAL LIABILITIES	28,309	2,279	21,226	49	4,696	56,559
NET ASSETS (DEFICIT)						
Invested in capital assets, net of related debt	9,765	-	-	-	-	9,765
Unrestricted (deficit)	(11,606)	163	(20,607)	276	(3,731)	(35,505)
TOTAL NET ASSETS (DEFICIT)	$ (1,841)	$ 163	$ (20,607)	$ 276	$ (3,731)	$ (25,740)

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Stores	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers, including other funds and cash deposits	$ 15,995	$ 2,237	$ 18,056	$ 1,437	$ 2,290	$ 40,015
Cash from other sources	62	-	689	-	-	751
Cash paid to employees for services	(5,439)	(1,453)	(9,531)	(387)	(1,381)	(18,191)
Cash paid to suppliers for goods & services	(8,194)	(2,727)	(13,039)	(1,109)	(1,077)	(26,146)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,424	(1,943)	(3,825)	(59)	(168)	(3,571)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Procceds of interfund loans	5,491	-	2,066	-	-	7,557
Repayment of interfund loans	-	-	-	-	(2,447)	(2,447)
Federal and State grants	-	-	129	-	55	184
Transfers in	-	-	-	-	2,761	2,761
Transfers out	(3,661)	-	-	-	-	(3,661)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIE!	1,830	-	2,195	-	369	4,394
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIE!						
Acquisition of capital assets	(924)	(59)	(146)	-	-	(1,129)
Proceeds from sales of property	-	-	55	-	-	55
Loan Proceeds	-	-	982	-	-	982
Repayment of long-term debt	(4,375)	(330)	(304)	-	-	(5,009)
Interest paid on long-term debt	(463)	(92)	(168)	-	-	(723)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(5,762)	(481)	419	-	-	(5,824)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest income (expense)	(211)	99	(763)	8	(201)	(1,068)
Other, net (rental, Insurance claims and settlements)	33	-	1,974	-	-	2,007
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(178)	99	1,211	8	(201)	939
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,686)	(2,325)	-	(51)	-	(4,062)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAI	9,951	3,886	-	373	-	14,210
CASH AND CASH EQUIVALENTS AT END OF YEAI	$ 8,265	$ 1,561	$ -	$ 322	$ -	$ 10,148
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	$ (4,876)	$ (2,569)	$ (3,655)	$ (19)	$ 147	$ (10,972)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Depreciation	6,215	298	16	-	-	6,529
Retirement of capital assets	-		-	8	-	8
Changes in assets and liabilities:						
Receivables	35	(32)	-	(1)	18	20
Inventories	(45)	-	-	-	(333)	(378)
Accounts payable and accrued liabilities	1,095	360	(186)	(47)	-	1,222
Total Adjustments	7,300	626	(170)	(40)	(315)	7,401
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIE!	$ 2,424	$ (1,943)	$ (3,825)	$ (59)	$ (168)	$ (3,571)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS						
Cash and investments	-	1,019	-	322	-	1,341
Restricted cash and investments	8,265	542	-	-	-	8,807
TOTAL	$ 8,265	$ 1,561	$ -	$ 322	$ -	$ 10,148

CITY OF OAKLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2007
(In Thousands)

	Equipment	Radio	Facilities	Reproduction	Central Stores	Total
OPERATING REVENUES						
Charges for services	$ 16,005	$ 2,269	$ 18,056	$ 1,438	$ 2,605	$ 40,373
Other	62	-	689	-	-	751
TOTAL OPERATING REVENUES	16,067	2,269	18,745	1,438	2,605	41,124
OPERATING EXPENSES						
Personnel	5,439	1,453	9,531	387	1,381	18,191
Supplies	5,134	2,196	1,320	92	25	8,767
Depreciation and amortization	6,215	298	16	-	-	6,529
Contractual services and supplies	421	627	776	20	7	1,851
Repairs and maintenance	900	43	1,584	28	1	2,556
General and administrative	1,557	38	2,744	281	130	4,750
Rental	387	183	519	637	47	1,773
Other	890	-	5,910	12	867	7,679
TOTAL OPERATING EXPENSES	20,943	4,838	22,400	1,457	2,458	52,096
OPERATING INCOME (LOSS)	(4,876)	(2,569)	(3,655)	(19)	147	(10,972)
NON-OPERATING REVENUES (EXPENSES)						
Interest and investment income	(211)	99	(763)	8	(201)	(1,068)
Interest expense	(463)	(92)	(168)	-	-	(723)
Rental	-	-	455	-	-	455
Federal and State grants	-	-	129	-	55	184
Insurance claims and settlements	-	-	1,519	-	-	1,519
Other, net (sale property, loan exp.)	33	-	55	-	-	88
TOTAL NON-OPERATING REVENUES (EXPENSES)	(641)	7	1,227	8	(146)	455
INCOME (LOSS)	(5,517)	(2,562)	(2,428)	(11)	1	(10,517)
Transfers in	-	-	-	-	2,761	2,761
Transfers out	(3,661)	-	-	-	-	(3,661)
TOTAL TRANSFERS	(3,661)	-	-	-	2,761	(900)
Changes in net assets (deficit)	(9,178)	(2,562)	(2,428)	(11)	2,762	(11,417)
Total net assets (deficit) - beginning	7,337	2,725	(18,179)	287	(6,493)	(14,323)
TOTAL NET ASSETS (DEFICIT) - ENDING	$ (1,841)	$ 163	$ (20,607)	$ 276	$ (3,731)	$(25,740)

FIDUCIARY FUNDS

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

PENSION TRUST FUNDS

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

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

OTHER TRUST FUND

Private Purpose Trust Fund accounts for the operations of certain trust funds, such as the Major Gifts Funds or the Youth Opportunity Program Fund, and retiree medical payments, that are not related to Oakland Redevelopment Agency projects or parks, recreation or cultural activities.

CITY OF OAKLAND
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2007
(In Thousands)

	OMERS	PFRS	TOTAL
ASSETS			
Cash and investments	$ 170	$ 2,966	$ 3,136
Receivables:			
Interest and dividends	-	2,588	2,588
Investments and contributions	12	57,560	57,572
Retired members and beneficiaries	-	303	303
Restricted cash and investments:			
Short-term investments	-	31,011	31,011
U.S. government bonds		172,558	172,558
U.S. corporate bonds		109,194	109,194
Other government bonds	-	2,838	2,838
Domestic equities and mutual funds	9,274	222,461	231,735
International equities and mutual funds	-	103,116	103,116
Real estate mortgage loans	-	54	54
Securities lending collateral	-	42,014	42,014
TOTAL ASSETS	9,456	746,663	756,119
LIABILITIES			
Due to other funds	4,206	-	4,206
Accounts payable and accrued liabilities	85	115,556	115,641
Securities lending liability	-	42,014	42,014
TOTAL LIABILITIES	4,291	157,570	161,861
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 5,165	$ 589,093	$ 594,258

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended June 30, 2007
(In Thousands)

	OMERS	PFRS	TOTAL
ADDITIONS:			
Contributions:			
Members	$ -	$ 18	$ 18
Investment Income:			
Net increase			
in fair value of investments	774	58,776	59,550
Interest	90	15,033	15,123
Dividends	267	5,061	5,328
Securities lending income	-	2,419	2,419
Total investment income, net	1,131	81,289	82,420
Less investment expense	(44)	(2,744)	(2,788)
Borrowers' rebates and other agent fees and securities lending transactions	-	(2,350)	(2,350)
Net investment income	1,087	76,195	77,282
TOTAL ADDITIONS	1,087	76,213	77,300
DEDUCTIONS:			
Disbursements to members and beneficiaries:			
Retirement	789	43,016	43,805
Disability	128	26,139	26,267
Death	1	2,250	2,251
TOTAL DISBURSEMENTS TO MEMBERS AND BENEFICIARIES	918	71,405	72,323
Administrative expenses	345	819	1,164
Change in payable to City	548	-	548
TOTAL DEDUCTIONS	1,811	72,224	74,035
Change in net assets	(724)	3,989	3,265
Net assets - beginning	5,889	585,104	590,993
Net assets - ending	$ 5,165	$ 589,093	$ 594,258

STATISTICAL SECTION

This part of the City of Oakland's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

Financial Trends

Schedules one through five contain trend information to assist in understanding how the City's financial performance and well-being have changed over times.

Revenue Capacity

Schedules six through twelve report tax revenues by sources which include: property taxes, state taxes and local taxes.

Debt Capacity

Schedules thirteen through sixteen present information that helps in understanding the City's current level of outstanding debt, the legal debt margin, and the ability to issue additional debt in the future.

Component Unit

Schedule seventeen contains debt information related to the Port of Oakland, a component unit of the City. This schedule assists in understanding the resources available to pay debt service.

Demographic and Economic Information

Schedules eighteen and nineteen provide the demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

Schedules twenty through twenty-two contain service and infrastructure data to assist in understanding how the City's financial reports relate to the services the City provides and the activities it performs.

Sources: The City's Comprehensive Annual Financial Report for the relevant year. The City implemented GASB 34 in fiscal year ended June 30, 2002.

SCHEDULE 1

NET ASSETS BY COMPONENT

(in thousands)

	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	$ 395,311	$ 385,354	$ 389,345	$ 310,633	$ 319,932	$ 353,715
Restricted	246,923	429,353	316,026	292,415	267,824	317,558
Unrestricted	(634,634)	(400,886)	(260,074)	(55,983)	(8,522)	37,704
Total governmental activities net assets	$ 7,600	$ 413,821	$ 445,297	$ 547,065	$ 579,234	$ 708,977
Business-type activities						
Invested in capital assets, net of related debt	$ 103,197	$ 109,682	$ 113,610	$ 107,396	$ 110,279	$ 109,886
Unrestricted	(4,287)	(3,643)	(6,185)	3,114	989	2,173
Total business-type activities net assets	$ 98,910	$ 106,039	$ 107,425	$ 110,510	$ 111,268	$ 112,059
Primary government						
Invested in capital assets, net of related debt	$ 498,508	$ 495,036	$ 502,955	$ 418,029	$ 430,211	$ 463,601
Restricted	246,923	429,353	316,026	292,415	267,824	317,558
Unrestricted	(638,921)	(404,529)	(266,259)	(52,869)	(7,533)	39,877
Total primary government net assets	$ 106,510	$ 519,860	$ 552,722	$ 657,575	$ 690,502	$ 821,036

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Net Assets

SCHEDULE 2

CHANGES IN NET ASSETS

(in thousands)

	2002	2003	2004	2005	2006	2007
Expenses						
Governmental Activities:						
General government	$ 80,170	$ 95,671	$ 67,069	$ 65,865	$ 71,471	$ 91,119
Public safety	250,503	302,273	297,869	319,908	335,171	348,436
Life enrichment	99,223	105,133	102,314	96,649	101,902	105,728
Community and economic development	108,101	110,400	121,160	117,689	140,351	183,968
Public works	72,639	83,548	70,369	107,457	100,448	101,075
Interest on long-term debt	72,924	56,072	58,820	62,238	73,224	79,864
Total governmental activities expenses	$ 683,560	$ 753,097	$ 717,601	$ 769,806	$ 822,567	$ 910,190
Business-type activities:						
Sewer	$ 15,848	$ 17,960	$ 20,597	$ 21,337	$ 24,841	$ 29,365
Parks and recreation	94	68	159	160	734	1,087
Total business-type activities	$ 15,942	$ 18,028	$ 20,756	$ 21,497	$ 25,575	$ 30,452
Total primary government expenses	$ 699,502	$ 771,125	$ 738,357	$ 791,303	$ 848,142	$ 940,642
Program Revenues (see schedule 3)						
Governmental activities:						
Charges for services:						
General government	$ 25,131	$ 27,946	$ 14,913	$ 25,641	$ 16,266	$ 13,741
Public safety	14,715	15,489	38,959	66,983	42,492	9,803
Life enrichment	5,123	4,355	73	125	79	3,992
Community and economic development	21,553	21,599	7,287	12,528	7,947	16,437
Public works	21,872	26,898	3,600	6,190	3,927	31,269
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154	106,903
Capital grants and contributions	10,553	9,262	10,366	-	-	-
Total governmental activities program revenues	$ 162,182	$ 185,333	$ 154,163	$ 186,161	$ 147,865	$ 182,145
Business-type activities:						
Charges for services:						
Sewer	$ 19,153	$ 19,364	$ 22,590	$ 24,252	$ 24,678	$ 29,838
Parks and recreation	100	122	58	244	197	237
Operating grants and contributions	19	19	-	-	-	21
Total business-type activities program revenues	$ 19,272	$ 19,505	$ 22,648	$ 24,496	$ 24,875	$ 30,096
Total primary government program revenues	$ 181,454	$ 204,838	$ 176,811	$ 210,657	$ 172,740	$ 212,241
Net (Expense)/Revenue						
Governmental activities	$ (521,378)	$ (567,764)	$ (563,438)	$ (583,645)	$ (674,702)	$ (735,868)
Business-type activities	3,330	1,477	1,892	2,999	(700)	(356)
Total primary government net expense	$ (518,048)	$ (566,287)	$ (561,546)	$ (580,646)	$ (675,402)	$ (736,224)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	$ 172,029	$ 202,297	$ 200,731	$ 234,127	$ 268,693	$ 317,666
State taxes	68,603	79,444	72,906	68,451	67,304	67,723
Local taxes	160,729	199,720	197,873	251,301	261,815	256,658
Other taxes	66,883	64,414	117,238	84,850	30,406	108,048
Interest and investment income	36,463	40,043	5,566	46,063	78,053	48,073
Transfers	659	629	600	621	600	600
Special Items	-	-	-	-	-	59,020
Total governmental activities	$ 505,366	$ 586,547	$ 594,914	$ 685,413	$ 706,871	$ 857,788
Business-type activities:						
Interest and investment income	$ 10	$ 199	$ 94	$ 707	$ 1,996	$ 1,745
Other	1,891	6,082	-	-	62	2
Transfers	(659)	(629)	(600)	(621)	(600)	(600)
Total business-type activities	$ 1,242	$ 5,652	$ (506)	$ 86	$ 1,458	$ 1,147
Total primary government	$ 506,608	$ 592,199	$ 594,408	$ 685,499	$ 708,329	$ 858,935
Change in Net Assets						
Governmental activities	$ (16,012)	$ 18,783	$ 31,476	$ 101,768	$ 32,169	$ 129,743
Business-type activities	4,572	7,129	1,386	3,085	758	791
Total primary government	$ (11,440)	$ 25,912	$ 32,862	$ 104,853	$ 32,927	$ 130,534

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Statement of Activities

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

(in thousands)

Function/Program	2002	2003	2004	2005	2006	2007
Governmental activities:						
General government	$ 25,131	$ 27,946	$ 14,913	$ 25,641	$ 16,266	$ 13,741
Public safety	14,715	15,489	38,959	66,983	42,492	9,803
Life enrichment	5,123	4,355	73	125	79	3,992
Community and economic development	21,553	21,599	7,287	12,528	7,947	16,437
Public works	21,872	26,898	3,600	6,190	3,927	31,269
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154	106,903
Capital grants and contributions	10,553	9,262	10,366	-	-	-
Subtotal governmental activities	$ 162,182	$ 185,333	$ 154,163	$ 186,161	$ 147,865	$ 182,145
Business-type activities:						
Sewer	$ 19,153	$ 19,364	$ 22,590	$ 24,252	$ 24,678	$ 29,838
Parks and recreation	100	122	58	244	197	237
Operating grants and contributions	19	19	-	-	-	21
Subtotal business-type activities	$ 19,272	$ 19,505	$ 22,648	$ 24,496	$ 24,875	$ 30,096
Total primary government	$ 181,454	$ 204,838	$ 176,811	$ 210,657	$ 172,740	$ 212,241

Source: City of Oakland Statement of Activities

SCHEDULE 4

FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

	2002	2003	2004	2005	2006	2007
General Fund						
Reserved	$ 196,067	$ 214,317	$ 10,779	$ 151,494	$ 134,151	$ 138,891
Unreserved	29,666	38,801	222,529	140,343	152,368	143,016
Total general fund	$ 225,733	$ 253,118	$ 233,308	$ 291,837	$ 286,519	$ 281,907
All Other Governmental Funds						
Reserved	$ 327,871	$ 475,385	$ 284,475	$ 445,531	$ 496,474	$ 797,702
Unreserved, reported in:						
Special revenue funds	(11,809)	(108,238)	4,704	19,785	42,102	32,444
Capital projects funds	4,222	6,599	164,788	143,456	130,221	98,912
Total all other governmental funds	$ 320,284	$ 373,746	$ 453,967	$ 608,772	$ 668,797	$ 929,058

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Source: City of Oakland Balance Sheet, Governmental Funds

CITY OF OAKLAND
STATISTICS

SCHEDULE 5

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Taxes (see Schedule 6)	$ 311,114	$ 330,836	$ 368,764	$ 403,226	$ 402,435	$ 439,159	$ 457,949	$ 535,706	$ 578,474	$ 616,754
Licenses, fees, and permits	7,701	8,061	9,098	11,442	11,758	13,098	13,476	15,676	19,006	20,390
Fines and penalties	12,494	14,736	15,625	17,111	17,806	20,645	28,189	26,325	25,467	26,859
Interest/investment net income	53,401	48,275	35,449	37,116	35,481	40,619	7,672	38,495	30,721	49,141
Charges for services	34,510	38,192	41,181	50,310	60,840	65,324	67,176	73,133	70,711	75,242
Federal and State grants and subventions	85,346	61,334	83,759	75,701	48,234	72,483	79,918	97,009	73,778	97,382
Other revenues	25,312	40,580	17,159	22,001	61,391	70,027	48,608	53,711	47,558	74,758
Total revenues	$ 529,878	$ 542,014	$ 571,035	$ 616,907	$ 637,945	$ 721,355	$ 702,988	$ 840,055	$ 845,715	$ 960,526
Expenditures										
General government	$ 24,273	$ 29,166	$ 31,689	$ 35,338	$ 41,389	$ 39,365	$ 42,225	$ 45,466	$ 49,411	$ 67,194
Financial services	12,166	13,565	15,978	15,327	16,637	17,025	22,339	22,197	24,181	26,018
Police services	105,248	114,462	130,662	145,521	151,791	166,266	166,175	178,813	187,968	206,561
Fire services	58,151	60,637	72,237	77,129	84,239	88,154	91,542	98,029	111,162	112,699
Life enrichment										
Administration	-	-	-	1,693	561	660	1	7	-	-
Parks & Recreation	24,526	27,290	41,818	38,180	32,481	28,556	29,445	16,740	17,296	19,148
Library	13,425	14,314	13,871	15,178	16,540	17,096	18,460	20,547	22,942	24,631
Museum	4,815	4,597	5,512	5,707	7,278	7,561	8,327	7,383	267	6,976
Marketing	-	-	-	-	-	-	2,367	-	-	-
Aging, Health & Human Services	20,340	20,849	19,856	21,347	24,568	27,740	33,238	35,609	46,581	53,228
Cultural Arts	-	-	1,717	1,972	1,382	1,753	41	-	6,832	-
Community & Economic Development	73,833	73,923	84,394	73,745	118,234	122,715	92,788	101,031	135,561	169,233
Public Works	46,768	42,527	48,504	60,835	52,841	51,458	60,328	73,338	79,816	91,490
Other	30,906	55,054	48,313	46,773	41,471	36,652	30,372	38,327	23,048	10,641
Capital outlay	82,702	64,108	18,606	14,397	22,055	27,056	24,779	36,219	25,014	49,895
Debt service										
Bond issuance costs	-	-	-	-	3,711	4,212	12,874	4,478	2,496	4,467
Principal	26,664	30,457	36,144	50,351	39,686	50,356	61,831	88,506	72,583	79,964
Interest	81,167	74,410	73,743	75,649	58,558	55,020	62,897	60,656	69,027	69,682
Total expenditures	$ 604,984	$ 625,359	$ 643,044	$ 679,142	$ 713,422	$ 741,645	$ 760,029	$ 827,346	$ 874,185	$ 991,827
Excess of revenues over(under) expenditures	$ (75,106)	$ (83,345)	$ (72,009)	$ (62,235)	$ (75,477)	$ (20,290)	$ (57,041)	$ 12,709	$ (28,470)	$ (31,301)
Other Financing Sources (Uses)										
Issuance of debt	$ -	$ -	$ 1,166	$ 1,573	$ -	$ -	$ 3,927	$ 433,956	$ 105,840	$ 143,988
Issuance of refunding bonds	-	-	-	-	213,655	202,765	188,650	-	-	102,590
Premiums on issuance of bonds	-	-	-	-	788	-	587	13,535	328	1,963
Payment to refunding bond escrow agent	-	-	-	-	(208,907)	(110,826)	(96,395)	(247,860)	(27,853)	(22,729)
Property sale proceeds	255	-	79	104	16,094	8,569	1,497	394	4,262	618
Transfers in	34,869	73,122	116,700	8,514	142,816	79,144	95,404	109,911	101,643	97,397
Transfers out	(70,971)	(111,121)	(164,902)	(59,261)	(142,157)	(78,515)	(94,804)	(109,311)	(101,043)	(95,897)
Total other financing sources (uses)	$ (35,847)	$ (37,999)	$ (46,957)	$ (49,070)	$ 22,289	$ 101,137	$ 98,866	$ 200,625	$ 83,177	$ 227,930
Special item	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 59,020
Change in fund balances										
Total fund balance - beginning	$ 29,700	$ 24,464	$ 42,872	$ 32,234	$ 599,205	$ 546,017	$ 645,450	$ 687,275	$ 900,609	$ 955,316
Total fund balance - ending	24,464	42,872	32,234	22,796	546,017	626,864	687,275	900,609	955,316	1,210,965
Net change in fund balances	$ (5,236)	$ 18,408	$ (10,638)	$ (9,438)	$ (53,188)	$ 80,847	$ 41,825	$ 213,334	$ 54,707	$ 255,649
Debt service as a percentage of noncapital expenditures	20.65%	18.68%	17.60%	18.95%	14.75%	15.34%	18.71%	19.42%	16.97%	16.36%

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances.

SCHEDULE 7

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

(in thousands)

Fiscal Year	Land	Improvements	Personal Property	Total Assessed Value	Less: Tax-Exempt Property	Less: Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1998	5,848,619	11,385,631	1,824,028	19,058,278	1,667,673	1,747,932	15,642,673	5.689	88,991,167	17.58%
1999	6,000,890	11,816,263	2,065,964	19,883,117	1,570,310	1,881,435	16,431,372	5.325	87,497,056	18.78%
2000	6,293,257	12,756,685	1,860,397	20,910,339	1,700,240	2,193,715	17,016,384	5.816	98,967,289	17.19%
2001	6,645,913	13,862,254	2,004,626	22,512,793	1,791,760	2,452,166	18,268,867	5.451	99,583,594	18.35%
2002	7,200,754	15,231,115	2,165,091	24,596,960	1,666,969	3,057,178	19,872,813	5.613	111,546,099	17.82%
2003	7,725,624	16,906,517	1,997,630	26,629,771	1,828,260	3,524,500	21,277,011	5.392	114,725,643	18.55%
2004	8,374,188	18,571,148	1,964,460	28,909,796	1,863,890	4,090,609	22,955,297	5.811	133,393,231	17.21%
2005	9,157,808	20,308,258	1,878,079	31,344,145	2,067,228	5,186,441	24,090,476	5.534	133,316,694	18.07%
2006	10,206,973	22,383,882	1,962,917	34,553,772	2,310,189	7,750,010	24,493,573	5.519	135,180,029	18.12%
2007	11,410,672	24,862,440	1,894,048	38,167,160	2,347,281	9,552,758	26,267,121	5.667	148,855,775	17.65%

Source: County of Alameda

SCHEDULE 6

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

(in thousands)

Fiscal Year	Property	Sales & Use	Motor Vehicle in-lieu	Gas	Business License	Utility Consumption	Real Estate Transfer	Transient Occupancy	Parking	Voter Approved	Franchise	Total
1998	135,605	40,202	16,410	7,209	31,198	35,695	22,716	8,466	4,837	-	8,776	311,114
1999	140,029	43,808	17,701	7,389	31,825	36,938	28,892	9,430	5,827	-	8,997	330,836
2000	155,941	46,791	19,314	8,052	35,845	41,592	34,359	12,100	5,686	-	9,084	368,764
2001	162,895	52,877	21,361	10,419	38,738	48,703	38,309	12,766	6,762	-	10,396	403,226
2002	163,130	45,749	22,854	7,705	42,094	49,547	37,272	10,530	7,525	5,085	10,944	402,435
2003	193,738	48,798	24,259	6,387	42,020	46,581	42,088	10,863	8,242	5,359	10,824	439,159
2004	200,646	47,760	18,178	6,968	44,223	48,056	55,665	9,857	9,799	5,205	11,592	457,949
2005	232,061	51,148	9,656	7,647	43,902	49,781	77,722	10,926	11,580	30,155	11,128	535,706
2006	268,361	56,844	2,984	7,476	43,790	48,770	79,483	11,690	15,196	31,728	12,152	578,474
2007	314,468	58,006	2,268	7,449	50,339	51,426	61,505	12,303	16,202	29,778	13,010	616,754
Change 1998-2007	131.9%	44.3%	-86.2%	3.3%	61.4%	44.1%	170.8%	45.3%	235.0%	n/a	48.2%	98.2%

Note: Reflects revenues of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency

Source: City of Oakland Statement of Revenues, Expenditures and Changes in Fund Balances.

CITY OF OAKLAND
STATISTICS

SCHEDULE 9

PRINCIPAL PROPERTY TAX PAYERS

Taxpayer	1998 Taxable Assessed Value	1998 Percentage of Total City Taxable Assessed Value	2007 Taxable Assessed Value	2007 Percentage of Total City Taxable Assessed Value
Oakland City Center Venture LLC	$ -	0.000%	$ 210,683,258	0.588%
SIC Lakeside Drive LLC	-	0.000%	195,518,292	0.546%
Kaiser Foundation Health Plan	112,511,269	0.647%	143,883,711	0.402%
1800 Harrison Foundation	-	0.000%	114,900,203	0.321%
Oakland Property LLC	-	0.000%	105,741,512	0.295%
Clorox Company	78,119,798	0.449%	93,590,595	0.261%
555 Twelfth Street Venture LLC	-	0.000%	89,186,247	0.249%
Brandywine Ordway LLC	-	0.000%	89,151,972	0.249%
KSL Claremont Resort, Inc.	-	0.000%	83,480,444	0.233%
SSR Western Multifamily LLC	-	0.000%	64,567,437	0.180%
Total	$ 190,631,067	1.096%	$ 1,190,703,671	3.324%

(1) 2007 based on total assessed value of $35,819,878,951
(2) 1998 based on total assessed value of $17,390,605,000

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 8

DIRECT AND OVERLAPPING PROPERTY TAX RATES

	City Direct Rates				Overlapping Rates								
Fiscal Year	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
1998	0.3485	0.0629	0.1575	0.5689	0.3086	0.2165	0.0332	0.0517	0.0220	0.0505	0.0096	0.0242	0.0081
1999	0.3485	0.0265	0.1575	0.5325	0.3086	0.2165	0.0318	0.0517	0.0167	0.0505	0.0091	0.0242	0.0092
2000	0.3485	0.0756	0.1575	0.5816	0.3086	0.2165	0.0274	0.0517	-	0.0505	0.0087	0.0242	0.0088
2001	0.3485	0.0391	0.1575	0.5451	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0085	0.0242	0.0065
2002	0.3485	0.0553	0.1575	0.5613	0.3086	0.2165	0.0959	0.0517	-	0.0505	0.0084	0.0242	0.0072
2003	0.3485	0.0332	0.1575	0.5392	0.3086	0.2165	0.0994	0.0517	-	0.0505	0.0084	0.0242	0.0065
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057
2007	0.3485	0.0607	0.1575	0.5667	0.3086	0.2165	0.1074	0.0517	-	0.0505	0.0068	0.0242	0.0085

Note: Rates per $1,000 assessed value

Source: County of Alameda

SCHEDULE 11

TAXABLE SALES BY CATEGORY

(in thousands)

	Calendar Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Auto & Transportation	n/a	n/a	n/a	$ 922,018	$ 895,331	$ 929,517	$ 871,710	$ 817,924	$ 860,194	$ 912,876
Business & Industry	n/a	n/a	n/a	688,074	588,871	715,740	700,079	622,816	667,630	613,457
General Consumer Goods	n/a	n/a	n/a	501,218	504,084	480,747	453,363	461,085	554,136	549,394
Restaurants and Hotels	n/a	n/a	n/a	439,638	442,948	430,058	406,565	441,158	496,814	483,765
Building & Construction	n/a	n/a	n/a	319,187	348,829	393,261	369,886	491,196	488,972	495,607
Food & Drugs	n/a	n/a	n/a	372,774	342,013	341,625	308,529	316,990	321,467	330,643
Fuel & Service Stations	n/a	n/a	n/a	290,612	317,736	342,098	593,926	869,866	1,058,122	1,186,535
Total	$ -	$ -	$ -	$ 3,533,521	$3,439,812	$3,633,046	$3,704,058	$4,021,035	$4,447,335	$ 4,572,277
City direct sales tax rate									1.5%	1.5%

Source of taxable sales data is CEDA (http://www.business2oakland.com/main/localeconomy.htm) - obtained from HdL

SCHEDULE 10

PROPERTY TAX LEVIES AND COLLECTIONS

(in thousands)

1% TAX ROLL

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy
1998	45,176	43,948	97.28%
1999	47,448	46,138	97.24%
2000	49,855	47,921	96.12%
2001	53,376	51,120	95.77%
2002	56,947	55,270	97.06%
2003	61,164	59,276	96.91%
2004	65,248	63,546	97.39%
2005	68,095	66,301	97.37%
2006	73,331	71,198	97.09%
2007	79,357	75,654	95.33%

Voter-Approved Debt Tax Roll

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy
1998	35,745	34,229	95.76%
1999	35,848	34,599	96.52%
2000	45,245	43,475	96.09%
2001	42,225	40,748	96.50%
2002	49,024	46,849	95.56%
2003	48,441	46,001	94.96%
2004	61,760	59,602	96.51%
2005	59,673	57,558	96.46%
2006	63,369	60,887	96.08%
2007	75,071	70,586	94.03%

Source: County of Alameda

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE

(in thousands)

	Governmental Activities														Business-type Activities					
Fiscal Year	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes Payable	Capital Leases	Accrued Vacation and Sick Leave	Workers' Comp. Liability	Claims Payable (est.)	Environ-mental Cost (est.)	Pledge Oblig. For Authority Debt	Sewer Fund Notes Payable	Sewer Fund Bonds	Unamortized Bond Premium	Total Primary Government	Percentage of Personal Income (1)	Per Capita
1998	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
1999	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2000	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2001	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2002	133,295	214,295	67,346	399,675	435,686	-	8,870	52,283	-	31,923	90,694	45,242	-	99,048	7,663	-	-	1,586,020	13.56%	4
2003	167,350	246,660	63,631	382,645	442,592	-	8,463	49,448	-	32,798	91,367	49,569	-	96,590	7,045	-	-	1,638,158	14.00%	4
2004	232,045	235,555	59,594	386,200	436,873	-	7,940	46,153	-	37,436	94,874	48,716	-	93,950	6,362	-	-	1,685,698	14.41%	4
2005	227,010	270,085	50,195	488,721	366,405	70,811	7,370	18,440	26,769	31,503	96,166	43,099	5,499	91,150	5,655	62,330	2,829	1,864,037	15.94%	5
2006	358,124	319,115	49,154	346,110	341,475	85,884	7,085	17,940	20,218	33,709	100,493	44,945	2,319	88,100	4,925	60,840	2,710	1,883,146	16.10%	5
2007	345,214	514,475	45,795	325,105	313,625	104,356	6,800	17,090	31,809	33,601	98,381	43,598	11,198	85,350	4,126	59,305	2,593	2,042,421	22.41%	5

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations
(1) Per capita income $21,936 multiplied by population 415,492 gives personal income $9,114,233

SCHEDULE 12

DIRECT AND OVERLAPPING SALES TAX RATES

Fiscal Year	City Direct Rate	State of California
1998	n/a	n/a
1999	n/a	n/a
2000	n/a	n/a
2001	n/a	n/a
2002	n/a	n/a
2003	n/a	n/a
2004	n/a	n/a
2005	n/a	n/a
2006	1.50%	7.25%
2007	1.50%	7.25%

Source: California State Board of Equalization

SCHEDULE 14

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

(in thousands)

	General Bonded Debt Outstanding			
Fiscal Year	Net Bonded Debt (1)	Assessed Value (2)	Percentage of Actual Taxable Value of Property (%)	Per Capita (3) *(in dollars)*
1998	136,135	17,390	7.828	350.77
1999	132,960	18,313	7.260	332.48
2000	129,665	19,210	6.750	322.47
2001	137,080	20,721	6.616	336.81
2002	133,295	22,930	5.813	326.06
2003	167,350	24,802	6.747	405.99
2004	232,045	27,046	8.580	563.76
2005	227,010	29,277	7.754	550.59
2006	358,124	32,244	11.107	869.75
2007	345,214	35,820	9.637	830.86

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2007
(2) Source: County of Alameda.
(3) Population 415,492 as of 1/1/07 per State of California Demographic Information by City.

SCHEDULE 15

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Governmental Unit	Estimated Percentage Applicable	City Share of Debt
Direct Bonded Debt		
City of Oakland (1)	100	$ 345,214,363
City of Oakland and Coliseum Lease Revenue Obligations	100	515,200,000
City of Oakland 1915 Act Bond Obligations	100	6,530,000
City of Oakland Pension Special Assessment Obligations	100	313,624,842
Total Direct Bonded Debt:		$ 1,180,569,205
Overlapping Bonded Debt		
Alameda-Contra Costa Transit District Certificates of Participation	21.739	$ 4,081,400
Alameda County Board of Education Public Facilities Corporation	18.172	87,916
Alameda County and Coliseum Authority General Fund Obligation	18.172	82,923,259
Alameda County Pension Obligations	18.172	45,721,032
Bay Area Rapid Transit District	7.26	6,220,650
East Bay Municipal Utility District	20.587	223,500
East Bay Municipal Utility District, Special District #1	52.256	17,877,870
East Bay Regional Park District	10.62	17,248,117
Chabot-Las Positas Community College District	1.298	5,334,382
Chabot-Las Positas Community College District Certificates of Participation	1.298	56,132
Peralta Community College District	54.923	147,763,066
Peralta Community College District Pension Obligation	54.923	83,297,446
Berkeley & Castro Valley Unified School District	0.005 & 0.140	105,426
Oakland Unified School District	99.996	571,439,723
Oakland Unified School District Certificates of Participation	99.996	81,742,548
San Leandro Unified School District	12.693	8,510,008
San Leandro Unified School District Certificates of Participation	12.693	180,197
Castro Valley Unified School District Certificates of Participation	0.14	1,389
City of Emeryville 1915 Act Bonds	4.183	454,483
Total Overlapping Bonded Debt:		$ 1,073,268,544
Total Direct and Overlapping Debt		$ 2,253,837,749
Less: East Bay M.U.D. (100% self-supporting)		223,500
Less: East Bay M.U.D. Special District #1 (100% self-supporting)		17,877,870
Total Net Direct and Overlapping Bonded Debt		$ 2,235,736,379

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2007

Source: City of Oakland Treasury Division

SCHEDULE 17

PLEDGED-REVENUE COVERAGE, PORT OF OAKLAND

(thousands of dollars)

Fiscal Year	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
1998	79,194	12,095	25,564	37,659	210.29%
1999	79,302	11,620	26,039	37,659	210.58%
2000	83,655	12,180	25,496	37,676	222.04%
2001	98,605	18,920	18,757	37,677	261.71%
2002	85,485	13,810	39,380	53,190	160.72%
2003	94,610	10,638	46,323	56,961	166.10%
2004	110,797	9,241	50,124	59,365	186.64%
2005	126,636	8,155	53,633	61,788	204.95%
2006	136,566	14,968	56,806	71,774	190.27%
2007	138,458	19,892	62,756	82,648	167.53%

Source: Port of Oakland.

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	$586,600,245	$616,176,449	$638,114,414	$685,082,511	$745,230,478	$798,115,131	$860,823,608	$903,392,821	$ 918,508,985	$ 985,017,038
Total net debt applicable to limit	136,135,000	132,960,000	129,665,000	137,080,000	133,295,000	167,350,000	232,045,000	227,010,000	358,124,189	345,214,363
Legal debt margin	$450,465,245	$483,216,449	$508,449,414	$548,002,511	$611,935,478	$630,765,131	$628,778,608	$676,382,821	$ 560,384,796	$ 639,802,675
Total net debt applicable to the limit as a percentage of debt limit (%)	23.21%	21.58%	20.32%	20.01%	17.89%	20.97%	26.96%	25.13%	38.99%	35.05%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2007).

CITY OF OAKLAND
STATISTICS

SCHEDULE 19

PRINCIPAL EMPLOYERS

2007

Employer	Employees
Kaiser Permanente	25,070
University of California	22,753
Alameda County	8,925
United States Postal Service	8,472
City of Oakland	4,157
Bay Area Rapid Transit	3,581
Southwest Airlines Co.	2,200
Total	75,158

Source: Economic Development Alliance for Business, Alameda County Largest Employers.

CITY OF OAKLAND
STATISTICS

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
1998	388,100	N/A	N/A	N/A	62,806	4.2
1999	399,900	N/A	N/A	N/A	63,652	3.5
2000	402,100	12,919,473	32,130	33.3	54,867	2.8
2001	407,000	13,730,552	33,736	33.3	55,525	2.9
2002	408,800	16,192,977	39,611	33.3	53,108	6.7
2003	412,200	17,979,340	43,618	33.3	52,629	6.8
2004	411,600	18,163,496	44,129	33.3	49,334	6.1
2005	412,300	9,044,213	21,936	33.3	49,334	5.3
2006	411,755	11,697,548	28,409	33.3	41,467	7.1
2007	415,492	9,114,233	21,936	33.3	39,802	7.4

Note: Median Age according to Community and Economic Development Agency website, Demographics.
(http://www.business2oakland.com/main/demographics.htm)
In FY 2000 - 2004 median family income was used as per capita personal income

Source: Unemployment rate - CEDA, Per Capita Income - CEDA, School Enrollment - OUSD.

CITY OF OAKLAND
STATISTICS

SCHEDULE 20

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Aging, Health & Human Services	N/A	N/A	N/A	N/A	N/A	N/A	224	219	210	213
Community & Economic										
Development Agency	N/A	N/A	N/A	N/A	N/A	N/A	285	266	258	262
Fire										
Firefighters and officers	492	492	492	492	492	506	481	464	445	456
Civilians	70	65	66	66	74	81	78	72	77	81
General Government										
Management services	N/A	N/A	N/A	N/A	N/A	N/A	214	207	199	222
Finance	N/A	N/A	N/A	N/A	N/A	N/A	184	175	201	210
Retirement Services	N/A	N/A	N/A	N/A	N/A	N/A	8	6	7	7
Personnel Resource Mgmt	N/A	N/A	N/A	N/A	N/A	N/A	36	35	38	41
Information Technology Division	N/A	N/A	N/A	N/A	N/A	N/A	73	72	76	76
Library	N/A	N/A	N/A	N/A	N/A	N/A	181	172	173	160
Marketing - CAM	N/A	N/A	N/A	N/A	N/A	N/A	22	22	22	22
Museum	N/A	N/A	N/A	N/A	N/A	N/A	67	61	56	58
Parks and recreation	N/A	N/A	N/A	N/A	N/A	N/A	216	81	88	81
Police										
Officers	690	713	751	747	839	763	759	714	701	725
Civilians	395	412	462	494	443	443	385	370	354	335
Public Works	N/A	N/A	N/A	N/A	N/A	N/A	609	698	709	727
Total	4,027	4,025	4,218	4,218	4,556	3,858	3,822	3,634	3,614	3,676

Note: FTE's not broken down by function/program prior to FY04.

Source: City of Oakland Office of Information Technology.

CITY OF OAKLAND
STATISTICS

SCHEDULE 21

OPERATING INDICATORS BY FUNCTION/PROGRAM

Function/Program	2001	2002	2003	2004	2005	2006	2007
General Government							
Building permits issued	16,879	15,805	15,910	16,424	15,942	15,674	16,488
Building inspections conducted	N/A	N/A	N/A	N/A	N/A	78,306	89,388
Authorized new dwelling units	954	757	930	857	1,350	1,377	2,035
Commercial value	481,635	165,731	260,000	156,669	173,292	173,908	171,157
Residential value	138,570	317,792	170,527	268,600	356,256	646,214	611,036
Police							
Dispatched calls	N/A	N/A	N/A	N/A	N/A	317,323	299,283
Field Contacts	N/A	N/A	N/A	N/A	N/A	8,270	7,221
Physical arrests	N/A	N/A	N/A	N/A	N/A	10,958	14,908
Parking violations	N/A	N/A	N/A	548,922	539,115	512,376	470,008
Traffic violations	N/A	N/A	N/A	N/A	N/A	36,233	39,098
Fire							
Emergency responses	62,453	62,825	60,819	41,999	34,806	58,736	61,470
Fires extinguished	N/A	N/A	N/A	N/A	N/A	3,095	2,021
Inspections	5,636	3,563	1,070	1,070	2,310	2,515	2,631
Port of Oakland							
Imports (in tonnage)	9,668,640	9,144,261	9,905,575	10,759,090	12,434,675	15,223,082	16,081,289
Exports (in tonnage)	14,833,276	13,795,200	13,071,935	14,170,929	14,510,634	14,837,250	14,710,407
Total tonnage	24,501,916	22,939,461	22,977,510	24,930,019	26,945,309	30,060,332	30,791,696
Containers	931,913	968,895	1,079,479	N/A	1,160,270	1,292,277	1,369,123
Other public works							
Street resurfacing (miles)	N/A	N/A	N/A	N/A	N/A	2.44	14.58
Potholes repaired	N/A	N/A	N/A	N/A	N/A	5,020	12,574
Parks and recreation							
Athletic field permits issued	N/A	N/A	N/A	N/A	N/A	465	543
Community center admissions	N/A	N/A	N/A	N/A	N/A	909,303	1,436,682
Library							
Volumes in collection	N/A	N/A	1,291,097	1,292,980	1,357,589	1,300,023	1,956,249
Total volumes borrowed	N/A	N/A	1,950,437	1,779,358	2,062,891	2,316,772	2,270,755
Water							
New connections	N/A	N/A	N/A	N/A	N/A	890	389
Water main breaks	N/A	N/A	N/A	N/A	N/A	269	261
Average daily consumption (gallons/family)	282	214.5	213	213	203	203	203
Peak daily consumption (thousands of gallons)	365,000	385,000	385,000	385,000	385,000	385,000	385,000
Wastewater							
Average daily sewage treatment (thousands of gallons)	75,000	75,000	72,000	72,000	76,000	77,000	75,500

Source of Library data: Kathleen DiGiovanni, City of Oakland Library
Note: Port of Oakland data based on prior calendar year; fiscal year data unavailable.

SCHEDULE 22

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Aviation facilities										
Airports operated	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1	1	1
Paved airport runways	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4	4	4
Total length of runways (in feet)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24,520	25,038	25,038
Area of airport (in acres)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2,500	2,600	2,600
Police										
Stations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	7
Patrol units	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	611	630
Fire stations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	25	25	25
Harbor facilities										
Miles at waterfront	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	19	19
Berthing length at wharves (in feet)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	23,063	23,063
Harbor area (in acres)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	786	786
Hospitals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	2
Library branches	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16	16	16
Museums	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2
Other public works										
Streets (in lane miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2294	2287
Streetlights	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	36,219	33,952
Traffic signals	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	671	680
Parks and recreation										
Acreage	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2500	2500	2500
Swimming pools	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7	7	5
Tennis courts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	44	44	36
Playgrounds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13	13	89
Baseball/softball diamonds	n/a	n/a	n/a	n/a	n/a	n/a	n/a	64	46	46
Soccer/football fields	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13	13	15
Community centers	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29	29	29
Water										
Water mains (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fire hydrants	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6700	6705
Storage capacity (thousands of gallons)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wastewater										
Sanitary sewers (miles)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	29.1	29.1
Treatment capacity (million gallons per day)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	120	120

Source: City of Oakland, East Bay Municipal Utilities District
Note: Harbor Facilities data based on prior calendar year; fiscal year data unavailable.

GENERAL INFORMATION

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

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

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

ALL-AMERICAN CITY

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

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

GOVERNMENT

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. 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 is comprised of eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms. The City Manager, appointed by the Mayor, is responsible for day-to-day administrative and fiscal operations of the City.

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 to five votes; (4) to eliminate the prohibition on paying the Mayor more than the City Manager; (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 Manager; and (7) to change the title of the City Manager 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. Oakland is also the seat of Alameda County, which is one of California's largest counties.

COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. While manufacturing jobs have decreased, the economy now offers a healthy mix of trade, transshipment, government, high tech, financial, real estate, medical, publishing, and service-oriented occupations. It also has growing skilled-crafts and re-emerging food production sectors. Because it is considered the transportation hub of Northern California, the growth in its port and international airport activities have been unprecedented in the last five years driven by agricultural and high tech products shipped to and from the far east economies. In a March 18, 2004 press release, the Port moved $1.2 billion in agricultural goods in 2003 and is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, live performance venues, and a nine-screen movie theater makes Jack London Square a lively nighttime attraction. In addition, new office and retail buildings, public facilities, hotels, a convention center, park enhancements, seven farmer's markets, outdoor cinema, 32 art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City's 40 increasingly robust neighborhood retail areas are expanding and being revitalized. Abandoned warehouses, foundries and long silent cigar, macaroni, and tent factories are being converted into live/work studios for crafts people.

City departments and processes are being streamlined, restructured, and customer focused to better serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The East Bay Entrepreneur Center, located in downtown Oakland, links businesses with the many services

available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Revitalization Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

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

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City's approximately 411,600 residents per capita income in 2006 averaged $28,409. Portions of Oakland are among the wealthiest consumer markets in California; nearly one-quarter of the City's households report household income in excess of $77,500. Estimated annual taxable sales were $3.4 billion in 2004. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

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 media and comments by public officials. For example, the City is:

- "…4th Best commercial real estate market in the country" (Moody's Investors 2003);
- "…6th Best City to live in the U.S." (Money, Dec. 2002);
- "…7th Most Creative City in America." (Carnegie Mellon);
- "…8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "…uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce);
- "…projected to have the highest average household income growth rate (3.67%) in the U.S. for the period 2004-2009. (NPA Data Services, 2005);
- "…ranked 4th best potential retail market in the nation (Marcus & Millichap, 2005);
- "…ranked 2nd in technology intensity and 4th highest percentage of U.S. households with computer users. (MetaFacts, April 2003);
- "…among the top ten green cities in the U.S. (*SustainLane* 2006, 2007);
- "…ranked the top commercial real estate market in the nation, projected to have the largest increase in rents of all U.S. cities through 2007 (*Cushman & Wakefield*, 2006);
- "…ranked eighth in the nation in the percentage of women-owned businesses (*Center for Women's Business Research, September 2004, based on U.S. Census Bureau data*).

These pronouncements 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.

DEMOGRAPHICS

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

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

Mayor Ronald Dellum's "Economic Development is Happening in Oakland":

Over the last 6 months, the Mayor's Office has been closely working with the Mayor's Economic Development task forces, the Oakland Metropolitan Chamber of Commerce, and key stakeholders from the private, public, labor, and education sectors to convene the Mayor's Economic Summit, define an economic vision for Oakland and form the Oakland Partnership. At the same time, the private sector and City staff have been very active "on the ground" to create a more vibrant economy in the city.

Retail Business, "Retail is *Happening* in Oakland":

The Mayor encourages staff to work with retailers, property owners, developers and brokers to grow retail in Oakland's neighborhoods and its downtown.

A Citywide Retail Enhancement Initiative is underway to provide more retail and shopping opportunities for Oakland residents in neighborhoods and in the downtown area. These will reduce sales tax "leakage" in Oakland – the sales tax dollars lost when our residents leave the city to buy things they could have bought here. This opportunity represents $10 million of sales tax revenue each year, and 10,400 jobs.

Green Business

Oakland continues to expand its work with "green" businesses and has a unique opportunity to simultaneously grow its economy, improve environmental conditions, and create jobs for its residents. According to SustainLane, Oakland is the 5th most sustainable large city in the United States.

Industrial Business

Oakland's industrial economy is changing to adapt to global trends, and with our proximity to the Port and Airport, and our central location in the Bay Area, our city is well positioned to grow our industrial sector.

Investment

The private sector has demonstrated increased confidence in Oakland's economy, as measured by the very tangible "yardstick" of investment dollars. There have been major investments in the downtown area, as well as other areas of Oakland, along with many new major leases as well.

Business Improvement Districts

Oakland's Business Improvement Districts (BIDs): Rockridge, Montclair, Lakeshore/Lake Park, Temescal/Telegraph Avenue, Laurel, Fruitvale and a new proposed Korea town/Northgate district, stand to generate an aggregate $15.8 million over their designated terms to provide enhanced cleaning, security, marketing, and economic development activities in designated commercial neighborhoods.

Enterprise Zone Program

The City received a 15-year Enterprise Zone designation in 1993 from the State of California Enterprise Program (EZ). The EZ provides tax incentives to businesses and allows private sector market forces to revive the local economy. The City of Oakland has one of the largest Enterprise Zones in the State of California.

Oakland - An International Gateway

The Port of Oakland is the 4th largest container port in the United States, and its maritime activities have a tremendous economic impact. The City is working in partnership with the Bay Area World Trade Center to develop an international trade strategy and branding campaign for Oakland.

The City is also working to create City-wide Wi-Fi connectivity for Oakland's residents, businesses and visitors. This has the potential to provide a large number of sustainable opportunities for economic growth, public safety and welfare enhancement, government efficiency and effectiveness improvement, personal enrichment, child development and community cohesion.

In 1999, the City launched "Downtown 10K Initiative": the 10K Downtown Housing Initiative, has realized 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 September 2007, the 10K Downtown Housing Initiative has resulted in the start of 84 residential projects with 10,468 units. Of these, twenty-five projects (2,274 units) have been completed, eighteen projects (2,187 units) are in construction, twenty-one projects (2,316 units) have received planning approvals, and sixteen projects (3,691 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 a decade. Once these projects are completed, the 10K Initiative will have exceeded its goal by 4,468 units or almost double.

To enhance the downtown for retail, the City/Redevelopment Agency is (1) constructing $7 million of sidewalk improvements and pedestrian and transit amenities, (2) providing Façade Improvement and Tenant Improvement matching grants; and (3) encouraging the development of public parking.

Both Oakland's Maritime and International Airport operations are undergoing major capital improvements. The Maritime Division has added 12 new giant cranes to its cargo handling capacity, reflecting an investment of over $50 million to connect with the new Joint Intermodal Terminal, and over $38 million investment in federal transportation and private funds. This new 85-acre Intermodal Terminal affords Oakland two viable dock-to-rail alternatives to offer shipping customers. This facility will also benefit the community by taking more than 20,000 truck moves a year off the Interstate 80 freeway.

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

The Mayor and City Council have achieved considerable success in their active recruitment of and support for new and existing companies in five major target industries: telecommunications, software/multimedia, biotechnology, transportation, and food processing. The Oakland metro region is now home to more than 2,145 high-tech companies employing more than 52,000 people.
As the Bay Area's economic boom spreads to Oakland, the City is also focusing its efforts on ensuring that more of its residents are able to enjoy the benefits of that boom. In conjunction with Freddie Mac and Bank of America, the City has launched an aggressive $1 billion First-time Homebuyer Program targeted at helping Oakland residents buy their own home.

HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

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

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the

Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

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

Oakland was incorporated as a city in 1852, and construction of shipping wharves began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharves and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing, and shipping companies based in Oakland. Auto makers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city, and new high-rise office buildings were built in downtown Oakland.

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

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

TRANSPORTATION

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24), and the Bay Area Rapid Transit (BART) system guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

The Port of Oakland

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

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

Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and is a leader in on-time performance with 72.6% of its flights out on time. Strategically located at the center of the region, Oakland International handled 14.3 million passengers in 2004 and almost 700,000 metric tons of air cargo annually. It is the 31st largest airport in the United States by passenger traffic, and the second largest airport in the Bay Area. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Between the two airfields, Oakland International handles more than a half million operations annually, making it the 8th busiest airport in the world. From South Field, there are more than 200 departures daily to domestic and international destinations. The passenger terminal complex consists of two terminals with 22 gates, including an international arrivals building for Oakland's growing international service to such destinations as Guadalajara, Morelia, Leon, Mexico, Paris, and Papeete, Tahiti and the Azores Islands. Service between Oakland and Hawaii was inaugurated in February 2000 and direct flights to New York, JFK and Newark, New Jersey were started. The $110 million Terminal 2 Expansion Project will add five gates and a food court, plus new baggage-screening facilities. The airport employs approximately 15,900 people. United Airlines and Alaska Airlines operate maintenance facilities at Oakland International.

Air Cargo at Oakland International Airport

Oakland International handles nearly 700,000 metric tons of cargo annually, making it the 27th largest airport in the world in the amount of cargo handled. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx, which currently doubled its operations in Oakland by opening a new 13-acre, 191,000 square foot complex, operates a regional sorting and international import clearance facility at Oakland, where nearly 2,100 people are employed. UPS employs 450 people in its airport sort facility and operates a regional distribution center at the nearby Oakland Airport Business Park.

Mass Transit

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

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

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

EDUCATION

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

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

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

HEALTH CARE

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

PUBLIC SAFETY

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

PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Six outdoor pools offer seasonal lap and recreational swimming, instruction, and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing, and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.
There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to "Celebrate Arts and Culture to express the creativity and diversity of Oakland." The Cultural Arts & Marketing Division, Office of the City Administrator, is the City's local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland's creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland's rich artistic and cultural heritage at the local, regional, and national level.

Cultural Funding Program—The City of Oakland, through a competitive application process, awards over $1.1 million in contracts each year to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

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

Special Projects—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland's art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

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

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

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

Malonga Casquelourd Center for the Arts — This is a multi-cultural performing arts complex that is home to the Citicentre Dance Theater, Dimensions Dance Theater and the Oakland Ensemble Theater, all founding resident companies. In addition to hosting local, regional and national theater, dance and music productions, rental space for arts events are available.

The Oakland School of the Arts—This new Charter School provides students with intensive pre-professional training in the arts, within a college-preparatory curriculum for grades 8-12, and will be located on the ground floor of the soon-to-be restored Fox Theater in the Uptown district. It is among the highest performing private schools in the State.

SPORTS

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

In March 23 and 25, 2006, the University of San Francisco and the Oakland Arena hosted the 2006 NCAA Men's Basketball Division 1 Regional Finals. It was the first time the University of San Francisco hosted this prestigious event and the first time since 1995 that the Oakland Arena served as the host venue. The City of Oakland drew considerable praise from the NCAA for its hosting of this exciting run-up to the Final Four while attracting more than 50,000 visitors and generating extensive regional media coverage.

MEDIA

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

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APPENDIX C

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system has been obtained from DTC and neither the Authority or the City takes any responsibility for the completeness or accuracy thereof. The Authority and the City cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (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.

The Depository Trust Company ("DTC"), New York, NY, 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 the 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.

DTC, the world's largest depository, 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTTC is owned by users of its regulated subsidiaries. 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 and www.dtc.org.

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 the 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC 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 the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the 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 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 each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Authority, the City 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, the Trustee, the Authority or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of 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.

NONE OF THE AUTHORITY, THE CITY OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

None of the Authority, the City or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and none of the Authority, the City or the Trustee take any responsibility for the accuracy thereof.

The Authority, the City and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the City or the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Indenture and the Sublease. The summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the full terms of the Indenture and the Sublease, and all capitalized terms not previously defined in the Official Statement or defined in this appendix have the meanings specified in the Indenture or the Sublease.

DEFINITIONS OF CERTAIN TERMS

"***Act***" means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

"***Additional Bonds***" means any bonds authorized to be issued under the Indenture pursuant to the applicable provisions of the Indenture.

"***Additional Payments***" means all amounts payable to the Authority or the Trustee or any other Person by the City as Additional Payments pursuant to the provisions of the Sublease.

"***Authorized Representative***" means the City Administrator of the City or the Director of the Finance and Management Agency of the City, or either such official's duly authorized designee, or the President, Vice President, Executive Director, Secretary or Treasurer of the Authority or any such official's duly authorized designee.

"***Base Rental Due Date***" means the Business Day which is not less than four (4) Business Days prior to each Interest Payment Date or Redemption Date, or any other date scheduled for the payment of principal of the Bonds.

"***Base Rental Payments***" or "***Base Rental***" means all amounts payable to the Authority by the City pursuant to the provisions of the Sublease.

"***Base Rental Payment Schedule***" means the schedule of Base Rental Payments payable to the Authority by the City pursuant to the provisions of the Sublease.

"***Beneficial Owner***" means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

"***Bond Year***" means the twelve-month period ending on January 2 of each year to which reference is made.

"***Bondholder***," "***Owner***" or "***Bond Owner***," when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

"***Business Day***" means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city of New York, New York or in the city in which the Trustee maintains its Trust Office are authorized or required by law or executive order to be closed or (iii) a day on which the New York Stock Exchange is closed.

"***Certificate of the Authority***" means an instrument in writing signed by an Authorized Representative of the Authority.

"***Certificate of the City***" means an instrument in writing signed by an Authorized Representative of the City.

"***Charter***" means the Charter of the City, as the same may be amended and supplemented.

"***Code***" means the Internal Revenue Code of 1986, as amended.

"***Debt Service***" means, for any Fiscal Year or other period, the sum of (1) the interest payable during such Fiscal Year or other period on all Outstanding Bonds, assuming that all Outstanding Serial Bonds are retired as scheduled and that all Outstanding Term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds so long as such funded interest is in an amount equal to the gross amount necessary to pay such interest on the Bonds and is invested in Permitted Investments which mature no later than the related Interest Payment Date), (2) the principal amount of all Outstanding Serial Bonds maturing during such Fiscal Year or other period, and (3) the principal amount of all Outstanding Term Bonds required to be redeemed or paid (together with the redemption premiums, if any, thereon) during such Fiscal Year or other period; provided, that with respect to Capital Appreciation Bonds, the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond.

"***Defeasance Obligations***" means any of the items included in clause (i) of the definition of "Permitted Investments"; *provided*, that any security used as a Defeasance Obligation must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

"***Delivery Date***", with respect to the Bonds, means April 16, 2008.

"***Depository***" shall mean DTC or another recognized securities depository selected by the Authority that maintains a book-entry system for the Bonds.

"***DTC***" means The Depository Trust Company, New York, New York.

"***Escrow Agreement***" means the Escrow Deposit and Trust Agreement, dated as of April 16, 2008, by and between the Authority and the Escrow Bank, with respect to the refunding of the Refunded Bonds.

"***Escrow Bank***" means The Bank of New York Trust Company, N.A., as escrow bank under the Escrow Agreement.

"***Event of Default***" means any of the events described as such in the Indenture.

"***First Supplemental Annuity Deposit Agreement***" means the agreement so named, dated as of November 1, 1988, by and between the System and the City.

"***First Supplemental PFRS Trust Agreement***" means the agreement so named, dated as of February 1, 1997, by and between the City and the Master PFRS Trustee.

"***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 January 1 and July 1 of each year, commencing July 1, 2008.

"***Joint Powers Agreement***" means the Joint Exercise of Powers Agreement by and between the City and the Redevelopment Agency of the City, dated as of February 1, 1993, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions of the Indenture and thereof.

*"**Master PFRS Trust Agreement**"* means the Master Trust Agreement, dated as of February 1, 1997, by and between the City and Texas Commerce Bank National Association, as trustee, as it may from time to time be amended or supplemented pursuant to the provisions of the Sublease and thereof.

*"**Master PFRS Trustee**"* means the trustee appointed and acting under the Master PFRS Trust Agreement.

"***Outstanding***," when used as of any particular time with reference to the Bonds, means (subject to certain provisions of the Indenture) all Bonds theretofore executed, issued and delivered by the Authority under the Indenture 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 Indenture; and

(c) Bonds in lieu of which or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to the Indenture or any Supplemental Indenture.

*"**Permitted Encumbrances**"* means:

(i) the Lease, as it may be amended from time to time;

(ii) the Sublease, as it may be amended from time to time;

(iii) the Indenture, as it may be amended from time to time;

(iv) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law;

(v) rights, reservations, covenants, condition or restrictions to which the Authority and the City consent in writing and certify to the Trustee will not impair the leasehold interests of the Authority in the Leased Property; and

(vi) subleases of the City.

"***Permitted Investments***" means:

(i) (a) cash (fully insured by the Federal Deposit Insurance Corporation); (b) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("**U.S. Treasury Obligations**"); (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America; or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(ii) Federal Housing Administration debentures.

(iii) The following obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(A) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(B) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(C) Federal Home Loan Banks (FHL Banks) consolidated debt obligations, and

(D) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

(iv) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's.

(v) Deposits the aggregate amount of which is fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million.

(vi) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(vii) Money market funds rated "Aam" or "AAm-G" by S&P, or better and if rated by Moody's rated "Aa2" or better,

(viii) "**State Obligations**", which means:

(A) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(B) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "MIG-1" by Moody's.

(C) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's.

(ix) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(A) The municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(B) The municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(C) The principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("**Verification Report**");

(D) The cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(E) No substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and

(F) The cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(x) Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least "A-" by S&P and "A3" Moody's and acceptable to the Bond Insurer (each an "**Eligible Provider**"), provided that:

(A) (i) Permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("**Eligible Collateral**");

(B) The Trustee or a third party acting solely as agent therefore or for the Issuer (the "**Custodian**") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;

(C) The collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Issuer and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(D) The repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

(E) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(F) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Issuer, the Trustee and the Bond Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee (who shall give such direction if so directed by the Bond Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Issuer or the Trustee.

(xi) Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least

"AA-" by S&P and "Aa3" by Moody's, and acceptable to the Bond Insurer (each an "**Eligible Provider**"); provided that:

(A) Interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

(B) The invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the Issuer and the Trustee agree under the Indenture to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(C) The provider shall send monthly reports to the Trustee, the Issuer and the Bond Insurer setting forth the balance the Issuer or the Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;

(D) The investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(E) The investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Bond Insurer;

(F) The Issuer, the Trustee and the Bond Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;

(G) The Issuer, the Trustee and the Bond Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

(H) The investment agreement shall provide that if during its term:

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Bond Insurer, (ii) post Eligible Collateral with the Issuer, the Trustee or a third party acting solely as agent therefore (the "**Custodian**") free and clear of any third party liens or claims, or (iii) as-

sign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment;

(2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provider must, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Bond Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Issuer or Trustee.

(I) In the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("**Eligible Collateral**"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Issuer, the Trustee and the Bond Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

(J) The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;

(K) The investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Issuer or the Trustee (who shall give such direction if so directed by the Bond Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Issuer or Trustee, as appropriate.

*"**PFRS Pension Obligation Bond Law**"* means Chapter 4.44 of the Oakland Municipal Code, as amended from time to time, as adopted pursuant to the provisions of the Retirement Law.

*"**Pledged Revenues**"* means Tax Override Revenues deposited with the Trustee from time to time by or on behalf of the Master PFRS Trustee or the City, or held by the City and legally available for the payment of Base Rental Payments and Additional Payments under the Sublease and in accordance with the provisions of the Master PFRS Trust Agreement and any supplements thereto or amendments thereof.

*"**Program**"* means the program of the City established pursuant to the provisions of the PFRS Pension Obligation Bond Law to finance the obligations of the City pursuant to the Retirement Law.

*"**Rating Agency,**"* as to the Bonds or any other Series of Bonds issued under the Indenture, means Fitch, Moody's or S&P to the extent they then are providing or maintaining a rating on the Bonds or such other Series of Bonds at the request of the Authority, or in the event that Fitch, Moody's or S&P no longer maintains a rating on the Bonds or such other Series of Bonds, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds or such other Series of Bonds at the request of the Authority.

*"**Rating Category**"* means one of the general long-term (or short-term, if so specifically provided) rating categories of Fitch, Moody's or S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

*"**Rating Confirmation**"* means written confirmation from each Rating Agency that any proposed action will not, in and of itself, cause the Rating Agency to lower, suspend or withdraw the rating then assigned by such Rating Agency to any Outstanding Bonds or, as applicable, any other Series of Bonds.

"***Record Date***" means, with respect to any Interest Payment Date, the fifteenth day of the month preceding the month in which such Interest Payment Date occurs (*i.e.*, June 15 or December 15, as the case may be), whether or not such day is a Business Day.

"***Redemption Date***" means the date fixed for redemption of any Bond.

"***Redemption Price***" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"***Refunded Bonds***" shall mean, collectively, the 2005 Series A Bonds and the 2005 Series B Bonds.

"***Refunding Law***" means Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, as amended, and all laws amendatory thereof or supplemental thereto.

*"**Related Obligations**"* means all obligations of the Authority under any liquidity support agreement, and any hedge agreement, bond insurance, reserve insurance, credit agreement or similar agreement entered into in connection with or related to any Series of the Bonds, which obligations include, but are not limited to, obligations relating to the payment of fees, expenses and indemnities.

"***Rental Payment Period***" means the twelve (12)-month period commencing July 1 of each year and ending the following June 30; provided, however, that the initial Rental Payment Period shall commence on the Delivery Date and end on June 30, 2008.

"***Reserve Facility***" means a surety bond, insurance policy or letter of credit credited to the Reserve Fund and meeting the requirements of the Indenture.

"***Reserve Fund Requirement***" means an amount equal to the least of (i) ten percent of the original proceeds of the Bonds; (ii) maximum annual Debt Service on all Bonds Outstanding; or (iii) 125% of average annual Debt Service on all Bonds Outstanding. The initial amount of the Reserve Fund Requirement is $12,796,000.

*"**Retirement Law**"* means Article XXVI of the Charter, as amended and supplemented.

"***Revenues***" means:

(i) all Base Rental Payments paid by the City and received by the Authority pursuant to the provisions of the Sublease (but not Additional Payments); and

(ii) all interest or other income from any investment, pursuant to the provisions of the Indenture, of any money in any fund or account (other than the Rebate Fund) established pursuant to the provisions of the Indenture or the Sublease.

"***Securities Depositories***" means The Depository Trust Company, New York, New York, and/or, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

*"**Senior Obligation**"* means:

(i) any bond or other obligation issued or incurred and outstanding as of the Delivery Date pursuant to the provisions of the Master PFRS Trust Agreement and any supplement thereto or amendment thereof; and

(ii) any bond or other obligation issued or incurred after the Delivery Date in accordance with the provisions of the Sublease and the Master PFRS Trust Agreement and any supplement thereto or amendment thereof.

"***Series***" whenever used in the Indenture with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

*"**Subordinated Obligation**"* means any bond, note or other debt instrument issued or otherwise entered into by the City which as to Tax Override Revenues ranks junior and subordinate to the Senior Obligations and which may be paid from moneys constituting Pledged Revenues in accordance with the provisions of the Master PFRS Trust Agreement and any supplement thereto or amendment thereof.

"***Supplemental Indenture***" means any agreement supplemental to or amendatory of the Indenture entered into in accordance with the provisions of Article VII of the Indenture.

*"**System**"* means the Police and Fire Retirement System of the City of Oakland established pursuant to the provisions of the Retirement Law.

*"**Tax Override**"* and *"**Tax Override Revenues**"* mean the annual tax levy and the revenues generated and collected thereby by the City in each Fiscal Year, as and when collected and net of collection costs and administrative charges, as proceeds of the annual tax levy authorized by Measure R enacted by the voters of the City on June 8, 1976, amending Section 2602, 2607, 2608, 2610, 2618 and 2619 of the Charter, and Measure O approved by the voters of the City on June 7, 1988, amending Section 2619(6) of the Charter. The "Tax Override Revenues" shall not include investment earnings on such revenues while held by the City in the Tax Override Revenues Account. The use and application of the Tax Override Revenues shall be in accordance with Section 5.07(a) of the Master PFRS Trust Agreement and any supplement thereto or amendment thereof.

"***2005 Series A Bonds***" shall mean the Authority's Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds) and 2005 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds), authorized by the 2005 Trust Agreement.

"***2005 Series B Bonds***" shall mean the Authority's Refunding Revenue Bonds, 2005 Series B (Auction Rate Securities) (Taxable Bonds), authorized by the 2005 Trust Agreement.

"***Written Request of the Authority***" means an instrument in writing signed by or on behalf of the Authority by an Authorized Representative of the Authority.

"***Written Request of the City***" means an instrument in writing signed by or on behalf of an Authorized Representative of the City.

INDENTURE

Pledge of Revenues; Assignment of Rights

Subject to the provisions in the Indenture, the Bonds shall be 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 established and held by the Trustee under the Indenture (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 an exclusive pledge, charge and lien upon the Revenues. So long as any of the Bonds are Outstanding, the Revenues 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 provisions in the Indenture.

The Authority transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the right, title and interest of the Authority in the Lease and the Sublease (except for the Authority's right to indemnification under the Lease and the Sublease, which right shall not be assigned). The Trustee under the Indenture accepts such assignments. The Trustee shall be entitled to and shall receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Creation and Application of Funds and Accounts

The Indenture establishes the following funds and accounts for the Bonds:

Costs of Issuance Fund;
Revenue Fund, and the Interest Account and Principal Account therein;
Reserve Fund; and
Rebate Fund.

Costs of Issuance Fund. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time, upon receipt by the Trustee of a Written Requisition. On the date that is 6 months following the Closing Date, or upon the earlier determination by the Authority that all Costs of Issuance have been paid and written direction to the Trustee to make the transfer described herein, the Trustee shall transfer remaining amounts in the Costs of Issuance Fund to the Revenue Fund.

Revenue Fund; Receipt, Deposit and Application of Revenues. All Revenues shall be deposited by the Trustee, on or before each Interest Payment Date, in the Revenue Fund. On or before each Interest Payment Date, the Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts, 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.

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.

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 provisions of the Indenture, 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 Indenture. 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 Principal Account on the first day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then having come due and payable, shall be transferred to the Reserve Fund, to the extent necessary to satisfy the Reserve Fund Requirement, and otherwise shall be withdrawn therefrom and transferred to the City to be used for any lawful purposes of the City.

All amounts on deposit in the Revenue Fund on the last day of any Bond Year, to the extent not required to pay the principal of any Outstanding Bonds then coming due and payable, shall be transferred to the Reserve Fund, to the extent necessary to satisfy the Reserve Fund Requirement, and otherwise shall be withdrawn therefrom and transferred to or upon the direction of the City to be used for any lawful purposes of the City.

Reserve Fund. (a) All moneys in the Reserve 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 a payment date, or to make the final payment on the Bonds at maturity, except that so long as the Authority is not in default under the Indenture, any cash amounts in the Reserve Fund in excess of the Reserve Fund Requirement shall be withdrawn from the Reserve Fund and deposited to the Interest Account on each Interest Payment Date.

(b) The Authority may satisfy the Reserve Fund Requirement at any time by the deposit with the Trustee for the credit of the Reserve Fund of a surety bond, an insurance policy or letter of credit as described below, or any combination thereof. If the Reserve Fund Requirement is satisfied by a Reserve Facility, the Trustee shall draw on such Reserve Facility in accordance with its terms, in a timely manner, to the extent necessary to fund any deficiency in the Interest Account or Principal Account.

(i) Surety Bond or Insurance Policy. A surety bond or insurance policy issued to the Trustee, on behalf of the Holders of the applicable series of Bonds, by a company licensed to issue an insurance policy guaranteeing the timely payment of principal of and interest on the applicable series of Bonds (a "municipal bond insurer") may be deposited in the Reserve Fund to meet the Reserve Fund Requirement if the claims paying ability of such municipal bond insurer shall be rated "Aaa" by Moody's and "AAA" by S&P and Fitch at the time of deposit to the Reserve Fund.

(ii) Letter of Credit. A letter of credit may be deposited in the Reserve Fund to meet the Reserve Fund Requirement, provided that any such letter of credit must be issued or confirmed by a state or national bank or a foreign bank with an agency or branch located in the continental United States which has outstanding an issue of unsecured long term debt securities rated at least equal to the second highest rating category (disregarding rating subcategories) by Moody's, S&P and Fitch at the time of deposit to the Reserve Fund, but in no event less than the rating on the Bonds given by any rating agency which has a then currently effective rating on the Bonds.

Unless the Bonds have been fully paid and retired, the Trustee shall draw the full amount of any letter of credit credited to the Reserve Fund for such Bonds on the third Business Day preceding the date such letter of credit (taking into account any extension, renewal or replacement thereof) would otherwise expire, and shall deposit moneys realized pursuant to such draw in the Reserve Fund.

(iii) Release of Moneys in Reserve Fund. If the Authority replaces a cash-funded Reserve Fund, in whole or in part, with a surety bond, insurance policy or letter of credit meeting the requirements of (b) above, amounts on deposit in the Reserve Fund shall, upon written request of the Authority to the Trustee, be transferred to the Authority and applied for the acquisition, construction, installation or equipping of public capital improvements; provided, such transfer shall be conditioned on the receipt by the Authority and Trustee of an Opinion of Bond Counsel that such transfer will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation.

Rebate Fund. The Authority shall cause to be deposited in the Rebate Fund such amounts as required under the Tax Certificate. Subject to the provisions of the Indenture and the Sublease, moneys held in the Rebate Fund are pledged under the Indenture to secure payments to the United States government, and the Authority, the City and the Owners shall have no rights in or claim to such moneys.

Investments

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture 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 identified in clause (4) of the definition of Permitted Investments.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments under the Indenture, the Trustee may commingle funds held by it under the Indenture. 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 the Indenture.

For the purpose of determining the amount in any fund or account, the value of Permitted Investments credited to such fund or account shall be calculated at the cost thereof (excluding accrued interest and brokerage commissions, if any).

Conditions for the Issuance of Additional Bonds

At the request of the City, the Authority may at any time issue Additional Bonds pursuant to a Supplemental Indenture, payable from the Revenues, and secured by a pledge of and charge and lien upon the Revenues, as provided in the Indenture equal to the pledge, charge and lien securing any Outstanding Bonds, but only subject to the following specific conditions, which are under the Indenture made conditions precedent to the issuance of any Additional Bonds:

(a) No Event of Default has occurred and is continuing under the Indenture, Lease or Sublease.

(b) The Supplemental Indenture shall require that the proceeds of the sale of such Additional Bonds shall be applied to finance or refinance Additional Projects or for the refunding of Outstanding Bonds.

(c) The Supplemental Indenture shall provide, if necessary, that from such proceeds or other sources an amount shall be deposited in the Reserve Fund so that following such deposit there shall be on deposit in the Reserve Fund an amount at least equal to the Reserve Fund Requirement.

(d) The aggregate principal amount of Bonds issued and at any time Outstanding under the Indenture shall not exceed any limit imposed by law, by the Indenture or by any Supplemental Indenture.

(e) The Sublease shall have been amended, if necessary, so that the Base Rental Payments payable by the City thereunder in each Fiscal Year shall at least equal Debt Service, including Debt Service on the Additional Bonds, in each Fiscal Year.

(f) If the Additional Bonds are issued for a purpose other than the refunding of Outstanding Bonds, the written consent of the Bond Insurer is required.

Limitations on the Issuance of Obligations Payable from Revenues

The Authority will not, so long as any of the Bonds are Outstanding, issue any obligations or securities, however denominated, payable in whole or in part from Revenues except the following:

(a) Bonds of any Series authorized pursuant to the Indenture;

(b) Agreements providing for a Reserve Facility;

(c) Obligations owing with respect to a Reserve Facility, including principal, interest and fees relating thereto; provided such obligations shall be payable on a subordinate basis to principal and interest on the Bonds.

Obligations which are junior and subordinate to the payment of the principal, premium, interest and reserve fund requirements for the Bonds and which subordinated obligations are payable as to principal, premium, interest and reserve fund requirements, if any, only out of Revenues after the prior payment of all amounts then required to be paid under the Indenture from Revenues for principal, premium, interest and reserve fund requirements for the Bonds, as the same become due and payable and at the times and in the manner as required in the Indenture.

Punctual Payment

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 Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Against Encumbrances

The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues while any of the Bonds are Outstanding, except as provided by the Indenture. Subject to this limitation of the Indenture, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Act, and reserves the right to issue other obligations for such purposes.

Tax Covenants

The Authority covenants in the Indenture that, in order to maintain the exclusion from gross income for Federal income tax purposes of the interest on the 2008 Series A-1 Bonds (and any other Bonds issued as Tax-Exempt Bonds), and for no other purpose, it will satisfy, or take such actions as may be necessary to cause to be satisfied, each provision of the Code necessary to maintain such exclusion. In furtherance of this covenant, the Authority covenants in the Indenture to comply with the Tax Certificate as a source of guidance with respect to the requirements of the Code.

Lease and Sublease; Amendments

The Trustee, as assignee of the Authority's rights under the Lease and the Sublease pursuant to, and as limited by, the Indenture, shall receive all Revenues paid by the City pursuant to the Sublease.

The Authority, the Trustee and the City may at any time amend or modify the Lease or the Sublease in accordance with their respective terms, but only if (a) except as provided in clause (b) of this sentence of the Indenture, the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment or modification, or (b) such amendment of modification is for any one or more of the following purposes, in which case the consent of the Bond Owners shall not be required:

(a) to add to the covenants and agreements of the City contained in the Lease or the Sublease, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provisions contained in the Lease or the Sublease in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision of the Lease or the Sublease 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 the 2008 Series A-1 Bonds (and any other Bonds issued as Tax-Exempt Bonds), in the opinion of Bond Counsel; or

(d) to amend the Lease or the Sublease in connection with any addition, substitution or withdrawal of Leased Property in accordance with the Lease or the Sublease, including any amendment of the Lease or the Sublease in connection with the issuance of Additional Bonds under the Indenture; 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 Bondholders.

Amendments

The Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture, which shall become binding upon execution by the parties, without 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 in the Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers reserved in the Indenture to or conferred upon the Authority so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; 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 Indenture, 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 Owners of the Bonds; or

(c) to amend any provision of the Indenture 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 Indenture; 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 Bondholders.

Except as described in the preceding paragraph, the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may only be modified or amended at any time by a Supplemental Indenture, which shall become binding when the written consent of the 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 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.

Bond Insurer as Third Party Beneficiary

To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized as being a third party beneficiary under the Indenture and may enforce any such right, remedy or claim conferred, given or granted under the Indenture.

Control Rights

The Bond Insurer is deemed to be the Owner or holder of all of the Bonds for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default under the Indenture, and (b) granting any consent, direction or approval or taking any action permitted by or required under the Indenture to be granted or taken by the Bondholders.

Events of Default

The following events shall be Events of Default under the Indenture:

(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 Indenture 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 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 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) An Event of Default occurs pursuant to the Sublease.

Remedies

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee (or the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or the Bond Owners under the Indenture or now or hereafter existing at law or in equity.

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 Indenture and any other funds held by the Trustee 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;

<u>First</u>, 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 Indenture, including reasonable compensation to its agents, attorneys and counsel; and

<u>Second</u>, 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:

> *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,
>
> *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,
>
> *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.

Power of Trustee to Control Proceedings

Subject to certain provisions of the Indenture, in the event that the Trustee shall have, upon the happening of an Event of Default, taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion or upon the request of the Bond Insurer or the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Bond Insurer or the Owners of a majority in aggregate principal amount of the Outstanding Bonds under the Indenture opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation and if the Trustee is indemnified as provided in the Indenture. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and under the Indenture the Trustee is appointed (and the successive respective Owners of the Bonds issued under the Indenture by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Rights of Bond Owners

Subject to certain provisions of the Indenture, no Owner of any Bond issued under the Indenture shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Event of Default; (b) the 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 in the Indenture or to institute such action, suit or proceeding in its own name; (c) said 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 the Indenture, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest on such Bond as provided in the Indenture or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of the Indenture or any other provision of the Indenture.

Discharge of Bonds

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 Indenture and the Sublease, 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 Obligations 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 Indenture, 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 Indenture 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 Indenture with respect to such Outstanding Bonds, and all other pecuniary obligations of the Authority under the Indenture 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 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. Any moneys held by the Trustee following payment in full or discharge of all Outstanding Bonds pursuant to the Indenture, which are not required for said purposes, shall be paid over to the City.

Disqualified Bonds

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the City or the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request of the Trustee, the Authority and the City shall specify in a certificate to the Trustee those Bond disqualified pursuant to the Indenture, and the Trustee may conclusively rely on such certificate.

SUBLEASE

Base Rental Payments

(a) The City shall pay to the Authority, as Base Rental Payments for the use and occupancy of the Leased Property during each Rental Payment Period (subject to the provisions of the Sublease), the Base Rental Payments in accordance with the Base Rental Payment Schedule attached to the Sublease as Exhibit B and made a part thereof. Base Rental Payments shall be made in installments, payable on or before the Base Rental Due Dates in the amounts, which amounts will vary from time to time, required by the Authority to pay the principal of, premium, if any, and interest on the Bonds and payments of any Related Obligations due on or before the first (1st) day of the month following the Base Rental Due Date; provided that to the extent the Authority has received revenues available to pay debt service on the Bonds and any Related Obligations and has deposited such revenues with the Trustee by the Business Day immediately preceding the Base Rental Due Date, the City shall receive a credit to the extent of such revenues on the installment of Base Rental Payments for said month. For the purpose of calculating the amount of Base Rental Payments relating to Bonds and Related Obligations bearing interest at a rate which has not yet been determined, an interest rate shall be assumed which is equal to 100% of the Bond Market Association Municipal Swap Index, or any successor index, made available for the week preceding the date of determination. The Trustee and the Authority shall notify the City at least two (2) Business Days prior to each Base Rental Due Date of the amount of Base Rental Payments which will be due on the next succeeding Base Rental Due Date.

(b) If the term of the Sublease shall have been extended pursuant to the provisions of the Sublease, Base Rental Payment installments shall continue to be due on the Base Rental Due Dates, and payable as described in the Sublease, continuing to and including the date of termination of the Sublease, in an amount sufficient to pay all unpaid principal of and interest on the Bonds, plus interest on the extended principal and interest at a rate equal to the rate of interest on the Bonds so extended, and any Related Obligations.

Additional Payments

(a) The City shall also pay such amounts (the "Additional Payments") as shall be required by the Authority for the payment of all amounts, costs and expenses incurred by the Authority in connection with the execution, performance or enforcement of the Sublease or any assignment thereof, the Indenture, the Authority's interest in the Leased Property and the sublease of the Leased Property to the City, including but not limited to the payment of all fees, costs and expenses and all administrative costs of the Authority related to the Bonds, any Related Obligations and the Leased Property, including, without limiting the generality of the foregoing, insurance, taxes, salaries and wages of employees, all expenses, compensation and indemnification payable by the Authority to the Trustee under the provisions of the Indenture and to any Remarketing Agent under any Remarketing Agreement, any Tender Agent, and any liquidity provider under any liquidity support agreement, fees of auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by the Authority in order to maintain its existence or to comply with the terms of the Bonds or of the Indenture or of Related Obligations; but not including in such Additional Payments amounts required to pay the principal of or interest on the Bonds or payments of Related Obligations (which shall be paid from Base Rental Payments).

(b) Such Additional Payments shall be billed to the City by the Authority or the Trustee from time to time, together with a statement certifying that the amount billed has been paid by the Authority or by the Trustee on behalf of the Authority, for one or more of the items above described, or that such amount is then payable by the Authority or the Trustee for such bill by the City. The City reserves the right to audit billings for Additional Payments, although any exercise of such right shall in no way affect the duty and obligation of the City to make full and timely payment of all Additional Payments.

(c) The Authority has issued and may in the future issue bonds and may in the future enter into subleases to finance facilities other than the Leased Property. The administrative costs of the Authority shall be allocated among said facilities and the Leased Property, as provided in this subparagraph (c). The fees of the Trustee under the Indenture, and any other expenses directly attributable to the Leased Property shall be included in the Additional Payments payable under the Sublease. The fees of any trustee or paying agent under any indenture or trust agreement securing bonds of the Authority (other than the Indenture), and any other expenses directly attributable to any facilities other than the Leased Property, shall not be included in the administrative costs of the Leased Property and shall not be paid from the Additional Payments payable under the Sublease. Any expenses of the Authority not directly attributable to any particular project of the Authority shall be equitably allocated among all such projects, including the Leased Property, in accordance with sound accounting practices. In the event of any question or dispute as to such allocation, the written opinion of an Independent Certified Public Accountant, employed by the Authority to consider the question and render an opinion thereon, shall be a final and conclusive determination as to such allocation. The Trustee may conclusively rely upon the Written Request of the Authority, with the approval of an Authorized Representative of the City, endorsed thereon, in making any determination that costs relating to the Authority are payable as Additional Payments under the Sublease, and shall not be required to make any investigation as to whether or not the items so requested to be paid are expenses of operation of the Leased Property.

Fair Rental Value

Such payments of Base Rental Payments and Additional Payments for each Rental Payment Period during the term of the Sublease shall constitute the total rental for said Rental Payment Period and shall be paid by the City in each Rental Payment Period for and in consideration of the right of use and occupancy of the Leased Property during each such period for which such rental is to be paid. The Authority and the City have agreed and determined that such total rental payable for each Rental Payment Period represents no more than the fair rental value of the Leased Property for each such period. In making such determination, consideration has been given to costs of acquisition, design and construction of the Leased Property, other obligations of the Authority and the City under the Sublease, the uses and purposes which may be served by the Leased Property and the benefits therefrom which will accrue to the City and the general public.

Payment Provisions

(a) The Authority and the City recognize that the Authority is financing certain payments from the proceeds of its Bonds. At the request of the City, the Authority is issuing the Bonds to bear interest at rates to be determined in accordance with the provisions of the Indenture in an effort to provide a lower cost to the City for the leasing of the Leased Property. It is contemplated by the Authority and the City that the amount of Base Rental Payments to be payable by the City to the Authority during each Rental Payment Period will be more than the amount needed in such Rental Payment Period by the Authority to pay the principal of and interest on the Bonds and the payment of any Related Obligations. The Authority agrees that if on any Base Rental Due Date, the amount of Base Rental Payments available pursuant to the terms of the Sublease shall exceed the needed by the Authority to pay the principal of and interest on the Bonds and payments of any Related Obligations coming due in the succeeding month, the excess amount may be deferred by the Authority, at its sole option, on such terms and conditions as it shall determine are necessary to protect the interests of the Owners of the Bonds and the provider of any Related Obligation, and thereupon such excess amount need not be paid by the City to the Authority at that time, but instead shall be deferred until such subsequent time within such Rental Payment Period as the Authority shall have need for such payment; provided that on each January 15 any deferred amount not needed by the Authority to pay the principal of and interest on the Bonds or payments of any Related Obligations on the next succeeding July 1 or January 1 shall be waived by the Authority, and such amount shall no longer be an obligation of the City. If in any month the principal of and interest on the Bonds or payment of any Related Obligation shall exceed the expected amount of Base Rental Payments payable by the City to the Authority in such month, the City shall pay the difference from rental deferred during the Rental Payment Period in which such month occurs.

(b) Each Base Rental Payment installment or Additional Payment payable under the Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the corporate trust office of the Trustee or such other place as the Authority shall designate. Any Additional Payment accruing under the Sublease which shall not be paid when due and payable under the terms of the Sublease shall bear interest at the rate of twelve percent (12%) *per annum,* or such lesser rate of interest as may be the maximum rate permitted by law, from the date when the same is due under the Sublease until the same shall be paid. Notwithstanding any dispute between the Authority and the City, the City shall make all Base Rental Payments, Additional Payments and other payments when due without deduction or offset of any kind and shall not withhold any Base Rental Payments or Additional Payments or other payments pending the final resolution of such dispute. In the event of a determination that the City was not liable for said payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent payments due under the Sublease or refunded at the time of such determination. Amounts required to be deposited by the City with the Trustee pursuant to the provisions of the Sublease for payment of Base Rental Payments on any date shall be reduced to the extent of amounts on deposit in the Revenue Fund and available therefor.

(c) Base Rental Payments and Additional Payments shall be subject to abatement as and to the extent provided in the Sublease.

(d) Nothing contained in the Sublease shall prevent the City from making from time to time contributions or advances to the Authority for any purpose at any time authorized by law, including the making of repairs to, or the restoration of, the Leased Property in the event of damage to or the destruction of the Leased Property.

Appropriations and Funding Covenant; Pledged Revenues; Priority

(a) The City covenants to take such action as may be necessary to include the Base Rental Payments and Additional Payments estimated by the City to be payable under the Sublease as a separate line item in its annual budget, and to make necessary annual appropriations for the Base Rental Payments and Additional Payments. The City shall deliver to the Authority and the Trustee a Certificate of the City describing that portion of its annual budget relating to the payment of Base Rental Payments and Additional Payments under the Sublease within thirty (30) days after the filing or adoption thereof. The covenants on the part of the City in the Sublease contained shall be deemed to be and shall be construed to be duties imposed by law, and it shall be the duty of each and every public official of the City to take such action and to do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Sublease agreed to be carried out and performed by the City.

(b) The City covenants that, so long as any Base Rental Payments and Additional Payments remain unpaid under the Sublease, the City in its capacity as the City shall levy the Tax Override (up to the maximum tax permitted by applicable law) in each Fiscal Year in accordance with the provisions of Section 5.07(a) of the Master PFRS Trust Agreement, whether or not the accrued unfunded actuarial liability of the City to the System is amortized prior to the final maturity of any Bond, in an amount that the City expects will be sufficient, when aggregated with the other amounts legally available to the City and on hand, and amounts budgeted by the City in such Fiscal Year and expected to be available, to pay all Base Rental Payments and Additional Payments due or becoming due under the Sublease during such Fiscal Year. Such covenant of the City under the Sublease, together with the obligation to pay Base Rental Payments and Additional Payments under the Sublease (but only to the extent such Base Rental Payments and Additional Payments are payable from or secured by Pledged Revenues), are declared by the City to be Subordinated Obligations for all purposes of the Master PFRS Trust Agreement and any supplement thereto or amendment thereof. Without limitation on the provisions of the preceding sentence, the lien and security interest pledged and assigned as described in the provisions of subsection (c) below shall be junior and subordinate to the lien on and security interest in any Tax Override Revenues and other assets granted to secure any Senior Obligation.

(c) The City pledges and assigns to the Authority and the Trustee a lien on and security interest in the Pledged Revenues and, in its capacity as the City under the Master PFRS Trust Agreement, shall take all actions as may be necessary, permitted or required pursuant to the provisions of Sections 4.08 and 5.07 of the Master PFRS Trust Agreement to constitute or cause to be constituted available Tax Override Revenues as Pledged Revenues, including without limitation the making of Written Requests to the Master PFRS Trustee for Tax Override Revenues to be disbursed or transferred to or for the account of the City for any cost or purpose of the Program, it being understood and agreed that the transactions occurring in connection with the issuance and sale of the Bonds, the Sublease and the Indenture, including without limitation the refunding and payment of the Refunded Bonds, are and shall be for purposes of the Program within the meaning of the PFRS Pension Obligation Bond Law and the Master PFRS Trust Agreement and any supplement thereto or amendment thereof, as provided in the Sublease. For all purposes of the Master PFRS Trust Agreement and each supplement thereto and amendment thereof, including without limitation the provisions of Section 4.04(b)(iii) of the First Supplemental PFRS Trust Agreement, the pledge of Pledged Revenues under the Sublease shall constitute a specific pledge of such revenues to the payment of debt service on indebtedness, including Subordinated Obligations.

(d) The Authority and the City understand and intend that the obligation of the City to pay Base Rental Payments and Additional Payments under the Sublease shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation or incurring of indebtedness by the City, nor shall anything contained in the Sublease constitute a pledge of the general tax revenues, funds or moneys of the City, other than the Pledged Revenues. Base Rental Payments and Additional Payments or other payments due under the Sublease shall be payable only from Pledged Revenues or from current funds which are budgeted and appropriated for such purpose or obtained as described in the provisions of subsection (b) above or otherwise legally available for the purpose of paying Base Rental Payments and Additional Payments or other payments due under the Sublease as consideration for the use of the Leased Property. The City has not pledged the full faith and credit of the City, the State or any agency, department or subdivision thereof to the payment of the Base Rental Payments and Additional Payments or any other payments due under the Sublease.

Rental Abatement

Except to the extent provided in the last sentence of this paragraph, the Base Rental Payments due in accordance with the Base Rental Schedule attached to the Sublease as Exhibit B and Additional Payments shall be abated proportionately, during any period in which by reason of any material damage or destruction (other than by condemnation as provided for in the Sublease) there is substantial interference with the use of the Leased Property by the City, in the proportion in which the cost of that portion of the Leased Property rendered unusable bears to the cost of the whole of the Leased Property. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Sublease shall continue in full force and effect, and the City waives the benefits of California Civil Code Section 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such damage or destruction or interference. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Base Rental Payments in any of the funds and accounts established under the Indenture or are available as Pledged Revenues pursuant to the provisions of the Sublease, Base Rental Payments shall not be abated as provided above but, rather shall be payable by the City as a special and limited obligation payable solely from said funds, accounts and revenues (including, without limitation, Pledged Revenues consisting of Tax Override Revenues).

Defaults and Remedies

(a) If the City shall fail to pay any Base Rental Payment, Additional Payment or other amount payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence of the Sublease, or if the City shall fail, for a period of thirty (30) days after notice of such failure has been given to the City by the Authority or the Trustee or for such additional time as is reasonably required, in the discretion of the Trustee to correct the same, to keep, observe or perform any other term, covenant or condition contained in the Sublease to be kept or performed by the City, or upon the happening of any of the events described in subsection (b) below (any such case above being an "Event of Default"), the City shall be deemed to be in default under the Sublease, and it shall be lawful for the Authority to exercise any and all remedies granted pursuant to the provisions of the Sublease. Upon the occurrence or during the pendency of any such default, the Authority, without terminating the Sublease, may collect each Base Rental Payment and Additional Payment installment and other amounts as they become due and enforce any other terms or provisions of the Sublease to be kept or performed by the City, regardless of whether or not the City has abandoned the Leased Property or any portion thereof. In such event, the City shall remain liable and agree to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the City and to pay the full amount of the Base Rental Payments, Additional Payments and other amounts to the end of the term of the Sublease and further agrees to pay said Base Rental Payments and Additional Payments and other amounts punctually at the same time and in the same manner as provided in the Sublease for the payment of Base Rental Payments, Additional Payments and other amounts under the Sublease (without acceleration).

(b) If any of the following shall occur:

(i) the City's interest in the Sublease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the prior written consent of the Authority, or

(ii) the City or any assignee of the City shall file any petition or institute any proceeding under any act or acts, State or federal, dealing with or relating to the subject or subjects or bankruptcy or insolvency, or under any amendment of such act or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks, seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or obligations, or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts or obligations, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the powers or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Authority, or if the City shall make a general or any assignment for the benefit of the City's creditors; or

(iii) the City shall abandon or vacate the Leased Property,

then the City shall be deemed to be in default under the Sublease.

(c) The Authority shall in no event be in default in the performance of any of its obligations under the Sublease or imposed by any statute or rule of law unless and until the Authority shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the City to the Authority properly specifying wherein the Authority has failed to perform any such obligation. In the event of default by the Authority, the City shall be entitled to pursue any remedy provided by law.

(d) Upon the occurrence of an event of default as described in the Sublease, the Authority shall proceed to protect and enforce the rights vested in the Authority by the Sublease. The provisions of the Sublease and the duties of the City and of its officials, officers or employees shall be enforceable by the Authority by *mandamus* or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Authority may bring the following actions:

(i) *Accounting.* By action or suit in equity, to require the City and its officials, officers and employees and their assigns to account as the trustee of an express trust.

(ii) *Injunction.* By action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of any right of the Authority.

(iii) *Mandamus.* By *mandamus* or other suit, action or proceeding at law or in equity, to enforce any right of the Authority against the City (and its officials, officers and employees) and to compel the City to perform and carry out its duties and obligations under the law and its covenants and agreements with the Authority as provided in the Sublease.

The exercise of any rights or remedies under the Sublease shall not permit acceleration of Base Rental Payments and shall be subject to the terms and provisions of the Indenture.

(e) Each and all of the remedies provided to the Authority under the Sublease or by any law at any future time enacted are cumulative, and the single or partial exercise of any right, power or privilege under the Sublease shall not impair the right of the Authority to the exercise of any or all other rights, powers and privileges. If any statute or rule of law validly shall limit the remedies provided to the Authority under the Sublease, the Authority nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

(f) In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Sublease, the City shall pay a reasonable amount as and for attorneys' fees incurred by or on behalf of the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease, whether or not a lawsuit has been filed and whether or not any lawsuit culminates in a judgment.

Waiver

Failure of the Authority to take advantage of any default on the part of the City shall not be, or be construed as, a waiver thereof, nor shall any custom or practice which may develop between the Authority and the City in the course of administering the Sublease be construed to waive or to lessen the right of the Authority to insist upon performance by the lessee of any term, covenant or condition of the Sublease or to exercise any right provided to the Authority with respect to such default. Any waiver of a particular default shall not be deemed to be a waiver of the same or any subsequent default. The acceptance of payments under the Sublease shall not be, nor be construed to be, a waiver of any term, covenant or condition in the Sublease.

Eminent Domain

(a) If the whole of the Leased Property or so much thereof as to render the remainder unusable for the purposes for which it was used by the City shall be taken under the power or threat of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than the whole of the Leased Property shall be taken under the power or threat of eminent domain and the remainder is usable for the purposes for which it is used by the City at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the Authority and the City waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the rental due under the Sublease in an amount equivalent to the amount by which the annual payments of principal of and interest on the Bonds then Outstanding will be reduced by the application of the proceeds of the award in eminent domain to the redemption of Outstanding Bonds. So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for taking the Leased Property or any portion thereof shall be paid to the Trustee and applied to the prepayment of Base Rental Payments as provided in the Sublease. Any such award made after all of the Base Rental Payments and Additional Payments have been fully paid, or provision therefor made, shall be paid to the City.

(b) The City covenants that it will not take the Authority's interest in the Leased Power under the power or threat of eminent domain unless the City first prepays all Base Rental Payments pursuant to the provisions of the Sublease.

Prepayment

(a) The City shall prepay on any date from insurance and eminent domain proceeds, to the extent provided in the Sublease (provided, however, that in the event of partial damage to or destruction of the Leased Property caused by perils covered by insurance, if in the judgment of the Authority the insurance proceeds are sufficient to repair, reconstruct or replace the damaged or destroyed portion of the Leased

Property, such proceeds shall be held by the Trustee and used to repair, reconstruct or replace the damaged or destroyed portion of the Leased Property, pursuant to the procedure set forth in the Sublease for proceeds of insurance), all or any part (in an integral multiple of $5,000 principal component) of Base Rental Payments then unpaid so that the aggregate annual amounts of Base Rental Payments which shall be payable after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of Base Rental Payments unpaid prior to the prepayment date, at a prepayment amount equal to the principal of and interest on the Bonds to the date of redemption of the Bonds.

(b) The City may prepay, from any source of available funds, all or any portion of Base Rental Payments by:

> (i) depositing with the Trustee moneys or securities as provided in the Indenture sufficient to retire or redeem Bonds corresponding to such Base Rental Payments when due or redeemable, and
>
> (ii) satisfying the other requirements of the Indenture and satisfying the requirements of any Related Obligations. The City agrees that if following such prepayment the Leased Property is damaged or destroyed or taken by eminent domain, the City shall not be entitled to, and by such prepayment shall waive the right of, abatement of such prepaid Base Rental Payments and shall not be entitled to any reimbursement of such Base Rental Payments.

(c) Before making any prepayment pursuant to Article VI of the Sublease, the City shall, within five (5) days following the event creating such right or obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than forty-five (45) days after the date such notice is given.

(d) When:

> (i) there shall have been deposited with the Trustee at or prior to the due dates of the Base Rental Payments or date when the City may exercise its option to purchase the Leased Property, in trust for the benefit of the Owners of the Bonds and irrevocably appropriated and set aside to the payment of the Base Rental Payments or option price, sufficient moneys and Permitted Investments described in paragraph (i) of the definition of such term in the Indenture, not redeemable prior to their maturity, the principal of and interest on which when due will provide money sufficient to pay all principal of and interest on the Bonds to the due date of such Bonds or date when the City may exercise its option to purchase the Leased Property, as the case may be, and to the payment in full of all other amounts due under the Sublease or under the Indenture or on any Related Obligations;
>
> (ii) all of the requirements set forth in the Indenture shall have been satisfied; and
>
> (iii) an agreement shall have been entered into with the Trustee for the payment of its fees and expenses so long as any Bonds shall remain unpaid;

then and in that event the right, title and interest of the Authority in the Sublease and the obligations of the City under the Sublease shall thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Authority and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of the Base Rental Payments or option price), and the Authority's interest in and title to the Leased Property or the applicable portion or item thereof shall be transferred and conveyed to the City. In such event, the Authority shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the Authority (and accompanied by a verification report of an Independent Certified Public Accountant) and evidence such discharge and satisfaction, and the Authority shall pay over to the City as an overpayment of Base Rental Payments all such moneys or Permitted Investments held by it pursuant to the provisions of the Sublease other than such moneys and Permitted Investments as are required for the payment or prepayment of the Base Rental Payments or the option price and the fees and expenses of the Trustee, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of Base Rental Payments or the option price and the fees and expenses of the Trustee, and shall be applied by the Authority to the payment and redemption of the Bonds and the fees and expenses of the Trustee.

Option To Purchase; Sale, Substitution or Disposition of Leased Property

(a) The City shall have the option to purchase the Authority's interest in any part of the Leased Property upon the payment to the Authority of an option price consisting of moneys or securities of the category specified in clause (i) of the definition of the term Permitted Investments contained in the Indenture (not callable by the issuer thereof prior to maturity) in an amount sufficient (together with the earnings and interest on such securities) to provide funds to pay the aggregate amount for the entire remaining term of the Sublease of the part of the total rent under the Sublease attributable to such part of the Leased Property (determined by reference to the proportion which the cost of such part of the Leased Property bears to the cost of all of the Leased Property). Any such payment shall be made to the Trustee and shall be treated as Base Rental Payments and shall be applied by the Trustee to pay the principal of, premium, if any, and interest on the Bonds and to redeem such Bonds if the Bonds are then subject to redemption pursuant to the provisions of the Indenture. Upon the making of such payment to the Trustee and the satisfaction of all requirements set forth in the Indenture:

(i) the Base Rental Payments thereafter payable under the Sublease shall be reduced by the amount thereof attributable to such part of the Leased Property and theretofore paid pursuant to the section entitled "Option To Purchase; Sale or Disposition of Leased Property",

(ii) the sections entitled "Rental Abatement" and "Option To Purchase; Sale or Disposition of Leased Property" of the Sublease shall not thereafter be applicable to such part of the Leased Property,

(iii) the insurance required under the provisions of the Sublease need not be maintained as to such part of the Leased Property, and

(iv) the Authority's leasehold interest in such part of the Leased Property shall terminate pursuant to the provisions of the Lease and the term of the Sublease shall end as to the Leased Property.

(b) The City, in its discretion, may request the Authority to sell, substitute, or otherwise transfer, convey or dispose of any part of the Leased Property, and to release said part of the Leased Property from the Sublease, if:

(i) in the opinion of the City the property so sold, or for which a substitution is made, is no longer required or useful in connection with the operation of the Leased Property, and

(ii) the consideration to be received from the property is of a value substantially equal to the value of the property to be released or the property which is substituted for or replaces all or any portion of the Leased Property has fair rental value, together with the fair rental value of the remaining Leased Property, not less than the remaining Base Rental Payments and has a remaining useful life not shorter than the remaining average maturity of the Bonds;

provided, however, that any replacement of property as a component of the Leased Property shall be subject to approval in an Opinion of Bond Counsel. In the event of any such replacement of property, the additional property shall become part of the Leased Property under the Sublease. In the event of any such sale, the full amount of the money or consideration received for the personal property so sold and released shall be paid to the Authority and shall, so long as the City is not in default under any of the provisions of the Sublease, be used upon the Written Request of the City to purchase additional property which meets the requirements set forth in subparagraph (ii) above and is approved in an Opinion of Bond Counsel, which property shall become a part of the Leased Property under the Sublease. At the request of the Authority, the City shall provide such additional opinions, certificates and other documents as reasonably requested in connection with any sale, exchange or purchase or new property subject to the Sublease.

Liens

In the event the City shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements or other work to be done or performed or materials to be supplied upon the Leased Property, the City shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the City upon or about the Leased Property and shall keep the Leased Property free of any and all mechanics' or materialmen's liens or other liens against the Leased Property or the Authority's interest therein. In the event any such lien attaches to or is filed against the Leased Property or the Authority's interest therein, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so in good faith. If any such lien shall be reduced to a final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the City shall forthwith pay and discharge said judgment. The City agrees to and shall, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee and their respective members, directors, agents, successors and assigns, harmless from and against, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against the Leased Property or the Authority's interest therein.

Quiet Enjoyment

The Authority and the City mutually covenant that the City, by keeping and performing the covenants and agreements contained in the Sublease and if not in default under the Sublease, shall at all times during the term of the Sublease peaceably and quietly have, hold and enjoy the Leased Property without suit, trouble or hindrance from the Authority.

Authority Not Liable

(a) The Authority and its members, directors, officers, agents, employees and assignees shall not be liable to the City or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever about the Leased Property.

(b) The City, to the extent permitted by law, shall indemnify and hold the Authority and each of its members, directors, officers, agents, employees and assignees, harmless from, and defend each of them against, any and all claims, liens and judgments arising from:

(i) the Leased Property, including without limitation death of or injury to any person or damage to property whatsoever occurring about the Leased Property regardless of responsibility for negligence, but excepting the active negligence of the person or entity seeking such indemnity, and

(ii) the issuance of the Bonds and any other action of the Authority taken pursuant to the Indenture, including but not limited to any liability of the Authority incurred pursuant to the provisions of the Indenture.

Subleasing

The City acknowledges that:

(a) the Leased Property may not be subleased by the City, and the City covenants that it shall not permit any sublease of its rights or duties under the Sublease, except as described in subsection (b) below;

(b) the Leased Property may be subleased by the City, with the prior written consent of the Authority, provided that such sublease complies with each of the following conditions:

(i) the Sublease, and the obligations of the City under the Sublease, shall at all times during the term of the Sublease, be and remain the continuing obligations of the City, notwithstanding any such sublease;

(ii) the City shall furnish a copy of each such sublease to the Authority and the Trustee; and

(iii) no sublease by the City shall cause the Leased Property to be used for any purpose which would violate any provision of the Sublease or the Indenture or the Constitution or laws of the State or cause the interest on the 2008 Series A-1 Bonds to be included in gross income for federal income tax purposes.

Tax Covenants

(a) The City covenants that it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2008 Series A-1 Bonds under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of the 2008 Series A-1 Bonds or of the Leased Property in such a manner as would adversely affect the exclusion of interest on any 2008 Series A-1 Bonds from gross income under Section 103 of the Code. The City shall not directly or indirectly use or permit the use of any proceeds of any 2008 Series A-1 Bonds, or of any facilities financed thereby, or other funds of the City, or take or omit to take any action, that would cause any 2008 Series A-1 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2008 Series A-1 Bonds. In the event that at any time the Authority or the City is of the opinion that for purposes of the Sublease it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be directed in such instructions.

(b) The City specifically covenants that it shall pay or cause to be paid the Rebate Requirement as provided in the Tax Certificate.

APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

_______, 2008

Oakland Joint Powers Financing Authority
Oakland, California

City of Oakland
Oakland, California

FINAL OPINION Oakland Joint Powers Financing Authority
Refunding Revenue Bonds
2008 Series A-1 (Tax-Exempt Bonds) and 2008 Series A-2 (Taxable Bonds)

Greetings:

We have acted as bond counsel to the Oakland Joint Powers Financing Authority (the "Authority") in connection with the Authority's issuance of $107,630,000 aggregate principal amount of its Refunding Revenue Bonds, 2008 Series A-1 (Tax-Exempt Bonds) (the "Tax-Exempt Bonds") and $20,330,000 aggregate principal amount of its Refunding Revenue Bonds, 2008 Series A-2 (Taxable Bonds) (the "Taxable Bonds," and together with the Tax-Exempt Bonds, the "Bonds"). The Bonds have been issued by the Authority pursuant to the Constitution and laws of the State of California, including Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the "Act"), Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code of the State (the "Refunding Law"), a resolution adopted by the Authority on March 18, 2008 (the "Resolution"), and an Indenture, dated as of April 1, 2008 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

In such connection, we have examined the record of proceedings submitted to us relative to the issuance of the Bonds, including the Resolution, the Indenture, the Amended and Restated Lease (the "Lease"), the Amended and Restated Sublease (the "Sublease"), the Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 in respect of the Tax-Exempt Bonds (the "Tax Certificate"), other certifications and opinions of the Authority, the City and the Trustee, and such other documents and matters deemed necessary by us to render the opinions set forth herein, although in doing so, we have not undertaken to verify independently the accuracy of the factual matters represented, warranted or certified therein, and we have assumed the genuineness of all signatures thereto.

The opinions expressed herein are based upon 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 undertaken neither to determine, nor to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Indenture, the Lease, the Sublease and the Tax Certificate 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 contained in applicable law regarding legal remedies against the Authority. 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 and the Indenture have been duly authorized, executed and delivered by the Authority. The Bonds constitute valid and binding special obligations of the Authority, and the Indenture constitutes a valid, legal and binding agreement of the Authority, enforceable in accordance with their respective terms. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues (as set forth in the Indenture) and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund (as set forth in the Indenture), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

2. The Lease and the Sublease have been duly executed and delivered by, and each constitutes the valid and binding obligation of, the Authority and the City, enforceable in accordance with their respective terms.

3. The Authority is a public entity and agency, organized and existing under the laws of the State of California, including the Act, with power to adopt the Resolution, to execute and deliver the Indenture, the Lease and the Sublease and to perform the agreements on its part contained therein, and to issue the Bonds.

4. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Tax-Exempt Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Tax-Exempt Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issuance of the Tax-Exempt Bonds. Pursuant to the Indenture and the Tax Certificate, the Authority has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, Authority has made certain representations and certifications in the Indenture and the Tax Certificate. We have not and will not independently verify the accuracy of those representations and certifications.

Under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority described above, interest on the Tax-Exempt Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Tax-Exempt Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

5. Interest on the Taxable Bonds is included in gross income for Federal income tax purposes. Prospective purchasers of the Taxable Bonds should consult their tax advisors as to the applicability and impact of such consequences.

6. Interest on the Bonds is exempt from California personal income taxes.

Except as stated in the preceding four paragraphs, we express no opinion as to any Federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any Federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

Respectfully submitted,

NIXON PEABODY LLP

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APPENDIX F

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 The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), in connection with the issuance of the Authority's $107,630,000 aggregate principal amount Refunding Revenue Bonds, 2008 Series A-1 (Tax-Exempt Bonds) (the "2008 Series A Bonds") and $20,330,000 aggregate principal amount Refunding Revenue Bonds, 2008 Series A-2 (Taxable Bonds) (the "2008 Series A-2 Bonds", and together with the 2008 Series A-1 Bonds, the "Bonds"). The Bonds are being executed and delivered pursuant to that certain Indenture dated as of April 1, 2008, between the Authority and the Trustee (the "Indenture"). 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 Indenture 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.

"Central Post Office" shall mean the DisclosureUSA website maintained by the Municipal Advisory Council of Texas (the "MAC") or any successor thereto, or any other organization or method approved by the staff or members of the SEC as an intermediary through which issuers may, in compliance with the Rule, make filings required by this Disclosure Agreement.

"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.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"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, if any.

"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 within the State created for the purpose of receiving information of the nature of the reports of material events required by this Disclosure Agreement and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Authority and the City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which is currently June 30) commencing with the 2007-2008 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. The Authority and the City reserve the right to make this filing through the Central Post Office.

(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.

(e) Notwithstanding any other provision of this Disclosure Agreement, the City and the Dissemination Agent, if any, may make any filing required under this Disclosure Agreement solely by transmitting such filing to the Central Post Office as provided at http://www.disclosureusa.org unless the Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

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, 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;

(c) property taxes due, property taxes collected and property taxes delinquent;

(d) property tax levy rate per $1,000 of assessed valuation; and

(e) outstanding general obligation debt of the City.

The City's current fiscal year 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.

(i) 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. The Authority and the City reserve the right to make such notice of significant event filings through the Central Post Office.

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) 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 o 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 the Dissemination Agent, its officers, directors, employees and agents, harmless 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 April 1, 2008.

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 Bank of New York Trust Company, N.A. 550 Kearny Street, Suite 600 San Francisco, California 94108 Attention: Milly Canessa Telephone: (415) 263-2420 Fax: (415) 630-6179

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 executed as of the 16th day of April 2008.

OAKLAND JOINT POWERS FINANCING AUTHORITY	**CITY OF OAKLAND, CALIFORNIA**
By: ______________________________	By: __________________________________
Authorized Representative	Treasury Manager

THE BANK OF NEW YORK TRUST COMPANY, N.A.

By: ______________________________

Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Obligors:	Oakland Joint Powers Financing Authority The City of Oakland, California
Name of Bond Issues:	Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2008 Series A-1 (Tax-Exempt Bonds) and 2008 Series A-2 (Taxable Bonds)
Date of Delivery:	April 16, 2008

NOTICE IS HEREBY GIVEN that neither the Oakland Joint Powers Financing Authority (the "Authority") nor the City of Oakland, California (the "City") has provided an Annual Report with respect to the above-named Bonds as required by the Indenture dated as of April 1, 2008 relating to the Bonds. The Authority and the City anticipate that the Annual Report will be filed by ___________

Dated:

THE BANK OF NEW YORK TRUST COMPANY, N.A.

By:_______________________
Authorized Officer

APPENDIX G

SPECIMEN FINANCIAL GUARANTY BOND INSURANCE POLICY

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ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:________________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel