

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

INTRODUCED BY COUNCIL MEMBER \_\_\_\_\_  
2004 MAY 29 PM 2:44

APPROVED AS TO FORM AND LEGALITY  
*Michelle S. ...*  
CITY ATTORNEY

ORDINANCE NO. \_\_\_\_\_ C.M.S.

**ORDINANCE PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 2004-2005 IN AN AMOUNT NOT TO EXCEED \$70,000,000 AND THE ISSUANCE AND SALE OF 2004-2005 TAX AND REVENUE ANTICIPATION NOTES THEREFOR, APPROVING THE PUBLICATION OF NOTICES IN CONNECTION WITH SUCH SALE, AUTHORIZING THE AWARD OF SUCH NOTES SUBJECT TO CERTAIN CONDITIONS, AND CERTAIN RELATED MATTERS**

**WHEREAS**, pursuant to Section 53850 et seq. of the Government Code of the State of California (the "Government Code") contained in Article 7.6 thereof, entitled "Temporary Borrowing," on or after the first day of any fiscal year (being July 1), a city may borrow money by issuing notes for any purpose for which a city is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of a city; and

**WHEREAS**, pursuant to Section 53853 of the Government Code, the City Council (the "Council") of the City of Oakland (the "City") has found and determined that the sum of up to Seventy Million Dollars (\$70,000,000) is needed for the requirements of the City to satisfy obligations payable from the General Fund of the City, and that it is necessary that an amount up to said sum be borrowed for such purpose at this time by the issuance of notes (the "Notes") therefore in anticipation of the receipt of taxes, revenues and other moneys to be received by the City for the General Fund of the City during or allocable to Fiscal Year 2004-2005; and

**WHEREAS**, the City intends to borrow, for the purposes set forth above, an amount not to exceed Seventy Million Dollars (\$70,000,000) by the issuance of the Notes; and

**WHEREAS**, the Notes shall be payable no later than 15 months after the date of issue, as permitted by Section 53854 of the Government Code, and the Notes shall be payable only from revenue received or accrued during the fiscal year in which issued; and

**WHEREAS**, the Notes shall not bear interest exceeding four percent (4%) per annum as permitted by Section 53531 of the Government Code, notwithstanding Section 53854 of the Government Code; and

**WHEREAS**, pursuant to Section 53856 of the Government Code, the City may pledge any taxes, income, revenue, cash receipts or other moneys deposited in inactive

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or term deposits (but excepting certain moneys of the City, including moneys encumbered for a special purpose); and this Ordinance specifies that certain unrestricted revenues which will be received by the City for the General Fund of the City during or allocable to Fiscal Year 2004-2005 are pledged for the payment of the Notes; and

**WHEREAS**, the Notes shall be a general obligation of the City, and to the extent not paid from the taxes, income, revenue, cash receipts and other moneys of the City pledged for the payment thereof shall be paid with interest thereon from any other moneys of the City lawfully available therefore, as required by Section 53857 of the Government Code; and

**WHEREAS**, the Notes will not be issued in an amount greater than the maximum amount as permitted and provided in the Income Tax Regulations of the United States Treasury promulgated under Section 148 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"); and

**WHEREAS**, pursuant to Section 219 of the Charter of the City, an ordinance is required to authorize the borrowing of money; and

**WHEREAS**, it appears, and the Council hereby finds and determines, that said sum of Seventy Million Dollars (\$70,000,000), when added to the interest payable thereon, does not exceed eighty-five percent (85%) of the estimated amount of the uncollected taxes, incoming revenue (including but not limited to revenue from state and federal governments), cash receipts and other moneys of the City for the General Fund of the City attributable to Fiscal Year 2004-2005, and available for the payment of the Notes and the interest thereon as required by Section 53858 of the Government Code;

**NOW, THEREFORE**, the Council of the City of Oakland does ordain as follows:

**Section 1. Recitals True and Correct.** All of the recitals set forth above are true and correct, and the Council so finds and determines.

**Section 2. Authorization of Notes.** Solely for the purpose of anticipating taxes, revenues and other moneys to be received by the City for the General Fund of the City during or allocable to Fiscal Year 2004-2005, the City hereby determines to and shall borrow the aggregate principal sum of not to exceed Seventy Million Dollars (\$70,000,000) by the issuance of notes under Section 53850 et seq. of the Government Code, designated "City of Oakland, California 2004-2005 Tax and Revenue Anticipation Notes", to be in fully registered form, to be numbered R-1 (and consecutively upward in order of issuance if more than one Note is registered), to be in denominations of \$5,000 and integral multiples thereof, to mature not later than 15 months from the date of issuance, and to bear interest, payable at maturity and, if the maturity of the Notes is more than 12 months after the date of issuance, on a date not later than 12 months after such date of issuance and computed on a 30-day month/360-day year basis at a rate not in excess of four percent (4%) per annum. Both the principal of and interest on

the Notes shall be payable, only upon surrender of the Notes, in lawful money of the United States of America, at the designated trust office of a financial institution appointed by the City as fiscal agent (the "Fiscal Agent") pursuant to Section 15 hereof; provided, however, that if the maturity of the Notes is more than 12 months after the date of issuance, then the interest due on a date not later than 12 months after such date of issuance will be by paid check mailed to the registered holders of the Note at their addresses appearing on the registration books of the Fiscal Agent as of the close of business on the 15th calendar day preceding such interest payment date or, so long as the Notes are registered in the name of Cede & Co., by wire transfer to an account in the United States designated by Cede & Co.

Except as provided below, the holder of all of the Notes shall be The Depository Trust Company, New York, New York ("DTC") and the Notes shall be initially registered in the name of Cede & Co., as nominee for DTC. The Notes initially shall be executed and delivered in the form of a single fully registered Note in the full aggregate principal amount of the Notes. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Notes registered in its name for all purposes of this Ordinance, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility or obligation to any participant of DTC (a "Participant"), any person claiming a beneficial ownership interest in the Notes under or through DTC or any Participant, or any other person which is not shown on the register of the Fiscal Agent as being a holder, with respect to the accuracy of any records maintained by DTC or any Participant or the payment or failure to pay by DTC or any Participant of any amount in respect of the principal or interest with respect to the Notes. The Fiscal Agent shall pay all principal and interest with respect to the Notes only to DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest with respect to the Notes to the extent of the sum or sums so paid. Except under the conditions described below, no person other than DTC shall receive a Note. Upon delivery by DTC to the Fiscal Agent of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the term "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

If the City determines that it is in the best interest of the beneficial owners that they be able to obtain Notes and delivers a written certificate to DTC to that effect, DTC shall notify the Participants of the availability through DTC of Notes. In such event, the City shall issue, transfer and exchange Notes as requested by DTC and any other holders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Notes as described in this Ordinance. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice to (a) make available one or more separate Notes evidencing the Notes to any DTC Participant having Notes credited to its DTC account or (b) arrange for another securities depository to maintain custody of certificates evidencing the Notes.

Notwithstanding any other provision of this Ordinance to the contrary, so long as any Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal and interest with respect to such Note and all notices with respect to such Note shall be made and given, respectively, to DTC as provided in the Blanket Letter of Representations on file with DTC on the date of issuance of the Notes.

**Section 3. Registration.** The Notes shall be issued in fully registered form, and shall be substantially in the form and substance set forth in Exhibit A attached hereto and by reference incorporated herein, the blanks in said form to be completed with appropriate words and figures. There shall be printed on or attached to each Note the legal opinion of Jones Hall, A Professional Law Corporation, Bond Counsel, respecting the validity of said Notes.

Subject to the provisions of Section 2 hereof, the registration of any Note may, in accordance with its terms, be transferred, upon the registration books kept by the Fiscal Agent for such purpose, by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Note for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent.

Whenever any Note or Notes shall be surrendered for registration of transfer, the Fiscal Agent shall execute and deliver a new Note or Notes, for a like aggregate principal amount. The Fiscal Agent shall require the Note owner requesting such registration of transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The City may require the owner requesting such registration of transfer to pay such additional reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Fiscal Agent or the City with respect to such registration of transfer. The City and the Fiscal Agent may treat the registered owner of any Note as the absolute owner thereof for all purposes whatsoever in accordance with this Ordinance, and the City and the Fiscal Agent shall not be affected by any notice to the contrary.

Subject to the provisions of Section 2 hereof, Notes may be exchanged at the office of the Fiscal Agent for a like aggregate principal amount of Notes in other authorized denominations. The Fiscal Agent shall require the payment by the Note owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The City may require the owner requesting such exchange to pay such additional reasonable charge as may be necessary to cover customary expenses incurred and fees charged by the Fiscal Agent or the City with respect to such exchange.

**Section 4. Proceeds of Notes.** The proceeds of the sale of the Notes shall be deposited in a special segregated subfund or subaccount of the General Fund of the City, which subfund or subaccount shall be given a name sufficient to identify it as holding the proceeds of the sale of the Notes. The proceeds of the sale of the Notes shall be used and expended by the City for any purpose for which it is authorized to

expend funds from the General Fund of the City, including the costs of issuing the Notes, which costs are hereby authorized to be paid by the City.

In the discretion of the Director of the Finance and Management Agency of the City, the amounts held in such subfund or account of the General Fund may be transferred to the Fiscal Agent pursuant to the Fiscal Agent Agreement, for deposit in the Proceeds Account thereunder, and may be invested by the Fiscal Agent as directed by the Director of the Finance and Management Agency of the City, pending disbursement at the request of the City, pursuant to the Fiscal Agent Agreement; provided, however, that any investment of the amounts held in such fund or account, whether held in a subfund or subaccount of the General Fund or by the Fiscal Agent in the Proceeds Account, shall be invested as permitted by California law as it is now in effect and as it may be amended from time to time, and in accordance with the investment policy of the City applicable thereto. Permitted investments include, without limitation, any investment permitted by Government Code Section 53601 and any investment agreement, repurchase agreement or guaranteed investment contract that (i) is entered into with a commercial bank or other entity whose long-term debt is rated, at the time such agreement or contract is entered into, in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Ratings Services, a division of the McGraw Hill Companies, and (ii) is otherwise acceptable to each rating agency then rating the Notes. No such investments shall have a maturity date later than the maturity date of the Notes. The investment earnings on any such investment shall be retained by the City or the Fiscal Agent in such fund or account until all of the Notes have been fully paid, at which time any excess amount shall be paid to the General Fund of the City.

**Section 5. Pledged Moneys.** The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, revenues, income, cash receipts and other moneys which are received by the City for the General Fund of the City for the Fiscal Year 2004-2005 and which are available for the payment of current expenses and other obligations of the City. As security for the payment of the principal of and interest on the Notes the City hereby pledges: (i) an amount equal to any interest payment requirement within 12 months of delivery of the Notes (as a result of Notes maturing more than 12 months after delivery) from unrestricted moneys on deposit with the City in the month ending immediately prior to such interest payment date (or in such other time period as may be selected by the City as provided below); (ii) an amount equal to fifty percent (50%) of the principal amount of the Notes, from unrestricted moneys on deposit with the City in the month ending May 31, 2005 (or in such other time period as may be selected by the City as provided below); (iii) an amount equal to fifty percent (50%) of the principal amount of the Notes, from unrestricted moneys on deposit with the City in the month ending June 30, 2005 (or in such other time period as may be selected by the City as provided below); and (iv) an amount sufficient to pay interest on the Notes at maturity, from the first unrestricted moneys on deposit with the City in the month ending June 30, 2005 (or in such other time period as may be selected by the City as provided below) (collectively, such pledged amounts being hereinafter called the "Pledged Moneys"), and the principal of the Notes and the interest

thereon shall constitute a first lien and charge against and shall be payable from the first moneys received by the City from such Pledged Moneys, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefore. Deposits of Pledged Moneys may take into account as a credit any earnings on deposit in the Special Account (as hereinafter defined).

The City Administrator, the Director of the Finance and Management Agency, or the designee of either, is hereby authorized to select other time periods than those designated above within Fiscal Year 2004-2005, for which unrestricted moneys received by the City are pledged to the payment of the principal of and interest on the Notes if, upon the advice of the City's financial advisor, the pledge of unrestricted moneys received during such other time periods would be financially advantageous to the City. Any such change shall be described in the final Official Statement relating to the Notes and in the Notes as finally executed and delivered, and the City Administrator or the Director of the Finance and Management Agency, or the designee of either, shall certify at the time of delivery of the Notes as to this and all other terms of the Notes. In the event there are insufficient unrestricted moneys received by the City to permit the deposit into the Special Account, as hereinafter defined, of the full amount of the Pledged Moneys to be deposited in the applicable month, by the next to last business day of such month, then the amount of any deficiency shall be satisfied and made up from any other moneys of the City lawfully available for the repayment of the Notes and interest thereon. The term "unrestricted moneys" shall mean taxes, income, revenue, cash receipts, and other moneys of the City, intended as receipts for the General Fund of the City and which are generally available for the payment of current expenses and other obligations of the City.

**Section 6. Special Account.** The Pledged Moneys shall be deposited by the City with and held by the Fiscal Agent, in trust, in a special fund designated "City of Oakland, California 2004-2005 Tax and Revenue Anticipation Notes Special Account" (hereinafter referred to as the "Special Account") and applied as directed in this Ordinance. Any money deposited by the Fiscal Agent in the Special Account shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Special Account shall be applied only for the purposes for which the Special Account was created.

All Pledged Moneys shall, when received, be paid to the Fiscal Agent for deposit in the Special Account. On the date of maturity of the Notes, the moneys in the Special Account shall be used and applied, to the extent necessary, to pay the principal of and interest on the Notes. Any moneys remaining in the Special Account after the Notes and the interest thereon have been fully paid, or provision for such payment has been made, shall be transferred to the City for deposit into its General Fund.

Moneys in the Special Account shall be invested as permitted by California law as it is now in effect and as it may be amended from time to time, and in accordance with the investment policy of the City as may be applicable thereto. Permitted

investments include, without limitation, any investment permitted by Government Code Section 53601 and any investment agreement, repurchase agreement or guaranteed investment contract that (i) is entered into with a commercial bank or other entity whose long-term debt is rated, at the time such agreement or contract is entered into, in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Ratings Services, a division of the McGraw Hill Companies and (ii) is otherwise acceptable to each rating agency then rating the Notes. No such investments shall have a maturity date later than the maturity date of the Notes. The proceeds of any such investment shall be retained by the Fiscal Agent in the Special Account until all of the Notes have been fully paid, at which time any excess amount shall be paid to the General Fund of the City.

**Section 7. Sale of Notes.** The Notes shall be sold at a public sale upon the direction of the City Administrator, the Director of the Finance and Management Agency, or the designee of either, said public sale to be at the time and place and upon the terms provided in the Official Notice Inviting Bids pertaining to the Notes, which shall be in substantially the form set forth as Exhibit B hereto (the "Notice Inviting Bids"). Bids for the purchase of the Notes shall be received by the City Administrator, the Director of the Finance and Management Agency, or the designee of either, at the time and place and in the manner set forth in the Notice Inviting Bids. The City Administrator, the Director of the Finance and Management Agency, or the designee of either, are authorized to distribute copies of the Notice Inviting Bids. The Council hereby authorizes and ratifies publication in The Bond Buyer of a Notice Of Intention To Sell in substantially the form attached hereto as Exhibit C, said publication being required to be made in a financial publication generally circulated throughout the State at least 15 days prior to the award of the Notes at competitive bid pursuant to Section 53692 of the Government Code.

**Section 8. Award of Notes.** The City Administrator, the Director of the Finance and Management Agency, or the designee of either, is hereby authorized to award the Notes in an aggregate principal amount not exceeding the aforesaid sum to the bidder for the Notes providing the lowest net interest rate as provided in the Notice Inviting Bids, provided that such net interest rate does not exceed four percent (4%) per annum. Upon award of the Notes to the successful bidder, (i) the City Administrator, the Director of the Finance and Management Agency, or the designee of either is hereby authorized and directed to attach to this Ordinance a certificate stating the principal amount of the Notes, the maturity date of the Notes, and the interest rate on the Notes, and (ii) appropriate officers of the City are authorized and directed to execute and deliver the Notes to the successful bidder.

**Section 9. Execution of Notes.** The City Administrator, the Director of the Finance and Management Agency, or the designee of either, is hereby authorized to sign the Notes by manual or facsimile signature, and the City Clerk is hereby authorized to countersign the same by manual or facsimile signature and to affix the seal of the Council thereto by facsimile impression thereof Said signing, countersigning and sealing shall constitute a valid and sufficient execution of the Notes; provided that at least one

of the aforesaid signatures is manual. Said officers are hereby authorized to cause the blank spaces thereof to be filled in as may be appropriate, and to deliver the Notes to the order of the successful bidder.

**Section 10. Delivery of Notes and Related Documents; Ratification of Prior Acts.** The proper officers of the City are hereby authorized and directed to sign and deliver the Notes to the purchasers thereof in accordance with the provisions of this Ordinance. The proper officers of the City are hereby authorized to negotiate and obtain a municipal bond insurance policy or other credit enhancement for the Notes, if the City Administrator, the Director of the Finance and Management Agency, or the designee of either, determine that such insurance policy or other credit enhancement will result in a lower true interest cost to the City. All actions heretofore taken by the officers and agents of the City with respect to the sale and issuance of the Notes are hereby approved, confirmed and ratified, and the Mayor, the City Administrator, the Director of the Finance and Management Agency, the Treasury Manager, and the designee of each of the above, are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and execute and deliver any and all certificates, agreements and other documents (including a fiscal agency agreement with a commercial bank or trust company acceptable to such officers) which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Ordinance.

**Section 11. Representations and Recitals Correct.** It is hereby covenanted and warranted by the City that all representations and recitals contained in this Ordinance are true and correct, and that the City, and its appropriate officials, have duly taken all proceedings necessary to be taken by them, and will take any additional proceedings necessary to be taken by them, for the levy, collection and enforcement of the taxes, revenue, cash receipts and other moneys pledged hereunder in accordance with the law and for carrying out the provisions of this Ordinance.

**Section 12. Tax Covenant.** The City hereby covenants with the owners of the Notes that, notwithstanding any other provisions of this Ordinance, it will make no use of the proceeds of the Notes or of any other amounts, regardless of the source, or of any property or take any action, or refrain from taking any action, that would cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, including the payment to the United States of America of any rebate due with respect to the Notes. The City will not make any use of the proceeds of the Notes or any other funds of the City, or take or omit to take any other action, that would cause the Notes to be "private activity bonds" within the meaning of Section 141 of the Internal Revenue Code, or "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code. To that end, so long as any Notes are unpaid, the City, with respect to such proceeds and such other funds, will comply with all requirements of such Sections and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended, to the extent such requirements are, at the time, applicable and in effect. These covenants shall survive the payment in full or defeasance of the Notes.



**Section 13. Official Statement.** The preparation and distribution of a Preliminary Official Statement relating to the Notes, in substantially the form and substance set forth in Exhibit D attached hereto, is hereby ratified and approved. The City Administrator, the Director of the Finance and Management Agency or the designee of either, is authorized to deem such Preliminary Official Statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12, and is further authorized to approve the final Official Statement with such changes therein, deletions therefrom and modifications thereto, such approval to be conclusively evidenced by the execution and delivery thereof by such officer.

**Section 14. Continuing Disclosure.** The City hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. Noncompliance with this Section shall not result in any default with respect to the Notes or the acceleration of the Notes.

**Section 15. Financial Advisor.** Public Financial Management, Inc. is hereby appointed to serve as financial advisor, in connection with the issuance of the Notes.

**Section 16. Inconsistencies Waived.** Any provisions of any ordinances and resolutions herewith are hereby waived to the extent only of such inconsistency.

**Section 17. Effective Date.** This Ordinance shall be effective immediately.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2004

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_  
CEDA FLOYD  
City Clerk and Clerk of the Council  
of the City of Oakland, California

§ \_\_\_\_\_  
CITY OF OAKLAND, CALIFORNIA  
2004-2005 TAX AND REVENUE ANTICIPATION NOTES

Certified Copy of the Ordinance  
Adopted on June \_\_\_, 2004

I, Ceda Floyd, hereby certify that I am the City Clerk of the City of Oakland, California (the "City"), a political subdivision organized and existing under and by virtue of the laws of the State of California and that as such I am authorized to execute this Certificate on behalf of the City.

I hereby further certify that attached hereto is a true, correct and complete copy of an ordinance which was duly adopted by the City Council of the City at a meeting thereof which was duly called and held on June \_\_\_, 2004, and at such meeting a quorum was present and acting throughout, and that said Ordinance No. \_\_\_\_\_ C.M.S. has not been modified, amended, rescinded or revoked since the date of adoption and is now in full force and effect.

Dated: July \_\_\_, 2004.

CITY OF OAKLAND, CALIFORNIA

By: \_\_\_\_\_  
Ceda Floyd  
City Clerk and Clerk of the Council  
of the City of Oakland, California

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

NOTICE AND DIGEST

2004 MAY 20 PM 2:44

AN ORDINANCE PROVIDING FOR THE BORROWING OF FUNDS FOR FISCAL YEAR 2004-2005 IN AN AMOUNT NOT TO EXCEED \$70,000,000 AND PROVIDING FOR THE ISSUANCE AND SALE OF 2004-2005 TAX AND REVENUE ANTICIPATION NOTES, APPROVING THE PUBLICATION OF NOTICES IN CONNECTION WITH SUCH SALE, AUTHORIZING THE AWARD OF SUCH NOTES SUBJECT TO CERTAIN CONDITIONS, AND CERTAIN RELATED MATTERS

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The Ordinance provides that the City may borrow up to Seventy Million Dollars (\$70,000,000) to satisfy obligations payable from the General Fund of the City during fiscal year 2004-05 by issuing notes in anticipation of the receipt of taxes, revenues and other moneys to be received by the City for the General Fund of the City during fiscal year 2004-2005.

The Ordinance sets forth the terms for the notes and provides that the notes issued by the City shall bear interest at a rate not exceeding four percent (4%) and shall be payable no later than 15 months after the date of issue only from revenue received or accrued during fiscal year 2004-05.

The Ordinance further approves and authorizes the execution of documents necessary for the issuance of the notes.

EXHIBIT A  
FORM OF NOTE

Registered No.           

\$00,000,000

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**CITY OF OAKLAND, CALIFORNIA  
2004-2005 TAX AND REVENUE ANTICIPATION NOTE**

RATE OF INTEREST	DATED DATE	MATURITY DATE	CUSIP
%	July __, 2004	July __, 2005	

**PRINCIPAL SUM:** \_\_\_\_\_ **Million DOLLARS**

**REGISTERED OWNER: CEDE & CO. (TAX I.D. #13-25551199)**-----

**FOR VALUE RECEIVED**, the City of Oakland (the "City"), State of California, promises to pay to the person named above, or lawful assigns (the "Registered Owner") at the office of \_\_\_\_\_ (the "Fiscal Agent") the principal sum shown above in lawful money of the United States of America, on the date shown above, together with interest thereon at the rate per annum shown above in like lawful money from the date hereof until payment in full of said principal sum. Both the principal of and interest on this Note shall be payable to the holder hereof as the same shall fall due; provided, however, no interest shall be payable for any period after maturity during which the holder hereof fails to properly present this Note for payment.

It is hereby certified, recited and declared that this Note is one of an authorized issue of Notes (the "Notes") in the aggregate principal amount of \_\_\_\_\_ Million Dollars (\$00,000,000), all of like tenor, made, executed and given pursuant to and by authority of the Charter of the City, Ordinance No. \_\_\_\_\_ adopted by the City Council of the City on June \_\_, 2004, and a Fiscal Agent Agreement made and entered into as of July \_\_, 2004, between the City and \_\_\_\_\_, as fiscal agent (the "Fiscal Agent"), under and by authority of Article 7.6 (commencing with Section 53850) of Chapter 4, Part 1, of Title 5 of Division 2 of the California Government Code, and that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Note have existed, happened and been performed in regular and due time, form and manner as required by law, and that this Note, together with all other indebtedness and obligations of the City, does not exceed any limit prescribed by the Constitution or statutes of the State of California.

The principal amount of this Note, together with the interest thereon, shall be payable from taxes, income, revenue, cash receipts and other moneys which are received by the City for the General Fund of the City for the Fiscal Year 2004-2005. As security for the payment of the principal of and interest on the Notes the City hereby pledges: (i) an amount equal to any interest payment requirement within 12 months of delivery of the Notes (as a result of Notes maturing more than 12 months after delivery) from

unrestricted moneys on deposit with the City in the month ending immediately prior to such interest payment date (or in such other time period as may be selected by the City as provided below); (ii) an amount equal to fifty percent (50%) of the principal amount of the Notes, from unrestricted moneys on deposit with the City in the month ending May 31, 2005 (or in such other time period as may be selected by the City as provided below); (iii) an amount equal to fifty percent (50%) of the principal amount of the Notes, from unrestricted moneys on deposit with the City in the month ending June 30, 2005 (or in such other time period as may be selected by the City as provided below); and (iv) an amount sufficient to pay interest on the Notes at maturity, from unrestricted moneys on deposit with the City in the month ending June 30, 2005 (or in such other time period as may be selected by the City as provided below) (collectively, such pledged amounts being hereinafter called the "Pledged Moneys"), and the principal of the Notes and the interest thereon shall constitute a first lien and charge against and shall be payable from the first moneys received by the City from such Pledged Moneys, and to the extent not so paid shall be paid from any other moneys of the City lawfully available therefor.

This Note is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the office of the Fiscal Agent in San Francisco, California, but only in the manner, subject to the limitations in the Ordinance and this Note, and upon such surrender and cancellation of this Note. Upon such transfer a new Note or Notes of authorized denominations and for the same aggregate principal amount will be issued to the transferees in exchange herefor.

The City and the Fiscal Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and neither the City nor the Fiscal Agent shall be affected by any notice to the contrary.

**IN WITNESS WHEREOF**, the City of Oakland has caused this Note to be executed by the original signature of the City Treasurer and countersigned by the facsimile signature of the City Clerk, and has caused an original or a facsimile of its official seal to be reproduced hereon this \_\_\_ day of July, 2004.

CITY OF OAKLAND, CALIFORNIA

By \_\_\_\_\_  
Mayor

(S E A L)

Countersigned:

\_\_\_\_\_  
City Clerk

I HEREBY CERTIFY that the following is a true and correct copy of the legal opinion regarding the Notes therein described that was manually signed by Jones Hall, A Professional Law Corporation, Bond Counsel, and was dated as of the date of delivery of and payment for said Notes.

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City Clerk

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**OPINION OF JONES HALL, A PROFESSIONAL LAW CORPORATION, BOND COUNSEL**

July \_\_, 2004

City Council  
City of Oakland  
One Frank Ogawa Plaza  
Oakland, California 94612

OPINION: \$\_\_\_\_\_ City of Oakland 2004-2005 Tax and Revenue Anticipation Notes

Members of the City Council:

We have acted as bond counsel in connection with the issuance by the City of Oakland, California (the "City"), of \$\_\_\_\_\_ City of Oakland 2004-2005 Tax and Revenue Anticipation Notes, dated July \_\_, 2004 (the "Notes"), pursuant to Article 7.6, commencing with Section 53850, of Chapter 4, Part 1, Division 2 of Title 5 of the California Government Code (the "Act"), Ordinance No. \_\_\_\_\_, adopted by the City Council on July \_\_, 2004 (the "Ordinance"), and a Fiscal Agent Agreement made and entered into as of July \_\_, 2004, between the City and \_\_\_\_\_, as fiscal agent (the "Agreement"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Agreement and in the certified proceedings and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The City is duly created and validly existing as a municipal corporation and charter city with the power to adopt the Ordinance and enter into the Agreement, to perform the agreements on its part contained in the Ordinance and the Agreement, and to issue the Notes.
2. The Ordinance has been duly adopted by the City Council and constitutes a valid and binding obligation of the City enforceable upon the City.
3. The Agreement has been duly executed and delivered by the City and constitutes a valid and binding obligation of the City enforceable upon the City.

4. Pursuant to the Act, the Ordinance and the Agreement create a valid lien on the funds pledged by the Ordinance and the Agreement for the security of the Notes.

5. The Notes have been duly authorized, executed and delivered by the City and are valid and binding general obligations of the City.

6. The interest on the Notes is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Notes in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

7. The interest on the Notes is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Notes and the enforceability of the Notes and the Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

Jones Hall  
A Professional Law Corporation

NOTICE INVITING BIDS

\$70,000,000\*  
CITY OF OAKLAND  
(CALIFORNIA)  
2004-2005 Tax and Revenue Anticipation Notes

NOTICE IS HEREBY GIVEN that proposals will be received by a representative of the City of Oakland ("the City") as follows:

**Time:** 9:30 a.m., Pacific Daylight Time, on or after July 20, 2004, as established by the City and communicated through The Bond Buyer Wire not less than 24 hours prior to the time bids are to be received.

**Manner:** Electronic Bids, via Grant Street Group's MuniAuction, Inc. ("MuniAuction"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, fax, telegraph or personal delivery) will be accepted. See "TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES - ELECTRONIC BIDDING PROCESS" herein.

for the purpose of purchasing \$70,000,000\* principal amount of 2004-2005 Tax and Revenue Anticipation Notes (the "Notes"), of the City pursuant to an Ordinance adopted by the City Council on June 15, 2004 ("the Ordinance"). The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act"), and under such statute the Notes are general obligations of the City payable solely from taxes, income, revenue, cash receipts, and other moneys of the City attributable to the fiscal year commencing on July 1, 2004 ("Fiscal Year 2004-2005") and legally available therefor.

**ISSUE:** The Notes shall be sold in an aggregate principal amount of \$70,000,000\* to be designated "City of Oakland, California, 2004-2005 Tax and Revenue Anticipation Notes." The principal amount of the Notes issued and delivered may be reduced as provided below under "PURCHASE PRICE."

**DATE, MATURITY and INTEREST PAYMENT DATES:** The Notes will be dated their date of delivery, which is expected to be on or about July 28, 2004, and will mature on July 27, 2005\*. Interest on the Notes will be payable on July 27, 2005\*.

**NO REDEMPTION:** The Notes are not subject to call and redemption prior to maturity.

**SECURITY:** The principal amount of the Notes, together with the interest thereon, will be payable from taxes, revenues, cash receipts and other moneys which are received by the City for the City's General Fund during Fiscal Year 2004-2005 and which are available for the payment of current expenses and other obligations of the City. As security for the payment of the principal of and interest on the Notes, the City has pledged (i) an amount equal to fifty percent (50%) of the principal amount of the Notes from unrestricted moneys on deposit with the City in the month ending May 31, 2005\*, (ii) an amount equal to fifty percent (50%) of the principal amount of the Notes from unrestricted moneys on deposit with the City in the month ending June 30, 2005\*; and (iii) an amount sufficient to pay interest on the Notes at maturity from unrestricted moneys on deposit with the City in the month ending June 30.

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## EXHIBIT B

2005\* ("Pledged Moneys") and the principal of the Notes and the interest thereon shall constitute a first lien and charge thereon and shall be payable from such Pledged Moneys, and, to the extent not so paid, shall be paid from any other moneys of the City lawfully available thereon. Deposits of Pledged Moneys may take into account as a credit any earnings on deposit in a special fund designated "City of Oakland, California 2004-2005 Tax and Revenue Anticipation Notes Special Account" (hereinafter referred to as the "Special Account"). By statute, the Notes are declared to be a general obligation of the City and to the extent not paid from Pledged Moneys shall be paid with the interest thereon from any other moneys of the City lawfully available therefor.

**REPAYMENT ACCOUNT:** The Pledged Moneys shall be deposited by the City and held by the Fiscal Agent, \_\_\_\_\_, in trust in the Special Account and applied as directed under the Ordinance. Any money deposited by the Fiscal Agent in the Special Account shall be for the benefit of the holders of the Notes and, until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Special Account shall be applied only for purposes for which the Special Account was created.

Pursuant to the Ordinance, all Pledged Moneys shall, when received, be paid to the Fiscal Agent for deposit in the Special Account. Amounts deposited by the City in the Special Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments as permitted by Section 53601 of the Government Code of the State, including, in accordance with the Ordinance, any investment agreement or guaranteed investment contract with a commercial bank or insurance company whose long term debt is rated not less than "Aa2," by Moody's Investors Service and "AA" by Standard & Poor's and no such investments shall have a maturity date later than the maturity date of the Notes. The proceeds of any such investment shall be retained by the Fiscal Agent in the Special Account until all of the Notes have been fully paid, at which time any excess amount shall be paid to the General Fund of the City.

**PAYMENT:** Both principal and interest are payable in lawful money of the United States of America at the office of \_\_\_\_\_, \_\_\_\_\_, California, as Fiscal Agent, to DTC, which will in turn remit such principal and interest to the beneficial owners of the Notes through DTC's Participants, as described in the Preliminary Official Statement.

**FULL BOOK ENTRY:** The Notes, when delivered to the purchaser thereof, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company; New York, New York ("DTC"). DTC will act as securities depository of the Notes. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Notes purchased.

### TERMS OF SALE AND ELECTRONIC BIDDING PROCEDURES

**FORM OF BID:** Bids must be for all of the Notes, and must be for not less than the par value thereof. **Each bid must be submitted through MuniAuction and must be received not later than 9:30 a.m. on said date of sale.** Each bid must be in accordance with the terms and conditions set forth herein. Bids which do not conform to the terms of this paragraph will be rejected.

**ELECTRONIC BIDDING PROCESS:** To bid via the MuniAuction website, bidders must have both (1) completed the registration form on the MuniAuction website and (2) requested and received admission to the City's auction, as described under "Registration and Admission to Bid" below. The use of MuniAuction shall be at the bidder's risk and expense, and the City shall have no liability with respect thereto. By submitting a bid for the Notes, a prospective bidder represents and warrants to the City that such bidder's bid for the purchase of the Notes (if a bid is submitted in connection with the sale) is

## EXHIBIT B

submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Notes. By registering to bid for the Notes, a prospective bidder is not obligated to submit a bid in connection with the sale.

If any provisions of this Notice of Sale shall conflict with information provided by MuniAuction, an approved provider of electronic bidding services, this Notice of Sale shall control, except for any Amendments to this Notice of Sale posted on the MuniAuction website, in which case such Amendments shall control. Further information about MuniAuction, including qualification, registration, rules and any fee charged, may be obtained from Grant Street Group by calling Grant Street Group's auction support at (412) 391-5555 (x370).

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access MuniAuction for purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the City nor MuniAuction shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to any qualified prospective bidder, and neither the City nor MuniAuction shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by MuniAuction. The City is not bound by any advice and determination of MuniAuction to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the bid specifications hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via MuniAuction are the sole responsibility of the bidders; the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Notes, it should telephone Grant Street Group and notify Janet An of Public Financial Management at (415) 982-5544. After receipt of bids is closed, the City, through MuniAuction, will indicate the apparent Purchaser. Such message is a courtesy only for viewers, and does not constitute the award of the Notes. Each bid will remain subject to review by the City to determine its true interest cost rate and compliance with the terms of this Notice of Sale and to award the Notes.

**REGISTRATION AND ADMISSION TO BID:** To bid via MuniAuction, bidders must first visit the MuniAuction website where, if they have never registered with MuniAuction, they can register and then request admission to bid on the Notes. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with MuniAuction or any other website administered by MuniAuction's Auction Administrator, may call the Auction Administrator at (412) 391-7686 for their ID Number or password.

**ALL-OR-NONE BIDS ONLY:** Bidders may only bid to purchase all of the Notes. No bid will be considered which does not offer to purchase all of the Notes. Each bid must specify only one rate of interest and a dollar purchase price for the entire issue of Notes.

**BIDDING DETAILS:** Bidders should be aware of the following bidding details associated with the sale for each series of Notes:

- (1) **All bids must be submitted on the MuniAuction website at either [www.GrantStreet.com](http://www.GrantStreet.com) or [www.MuniAuction.com](http://www.MuniAuction.com). No telephone, telefax, telegraph or personal delivery bids will be accepted.**
- (2) Bidders are permitted to submit bids for the Notes in only an all-or-none auction during the bidding time period.

EXHIBIT B

- (3) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid when compared to the immediately preceding bid of such bidder. See "Bid Procedure and Basis of Award" below.
- (4) The final bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.
- (5) During the bidding, no bidder will see any other bidder's bid, but each bidder will see whether their bid is a leading bid relative to other bids.
- (6) On the Auction Page, bidders will be able to see whether any bid has been submitted.

**RULES OF MUNIAUCTION:** The "Rules" of MuniAuction can be viewed on the MuniAuction website and are incorporated herein by reference. Bidders must comply with the Rules of MuniAuction in addition to the requirements of this Official Notice of Sale. In the event of a conflict between the Rules of MuniAuction and this Official Notice of Sale, this Official Notice of Sale shall control.

**PURCHASE PRICE:** The Notes will be awarded as a unit to the bidder whose legally acceptable bid, including any premium, produces the lowest *true interest cost* (on an annual 30/360 basis). The true interest cost of each proposal will be determined on the basis of the present value of the principal and interest to be paid with respect to the Notes based on the bid amount, principal plus premium (if any).

In the event that the winning bid contains a premium in excess of \$ \_\_\_\_\_, the principal amount of the Notes issued and delivered shall be reduced such that the principal amount of the Notes issued, together with premium thereon, does not exceed \$ \_\_\_\_\_.

**INTEREST RATE:** Interest with respect to the Notes will be calculated on a 30/360 day basis and is payable on July 27, 2005\*. In connection with the bids submitted for the Notes, (i) each bidder must bid an interest rate in a multiple of one one-thousandth of one percent (1/1000 of 1%) per annum which rate must be less than 4% per annum; (ii) interest with respect to a Note shall be computed annually from its date to the stated maturity date, July 27, 2005 at the interest rate specified in the bid; (iii) the same interest rate shall apply to all Notes; and (iv) any premium must be paid as part of the purchase price, and no bid will be accepted which contemplates the waiver of any interest or other concession by the bidder as a substitute for payment in full for the purchase price. All bids which do not conform to the terms of this paragraph will be rejected.

**GOOD FAITH DEPOSIT:** Each bid must be accompanied by a financial surety bond or a check in the amount of \$700,000\* payable to the order of the "City of Oakland," to secure the City from any loss resulting from the failure of the bidder to comply with the terms of its bid (the "Good Faith Deposit"). The financial surety bond must be from an insurance company licensed to issue such a bond in the State of California, whose claims-paying ability is rated in the highest rating category (without regard to subcategories) by Moody's Investors Service and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. Such financial surety bond must be submitted *prior* to the time bids are to be received to Public Financial Management, Inc., 50 California Street, 23<sup>rd</sup> Floor, San Francisco, California, 94111. Attn: Janet An, phone: (415) 982-5544, fax: (415) 982-4513. The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond, and the

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\*Preliminary, subject to change.

## EXHIBIT B

City assumes no responsibility for any failure of a financial surety bond to list any bidder or to be received on a timely basis as described in the preceding sentence. Once the Notes are awarded to a bidder utilizing a financial surety bond, then that bidder shall deliver its good faith deposit to the Treasury Manager of the City in the form of a cashier's check (meeting the requirements set forth above) or by wire transfer no later than 12:00 noon (California time) on the business day immediately following the award. Wiring instructions for the Good Faith Deposit are as follows:

Bank of America  
NCGS# 1436  
Acct#: 14720-01750  
Acct: City of Oakland  
ABA#: 121000358

The City does not endorse the use of a financial surety bond or of any provider of such a surety bond. The City will accept a financial surety bond in lieu of a cashier's check under the terms described herein solely as an accommodation to bidders, and it is understood and agreed by each bidder using such a bond that the bidder must make its own arrangements with the provider of the bond.

No interest will be paid upon the deposit made by any bidder. Good Faith Deposit checks of all bidders (except the successful bidder or bidders, herein the "Purchaser" or "Purchasers") will be returned by the City promptly following the award of the Notes to the Purchaser. The Good Faith Deposit will be invested for the exclusive benefit of the City. The principal amount of each such deposit shall be applied to the purchase price of the Notes at the time of delivery thereof.

If any Purchaser shall fail to pay the purchase price of the Notes awarded to it in full upon tender of the Notes, such Purchaser shall have no right in or to the Notes or to the recovery of its deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Notes would not be validly issued if delivered to such Purchaser in the form and manner proposed. In the event of nonpayment by any Purchaser, the amount of such Purchaser's Good Faith Deposit shall be retained by the City as and for liquidated damages for such failure by such Purchaser, and such retention shall constitute a full release and discharge of all claims by the City against such Purchaser arising from such failure. The City's actual damages in such an event may be greater or may be less than the amount of such Purchaser's Good Faith Deposit. Each bidder waives any right to claim that the City's actual damages are less than such amount.

**CERTIFICATION OF REOFFERING PRICE AND NRMSIR FILING:** The Purchaser shall be required, as a condition to the delivery of the Notes by the City, to certify to the City in writing the price at which a substantial amount of the Notes were sold to the public, in form and substance satisfactory to the City and Bond Counsel. The Purchaser shall also certify to the City that a copy of the final Official Statement relating to the Notes has been deposited with a nationally-recognized municipal securities information repository, if applicable.

**AWARD OF SALE:** The City will award the Notes or reject all bids not later than 24 hours after the expiration of the time herein prescribed for the receipt of proposals unless such time of award is waived by the Purchaser.

**RIGHT OF REJECTION AND WAIVER:** The City reserves the right, in its discretion, to reject any and all bids to waive any irregularity or informality in any bid and to select the winning bidder among bidders submitting identical bids.

## EXHIBIT B

**RIGHT TO POSTPONE AWARD:** In the event that no bid is awarded, the City shall receive bids at the time and location to be communicated through The Bond Buyer Wire not less than 24 hours prior to the time bids are to be received until such time as a bid is awarded or the City determines to withdraw sale of the Notes.

**RIGHT OF CANCELLATION:** The Purchaser shall have the right at its option to cancel the sale and purchase of the Notes if the City shall fail to execute the Notes and tender the same for delivery within 30 days from the award of sale thereof.

**CUSIP NUMBERS:** CUSIP numbers will be applied for and will be printed on the Notes and the cost will be the purchaser's responsibility. Any delay, error or omission with respect thereto will not constitute cause for the Purchaser to refuse to accept delivery of and pay for the Notes.

**PAYMENT:** Payment of the purchase price must be made in funds immediately available to the Director, Finance and Management Agency/Treasurer of the City of Oakland, California on the date of delivery of the Notes, which is expected to be on or about July 27, 2005.

**CHANGE IN TAX EXEMPT STATUS:** At any time before the Notes are tendered for delivery, the Purchaser may disaffirm and withdraw its proposal if the interest received by holders of notes of the same type and character as the Notes shall be determined to be includable in gross income under present federal income tax laws, either by a ruling of the Internal Revenue Service or by a decision of any federal court, or shall be determined to be includable in gross income by the terms of any federal income tax law enacted subsequent to the date of this notice.

**CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION FEE:** The Purchaser will be required pursuant to California law to pay any fees due to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will invoice the Purchaser after the closing of the Notes.

**OFFICIAL STATEMENT:** The Preliminary Official Statement, together with any supplements thereto, is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12, but is subject to revision, amendment and completion in a final Official Statement. The City will provide each Purchaser such number of printed copies of the Official Statement for this issue as such Purchaser may reasonably request. Up to 50 copies of the Official Statement will be furnished without cost within seven days of the sale, and any additional copies will be furnished at the expense of the Purchaser.

**CLOSING PAPERS; LEGAL OPINION:** The obligation of the Purchaser to purchase the Notes will be conditioned upon the City furnishing to each Purchaser, without charge, concurrently with payment for and delivery of the Notes, the following closing papers, each dated the dated of such delivery:

(a) The final approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, in the form attached as Appendix D to the Official Statement;

(b) A certificate of the City that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be "arbitrage notes";

(c) An opinion of the City Attorney of the City of Oakland that there is no litigation threatened or pending affecting the validity of the Notes;

EXHIBIT B

(d) A certificate of an appropriate City official, acting on behalf of the City solely in his/her official capacity, and not in his/her personal capacity, which at the time of the sale of the Notes and at all times subsequent thereto, up to and including the time of the delivery of the Notes to the initial purchasers thereof, the Official Statement of the City pertaining to said Notes did not, and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement therein, in light of the circumstances under which it was made, not misleading;

(e) The signature certificate of the officials of the City of Oakland, showing that they have signed the Notes and impressed the seal of the City thereon, and that they were respectively duly authorized to execute the same; and

(f) The receipt of the Director, Finance and Management Agency/Treasurer or City Administrator of the City of Oakland that the purchase price of the Notes has been received.

**INFORMATION AVAILABLE:** Requests for information concerning the City should be addressed to:

Public Financial Management  
50 California Street, 23rd Floor  
San Francisco, CA 94111  
Attn: Janet An  
Phone: (415) 982-5544  
Fax: (415) 982-4513

CITY OF OAKLAND

By:           /s/ William E. Noland            
Director, Finance and Management Agency

Dated: July 12, 2004

**EXHIBIT C****NOTICE OF INTENTION TO SELL****\$70,000,000\*  
CITY OF OAKLAND, CALIFORNIA  
2004-2005 TAX AND REVENUE ANTICIPATION NOTES**

**NOTICE IS HEREBY GIVEN** that the City of Oakland, California (the "City") intends to receive sealed proposals, in the form of electronic proposals only, for the purchase of \$70,000,000\* principal amount of City of Oakland, California, 2004-2005 Tax and Revenue Anticipation Notes (the "Notes"), as follows:

- Time:** 9:30 a.m., Pacific Daylight Time, on or after July 20, 2004, as established by the City and communicated through The Bond Buyer Wire not less than 24 hours prior to the time bids are to be received.
- Manner:** Electronic Bids, via the Grant Street Group's MuniAuction, Inc. ("MuniAuction"). No other provider of electronic bidding services, and no other means of delivery of bids (e.g., telephone, fax, telegraph or personal delivery) will be accepted.

Electronic proposals may be submitted for receipt prior to the time for receipt of the bids at the time and place set forth above, only through MuniAuction in accordance with the procedures, terms and conditions set forth in the Official Notice Inviting Bids. Bidders expecting to submit a bid by electronic transmission are requested to notify Public Financial Management of their intent as early as possible. The City assumes no responsibility or liability for bids submitted through any other means than those approved by the Official Notice Inviting Bids. No bids will be accepted by facsimile. Changes in the date and time of receipt of proposals will be communicated via The Bond Buyer Wire prior to the scheduled bid opening.

Copies of the Preliminary Official Statement to be issued in connection with the sale of the Notes, the complete Official Notice Inviting Bids, and the Ordinance of the Council of the City authorizing the issuance of the Notes may be obtained from the City or from the offices of the City's financial advisor at the following locations: Office of the Financial Services Agency of the City of Oakland, California, Attention: Joseph T. Yew, 150 Frank H. Ogawa Plaza, Suite 5330 Oakland, California 94612, (510) 238-6735; or Public Financial Management, Inc., 50 California Street, 23rd Floor, San Francisco, California, 94111, Attn: Jan An, phone: (415) 982-5544, fax: (415) 982-4513. The Preliminary Official Statement will be in a form deemed final by the City within the meaning of Rule 15c2-12(b)(1) promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, except for the omission of certain information permitted to be omitted therefrom pursuant to Rule 15c2-12 but is subject to revision, amendment and completion in a final Official Statement.

Dated: July \_\_, 2004

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\*Preliminary, subject to change.

NEW ISSUE – BOOK-ENTRY-ONLY

RATINGS:  
 Moody's: \_\_\_\_\_  
 Standard & Poor's: \_\_\_\_\_  
 Fitch: \_\_\_\_\_  
 See "RATINGS" herein

*In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.*



**\$ 70,000,000\***  
**CITY OF OAKLAND**  
**2004-2005 Tax and Revenue Anticipation Notes**

DATED: DATE OF DELIVERY

DUE: JULY \_\_, 2005

This Official Statement has been prepared by the City of Oakland to provide information on the 2004-2005 Tax and Revenue Anticipation Notes ("the Notes"). Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Notes, a prospective investor should read this Official Statement in its entirety.

**Security**

The Notes are general obligations of the City of Oakland, California (the "City"), and are payable solely from taxes, income, revenues, cash receipts and other moneys of the City attributable to the fiscal year 2004-2005 and legally available for payment thereof. As security for the payment of principal and interest on the Notes, the City has pledged for deposit in trust the available unrestricted moneys on deposit with the City in the months of [May 2005] and [June 2005] in an amount in each month equal to 50% of the principal amount of the Notes plus, in the case of [June 2005], an amount sufficient to pay interest on the Notes at maturity.

**Redemption**

The Notes are **not** subject to redemption prior to maturity.

**Authority for Issuance**

The Notes are issued in full conformity with the Constitution and laws of the State of California and were authorized by an Ordinance of the City adopted on June \_\_, 2004.

**Purpose**

Proceeds of the Notes will provide moneys to meet current General Fund expenditures for the Fiscal Year 2004-2005, including current operating expenses, capital expenditures and the discharge of other obligations or indebtedness of the City. See page 3 "Introductory Statement" herein.

**Maturity Schedule**

<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Priced to Yield</u>
\$70,000,000	____%	____%

**Principal & Interest Payment Date**

[ ]

**Denomination**

\$5,000 or multiples thereof.

**Closing/Delivery Date**

On or about July 28, 2004.

**Registration**

Book-entry-only through The Depository Trust Company.

**Fiscal Agent**

To be determined.

**Financial Advisor**

Public Financial Management, Inc., San Francisco, California.

**Bond Counsel**

Jones Hall, A Professional Law Corporation, San Francisco, California.

**Issuer Contact**

Treasurer/Director, Finance and Management Agency, City of Oakland (510) 238-6325.

Dated: July \_\_, 2004



EXHIBIT D

No dealer, broker, salesperson, or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. 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 Notes by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

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

The information and expressions of opinions 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 City since the date hereof. This Official Statement is submitted with respect to the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements in this Official Statement, which may be identified by the use of such terms as "plan," "expect," "estimate," "budget" or other similar words, constitute "forward-looking statements." Such forward-looking statements include, but are not limited to, statements under the captions "CASHFLOW PROJECTIONS" and "RISK FACTORS." Such forward-looking statements refer to the achievement of certain results or other expectations of performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as 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.

EXHIBIT D  
**CITY OF OAKLAND**

**MAYOR**

EDMUND G. BROWN, JR.

**CITY COUNCIL**

IGNACIO DE LA FUENTE, President  
DISTRICT 5

HENRY CHANG, JR., Vice Mayor  
AT-LARGE

DESLEY BROOKS  
DISTRICT 6

JANE BRUNNER  
DISTRICT 1

NANCY NADEL  
DISTRICT 3

JEAN QUAN  
DISTRICT 4

LARRY REID  
DISTRICT 7

DANNY WAN  
DISTRICT 2

**CITY OFFICIALS**

DEBORAH A. EDGERLY, City Administrator

CHERYL A.P. THOMPSON, Assistant City Administrator

CEDA FLOYD, City Clerk

ROLAND E. SMITH, City Auditor

JOHN RUSSO, City Attorney

WILLIAM E. NOLAND, Director, Finance and Management Agency

JOSEPH T. YEW, JR., Treasury Manager

KATANO KASAINE, Assistant Treasury Manager

**BOND COUNSEL**

JONES HALL  
A PROFESSIONAL LAW CORPORATION  
San Francisco, California

**UNDERWRITER**  
TO BE DETERMINED

**FINANCIAL ADVISOR**

PUBLIC FINANCIAL MANAGEMENT, INC.  
San Francisco, California

**FISCAL AGENT**

TO BE DETERMINED

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**OFFICIAL STATEMENT**

**\$70,000,000\***  
**CITY OF OAKLAND, CALIFORNIA**  
**2004-2005 TAX AND REVENUE ANTICIPATION NOTES**

**INTRODUCTORY STATEMENT**

This Official Statement, including this Introductory Statement, has been prepared under the direction of the City of Oakland, California (the "City"), and provides information in connection with the sale of its 2004-2005 Tax and Revenue Anticipation Notes (the "Notes") issued in the principal amount of \$70,000,000\*.

The Notes are issued in full conformity with the Charter of the City and Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850 of the Government Code of the State (the "Law")) and under the Law are general obligations of the City payable from those taxes, income, revenues, cash receipts, and other moneys which are received by the City for the General Fund of the City for the fiscal year 2004-2005 and which are generally available for the payment of current expenses and other obligations of the City (the "Unrestricted Moneys"). The Notes are authorized pursuant to Ordinance No. \_\_\_\_ CMS of the City adopted on June \_\_\_\_, 2004 (the "Ordinance"). The City may, under the Law, issue the Notes only if the principal of and interest on the Notes will not exceed eighty-five percent (85%) of the estimated Unrestricted Moneys legally available for the payment of the Notes. Proceeds from the sale of the Notes will be used for current General Fund expenditures, including current expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

**THE NOTES**

**Description of the Notes**

The Notes will be issued in the aggregate principal amount of \$70,000,000\* and will be in denominations of \$5,000 or integral multiples thereof. The Notes will be dated their date of issuance and delivery and will mature July \_\_, 2005. The Notes shall bear interest at the rate set forth on the cover page hereof, payable at maturity and computed on a 30-day month/360-day year basis. \_\_\_\_\_ will serve as Fiscal Agent for the Notes. The Notes are to be delivered as fully registered Notes, without coupons and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Notes. Purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof.

**Purpose of Issue**

Proceeds of the Notes will provide moneys to meet current General Fund expenditures for the fiscal year 2004-2005, including current operating expenses, capital expenditures and the discharge of other obligations or indebtedness of the City.

**Authority for Issuance**

The Notes are issued under the authority of the Law and pursuant to the Ordinance.

\* Preliminary, subject to change.

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### **Book-Entry-Only System**

DTC will act as securities depository for the Notes. Upon the issuance of the Notes, one fully registered Note, as set forth on the cover page hereof, will be registered in the name of Cede & Co., as a nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers, and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Ownership interests in the Notes may be purchased by or through DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Notes as nominees will not receive certificated Notes, but such DTC Participants will receive credit balance in the records of DTC in the amount of \$5,000 or any integral multiple thereof which will evidence such DTC Participants' interests in the Notes. Such acquisition will be confirmed in writing in accordance with DTC's standard procedures. Each such person for which a DTC Participant acquires an interest in the Notes, as nominee, may desire to make arrangements with such DTC Participant to receive a credit balance in the records of such DTC Participant, and may desire to make arrangements with such DTC Participant to have all communications of the County to DTC, which may affect such persons, to be forwarded in writing by such DTC Participant.

In this Official Statement, the term "Beneficial Owner" shall mean the person for whom the DTC Participant acquires an interest in the Notes.

DTC will receive payment of the principal of and interest on the Notes upon maturity of the Notes from the Paying Agent, to be remitted by DTC to the DTC Participants for subsequent disbursements to the Beneficial Owners. NO ASSURANCE IS GIVEN BY THE CITY OR THE FISCAL AGENT THAT DTC AND DTC PARTICIPANTS WILL MAKE PROMPT TRANSFER OF PAYMENTS TO BENEFICIAL OWNERS. THE CITY AND THE FISCAL AGENT ARE NOT RESPONSIBLE OR LIABLE FOR PAYMENTS OR FAILURES TO PAY BY DTC OR DTC PARTICIPANTS OR FOR SENDING TRANSACTION STATEMENTS OR FOR MAINTAINING, SUPERVISING, OR REVIEWING RECORDS MAINTAINED BY DTC OR DTC PARTICIPANTS.

The ownership interest of each Beneficial Owner in the Notes will be recorded in the records of the DTC Participants whose ownership interest will be recorded on a computerized book-entry system operated by DTC. When reference is made to any action that is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation, or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the City, or any fiduciary acting on behalf of the City, to DTC.

So long as Cede & Co. is the registered owner of the Notes, as nominee for DTC, references herein to the registered owners of the Notes (other than for federal and state income tax purposes) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Notes.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENT BY DTC. ANY DTC PARTICIPANT. OR ANY INDIRECT PARTICIPANT OF THE PRINCIPAL OR INTEREST OF THE NOTES; THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS; THE ACCURACY OF ANY RECORDS

EXHIBIT D

MAINTAINED BY DTC, ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE NOTES.

Transfers of ownership interests in the Notes will be accomplished by book entries made by DTC and the DTC Participants who act on behalf of the Beneficial Owners. For every transfer and exchange of the Notes, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), Note certificates are required to be delivered as described in the Ordinance. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Notes.

In the event DTC determines not to continue to act as securities depository for the Notes, then the City will discontinue the book-entry system with DTC. If the City determines to replace DTC with another qualified securities depository, the City will prepare or direct the preparation of a new single, separate, fully registered Note, registered in the name of such successor or substitute qualified securities depository or its nominee. If the City does not identify another qualified securities depository to replace DTC, then the Notes will no longer be restricted to being registered in the Note register in the name of Cede & Co., but will be registered in whatever name or names owners of the Notes transferring or exchanging Notes shall designate in accordance with the Ordinance, and the City will prepare and deliver Notes to the owners thereof for such purpose.

**Security for the Notes**

The principal amount of the Notes, together with the interest thereon, will be payable from taxes, revenues, income, cash receipts and other moneys which are received by the City for the City's General Fund during fiscal year 2004-2005 and which are available for the payment of current expenses and other obligations of the City. As security for the payment of the principal of and interest on the Notes, the City has pledged (i) an amount equal to fifty percent (50%) of the principal amount of the Notes from Unrestricted Moneys on deposit with the City in the month ending May 31, 2005; (ii) an amount equal to fifty percent (50%) of the principal amount of the Notes from the first of such moneys on deposit with the City in the month ending June 30, 2005, and (iii) an amount sufficient to pay interest on the Notes from such moneys on deposit with the City in the month ending June 30, 2005 ("Pledged Moneys"). Deposits of Pledged Moneys may take into account as a credit any earnings on deposits in the Special Account. See "Special Account" below.

**REQUIRED PLEDGED MONEYS DEPOSITS**

<u>May 31, 2005</u>	<u>June 30, 2005</u>
\$ _____	\$ _____*

\* Based on an interest rate of 2.00% on the Notes

The Law and the Ordinance provide that the obligation to pay the principal amount of the Notes and the interest constitutes a first lien and charge against and shall be paid from such Pledged Moneys of the City. To the extent not so paid from Pledged Moneys, the Notes shall be paid from any other moneys of the City lawfully available therefor. All Pledged Moneys, as and when received, shall be deposited by the City in the Special Account for the payment of the principal of and interest on the Notes at maturity with interest to maturity.

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### **Special Account**

The Pledged Moneys shall be deposited by the City and held by the Fiscal Agent, in trust, in a special fund designated "City of Oakland, California, 2004-2005 Tax and Revenue Anticipation Notes Special Account" (the "Special Account") and applied as directed under the Ordinance. Any money deposited by the Fiscal Agent in the Special Account shall be for the benefit of the holders of the Notes, and until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Special Account shall be applied only for purposes for which the Special Account was created.

Pursuant to the Ordinance, all Pledged Moneys shall, when received, be paid to the Fiscal Agent for deposit in the Special Account. Amounts deposited by the City in the Special Account shall be applied solely for the purpose of paying the principal of and interest on the Notes, although such amounts shall be invested by the City in legal investments, as permitted by Section 53601 of the Government Code of the State, including, in accordance with the Ordinance, any investment agreement or guaranteed investment contract with a commercial bank or insurance company whose long term debt is rated not less than "Aa2" by Moody's Investor Service and "AA" by Standard & Poor's Rating Services, and no such investments shall have a maturity date later than the maturity date of the Notes. The proceeds of any such investment shall be retained by the Fiscal Agent in the Special Account until all of the Notes have been fully paid, at which time any excess amount shall be paid to the General Fund of the City.

### **Available Sources of Repayment**

The Notes, in accordance with the Law, are general obligations of the City but are payable only out of Unrestricted Moneys, which include the taxes, income, revenue, cash receipts and other moneys of the City which are received by the City for the General Fund of the City for the fiscal year 2004-2005 and which are generally available for the payment of current expenses and other obligations of the City. The Constitution of the State substantially limits the City's ability to levy *ad valorem* taxes and to increase fees charged for services of the City (See "CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS" herein). The City presently expects that, other than the Notes, it will not issue any other notes or warrants for cashflow borrowing purposes with respect to fiscal year 2004-2005.

Further detail as to the estimated Unrestricted Moneys available for repayment and the resulting Note Coverage Ratio (defined below) can be found in the table, "Estimated Unrestricted Moneys Available For Note Repayment" on the following page.

The Note Coverage Ratio is the ratio of estimated Unrestricted Moneys available to repay the principal of and interest on the Notes, to the amount needed to pay principal of and interest on the Notes. The City expects to receive a projected \$ \_\_\_\_\_ in Unrestricted Moneys on a cash basis (including carry-over balances and transfers, but net of proceeds of the Notes) during Fiscal Year 2004-2005. Based on an amount of Unrestricted Moneys needed to pay principal and interest on the Notes of \$ \_\_\_\_\_, the Note Coverage Ratio is \_\_\_\_\_. There can be no assurance that actual results will not vary significantly from these projected results.

The foregoing statements in this Official Statement relating to the cashflow projections constitute "forward-looking statements." Such forward-looking statements refer to the achievement of certain results or other expectations or performance which involve known and unknown risks, uncertainties and other factors. These risks, uncertainties and other factors may cause actual results, performance or achievements to be materially different from any projected results, performance or achievements described or implied by such forward-looking statements. The City does not plan to issue updates or revisions to such forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based, occur, or if actual results, performance or achievements are materially different from any results, performance or achievements described or implied by such forward-looking statements.



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Cashflows

The table below gives details as to the sources and amounts of estimated unrestricted moneys available for repayment and the Note Coverage Ratio.

CITY OF OAKLAND  
2004-2005 ESTIMATED UNRESTRICTED MONEYS  
AVAILABLE FOR NOTE PAYMENT  
(in thousands)

Revenue Source	Amount
Cash Balance as of _____	\$
Property Tax	
State Taxes	
Local Taxes	
Licenses & Permits	
Fees, Finance & Penalties	
Interest and Rentals	
Service Charges	
Other Grants & Subsidies	
Lighting / Landscape Assessments	
Internal Service Funds	
Interfund Transfers	
Miscellaneous	_____
Total Unrestricted Money	\$
Principal Plus Interest Needs	
Note Coverage Ratio	

Source: City of Oakland Cashflow Projections

EXHIBIT D

CITY OF OAKLAND GENERAL FUND PROJECTION FOR 2004-2005 FISCAL YEAR (in 000's)

2004-2005 PROJECTED GENERAL FUND CASHFLOWS (Thousands of Dollars)	July	August	September	October	November	December	January	February	March	April	May	June	Total
BEGINNING BALANCE													
<b>RECEIPTS:</b>													
General Property Tax													
Sales & Use													
Motor Vehicle in Lieu													
Business License Tax													
Utility Users Tax													
Real Estate Transfer Tax													
Bedroom/Occupancy Tax													
Parking Tax													
Franchise Fees													
License & Permits													
Fines & Penalties													
Interest & Rentals 1													
Service Charges													
Other Grants & Subsidies													
Miscellaneous													
Interfund Transfers													
Note Proceeds													
Lighting/Landscape Assess													
Internal Service Funds													
<b>Total Receipts</b>													
<b>DISBURSEMENTS:</b>													
Gen Fund Salaries & Benefits													
Gen Fund Operations & Maint													
Note Principal													
Note Interest													
Interfund Transfers													
POB Debt Service													
Lighting/Landscape Assess													
Internal Service Funds													
<b>Total Disbursements</b>													
STRIKES/(DEFICIT)													
ENDING BALANCE													

TO COME

EXHIBIT D

<sup>1</sup> Includes interest earnings on Note proceeds.

**EXHIBIT D**  
**CITY OF OAKLAND GENERAL FUND FOR 2003-2004 FISCAL YEAR (in 000's)**

2003-2004 GENERAL FUND CASHFLOWS (Thousands of Dollars)	July	August	September	October	November	December	January	February	March	April	May	Projected June	Total
	<b>BEGINNING BALANCE</b>												
<b>RECEIPTS:</b>													
General Property Tax													
Sales & Use													
Motor Vehicle in Lieu													
Business License Tax													
Utility Users Tax													
Real Estate Transfer Tax													
Bedroom/Occupancy Tax													
Parking Tax													
Franchise Fees													
License & Permits													
Fines & Penalties													
Interest & Rentals													
Service Charges													
Other Grants & Subsidies													
Miscellaneous													
Interfund Transfers													
Note Proceeds													
Lighting/Landscape Assess													
Internal Service Funds													
<b>Total Receipts</b>													
<b>DISBURSEMENTS:</b>													
Gen Fund Salaries & Benefits													
Gen Fund Operations & Maint													
Note Principal													
Note Interest													
Interfund Transfers													
POB Debt Service													
Lighting/Landscape Assess													
Internal Service Funds													
<b>Total Disbursements</b>													
<b>SURPLUS/(DEFICIT)</b>													
<b>ENDING BALANCE</b>													

TO COME

EXHIBIT D

<sup>1</sup> Includes interest earnings on Note proceeds.

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**GENERAL CITY INFORMATION**

Located in the County of Alameda on the east side of San Francisco Bay, the City is approximately seven miles from downtown San Francisco via the San Francisco-Oakland Bay Bridge. 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, Oakland has developed into a financial, commercial, and governmental center. The City is the hub of an extensive transportation network that includes a freeway system and the western terminals of major railroads and trucking firms, as well as one of the largest container-ship ports in the United States. The City supports an expanding international airport and rapid-transit lines that connect it with most of the Bay Area. The City is the seat of government for Alameda County and is the eighth most populous City in the State.

The City is a municipal corporation and charter city organized and existing under the Constitution and laws of the State. It was incorporated as a town in 1852 and as a city in 1854. The City became a charter city in 1889. The Charter provides for the election, organization, powers and duties of the legislative branch, known as the City Council; the powers and duties of the executive and administrative branches; fiscal and budgetary matters, personnel administration, franchise, licenses, permits, leases and sales; employee's pension funds; and the creation and organization of the Port of Oakland. The City's charter was most recently amended through the approval of ballot Measure X by voters on November 3, 1998. This amendment, scheduled to sunset if not approved by the voters on or before the November 2004 election, created a Mayor-Council form of government, provided a two-term limit for the mayor, instituted a requirement of voter approval for increases to City Council compensation, and provided for the election of the City Attorney. On March 2, 2004, the voters approved Measure P, returning the Mayor-Council form of government, the Mayoral term limit and the elected City Attorney.

For additional information concerning the City, its government and its financial affairs, 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, 2003."

**City Investment Policy**

The authority to invest the City's Operating Fund, including the Unrestricted Monies received by the City, is governed by Council Resolution No. 56127, which delegates to the Director, Finance and Management Agency/Treasurer the authority to invest this Operating Fund within the guidelines of Section 53600 of the Government Code of the State of California (the "Code"). The Code also directs the City to present an annual investment policy for confirmation to the City Council. This Investment Policy was last amended on June \_\_, 2004. For a complete description of the current Investment Policy, including the objectives, reporting requirements and permitted investments of the portfolio, see "APPENDIX C: CITY OF OAKLAND INVESTMENT POLICY." The Investment Policy is subject to revision at any time.

**SPECIAL RISK FACTORS**

*The following information should be considered by prospective investors in evaluating the Notes. However, this information does not purport to be an exhaustive listing of the risks and other considerations which may be relevant to an investment in the Notes.*

**Limitations on Remedies In Event of Default**

The rights of the owners of the Notes in the event of nonpayment of the Notes may be subject to the limitations on legal remedies against cities in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the City, may become subject to the following: the Federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under

#### EXHIBIT D

State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; and the reasonable and necessary exercise in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

#### **Federal Income Tax Consequences**

Certain federal income tax consequences of an investment in the Notes are discussed under "TAX MATTERS" herein. Each prospective purchaser of the Notes should consult with his or her own tax advisor to determine the specific effects of an investment in the Notes based upon such prospective investor's particular tax situation.

#### **Loss of Tax Exemption**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Notes, the City has covenanted in the Ordinance to comply with each applicable requirement of the Internal Revenue Code of 1986, as amended. The interest on the Notes could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of the Notes as a result of acts or omissions of the City in violation of such covenants in the Ordinance. Despite the occurrence of such an event of taxability, the Notes are nonetheless not subject to redemption and will remain outstanding until maturity. See "TAX MATTERS" herein.

### **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS**

#### **Article XIII A of the State Constitution**

Section 1(a) of Article XIII A of the State Constitution limits the maximum ad valorem tax on real property to 1% of full cash value (as defined in Section 2 of Article XIII A), to be collected by counties and apportioned according to law. Section 1(b) of Article XIII A provides that the 1% limitation does not apply to ad valorem taxes to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978 or (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition. Section 2 of Article XIII A defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a change in the consumer price index or comparable data for the area under taxing jurisdiction or reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIII A provides that notwithstanding any other law, local agencies may not levy any ad valorem property tax except to pay debt service on indebtedness approved by the voters as described above.

The 1% property tax is automatically levied by the County of Alameda and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

The voters of the State subsequently approved various measures which further amended Article XIII A. One such amendment generally provides that the purchase or transfer of (i) real property between spouses or (ii) a principal

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residence and the first \$1,000,000 of the full cash value of other real property between parents and children, does not constitute a "purchase" or "change of ownership" triggering reassessment under Article XIII A. This amendment could serve to reduce the projected property tax revenues of the City. Other amendments permitted the State Legislature to allow persons over 55 or "severely disabled homeowners" who sell their residence and buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence.

In the November 1990 election, the voters approved the amendment of Article XIII A to permit the State Legislature to exclude from the definition of "new construction" seismic retrofitting improvements or improvements utilizing earthquake hazard mitigation technologies constructed or installed in existing buildings after November 6, 1990.

Article XIII A has also been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, provided that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster. See "APPENDIX A: CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND - Property Taxation."

Section 51 of the Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The constitutionality of this procedure was challenged in a lawsuit brought in the Orange County Superior Court entitled, County of Orange v. Orange County Assessment Appeals Board No. 3 (Case No. 00CC03385 in files of that court), and in similar lawsuits brought in other counties, on the basis that the decrease in assessed value creates a new "base year value" and that subsequent increases in the assessed value of a property by more than 2% in a single year violate Article XIII A. In 2003, the Orange County Superior Court declared the recapture practice to be unconstitutional as applied to the plaintiff taxpayer. Orange County appealed the case to the California Court of Appeal and, on March 26, 2004, the Court of Appeal reversed the Superior Court concluding that the base on which the inflation factor is calculated remains that of the valuation as shown on the Fiscal Year 1975-76 tax bill or, thereafter, the appraised value when purchased, newly constructed, or a change in ownership has occurred, not any reduced base resulting from a reassessment in the wake of a decline in property values, and, therefore, that increases in assessed value by more than 2% in a single year previous reduction did not necessarily violate Article XIII A. The Authority is unable to predict whether the Court of Appeal decision will be appealed to the California Supreme Court or the outcome of any such appeal or the ultimate the effect, if any, any such appeal might have assessed values in the City and on the City's property tax revenues.

#### **Article XIII B of the State Constitution**

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services for which the fiscal responsibility is shifted to or from the governmental entity. The initial version of Article XIII B provided that the "base year" for establishing an appropriations limit was the 1978-79 Fiscal Year, which was then adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies. Proposition 111 revised the method for making annual adjustments to the appropriations limit by redefining changes in the cost of living and in population. It also required that beginning in Fiscal Year 1990-91 each appropriations limit must be recalculated using the actual 1986-87 appropriations limit and making the applicable annual adjustments as if the provisions of Proposition 111 had been in effect.

Appropriations of an entity of local government subject to Article XIII B include generally authorizations to expend during a fiscal year the proceeds of taxes levied by or for the entity and the proceeds of State subventions, exclusive of certain State subventions, refunds of taxes, and benefit payments from retirement, unemployment insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues, most State subventions and the proceeds to the local governmental entity from (1) regulatory licenses, user charges, and user fees (to the extent that such proceeds exceed the cost reasonably borne by such entity) and (2) the investment of tax revenues. Article XIII B permits any government entity to change the appropriations limit by a vote of the electors in conformity with statutory and constitutional voting effective for a maximum of four years. As amended by Proposition 111, Article



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XIII B provides for testing of appropriations limits over consecutive two-year periods. Article XIII B provides that if a governmental entity's revenues in any year exceed the amounts permitted to be spent, the excess must be returned by revising tax rates or fee schedules over the subsequent two years. As amended by Proposition 98, Article XIII B provides for the payment of a portion of any excess revenues received by the State to a fund established to assist in financing certain school needs.

Article XIII B does not limit the appropriation of moneys to pay debt service or indebtedness existing or authorized as of January 1, 1979, or for bonded indebtedness approved thereafter by a vote of the electors of the issuing entity at an election held for that purpose. Furthermore, in 1990, Article XIII B was amended to exclude from the appropriations limit "all qualified capital outlay projects, as defined by the Legislature" from proceeds of taxes. The Legislature has defined "qualified capital outlay project" to mean a fixed asset (including land and construction) with a useful life of 10 or more years and a value which equals or exceeds \$100,000. As a result of this amendment, the appropriations to pay the lease payments on the City's long-term general fund lease obligations are generally excluded from the City's appropriations limit.

#### **Unitary Property**

AB 454 (Chapter 921, Statutes of 1986) ("AB 454") provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property") commencing with the 1988-89 fiscal year will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenue or greater than 102% of the previous years revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

#### **Statutory Spending Limitations**

Proposition 62, statutory initiative ("Proposition 62") was adopted by the voters in the State at the November 4, 1986 election. It (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of ad valorem taxes on real property by local governmental entities except as permitted by Article XIII A, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985, be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

In the opinion of the City Attorney, the City should be exempt from the provisions of Proposition 62 because, as a charter city under the California Constitution, it should not be affected by a statutory initiative such as Proposition 62. However, no judicial decision of the California courts has yet conclusively excluded charter cities from the application of Proposition 62's restrictions.

Following its adoption by the voters, various provisions of Proposition 62 were declared unconstitutional at the appellate court level. On September 28, 1995, however, the California Supreme Court, in *Santa Clara County Local Transportation Authority v. Guardino* (the "Guardino" decision) upheld the constitutionality of the portion of Proposition 62 requiring a two-thirds vote of the electorate in order for a local government or district to impose a special tax. The *Guardino* decision did not address the question of whether or not it should be applied retroactively.

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On December 15, 1997, the Court of Appeals for the State of California, Fourth Appellate District, in *McBrearty v. City of Brawley*, concluded that (i) the *Guardino* decision is to be applied retroactively to require voter approval of previously enacted taxes, and (ii) the three-year statute of limitations applicable to such taxes runs from the date to the *Guardino* decision.

In *Howard Jarvis Taxpayers Association v. City of La Habra*, the California Supreme Court ruled that, in an action against a city for allegedly imposing and collecting a general tax on its residents without the voter approval mandated by Proposition 62, the City's continued imposition and collection of the tax is an ongoing violation, upon which the statute of limitations begins to run anew each month when the tax is collected.

Several questions raised by these three decisions remain unresolved. Proposition 62 provides that if a jurisdiction imposes a tax in violation of Proposition 62, the portion of the one percent general ad valorem property tax levy allocated to that jurisdiction is reduced by \$1 for every \$1 in revenue attributable to the improperly imposed tax for each year that such tax is collected. The practical applicability of this provision has not been fully determined. Potential future litigation and legislation may resolve some or all of the issues raised by the *Guardino* and *McBrearty* decisions.

#### **Right to Vote on Taxes Initiative—Proposition 218**

On November 5, 1996, California voters approved an initiative to amend the California Constitution known as the Right to Vote on Taxes Act ("Proposition 218"). Proposition 218 requires majority voter approval for the imposition, extension or increase of general taxes and two-thirds voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995 and prior to November 6, 1996 will continue to be imposed only if approved by a majority vote in an election held within two years of November 6, 1996. Proposition 218 also extends the initiative power to reducing or repealing local property-related taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to impositions after November 6, 1996 and absent other legal authority, could result in retroactive reduction in any existing taxes, assessments, fees and charges. In addition, Proposition 218 limits the application of assessments, fees and charges and requires certain existing, new and increased assessments, fees and charges to be submitted to property owners for approval or rejection, after notice and public hearing.

Pursuant to Proposition 218 taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes, even if deposited in the City's General Fund, require a two-thirds vote (Article XIII C). Further, this article provides that any general purpose tax which the City imposed, extended or increased, without voter approval, after December 31, 1994 may continue to be imposed only if approved by a majority vote in an election which must have been held within two years of November 5, 1996. Since December 31, 1994, the City has increased two classes of taxes within its Business License Tax Ordinance, for firearms and electricity sales. The Firearms Business License Tax was enacted after the passage of Proposition 218, and was not collected until it was approved by the voters on June 2, 1998. The Electric Business License Tax was enacted prior to the passage of Proposition 218 and was collected for a two-year period. However the Electric Business Tax was rejected by the voters on November 3, 1998, and the City has discontinued collecting this tax. The voter approval requirements of Proposition 218 reduces the flexibility of the City to raise revenues for the General Fund, and no assurance can be given that the City will be able to impose, extend or increase taxes in the future to meet increased expenditure needs.

Proposition 218 also adds several new provisions making it generally more difficult for local agencies to levy and maintain "assessments" for municipal services and programs (Article XIII D). These provisions include, among other things, (i) a prohibition against assessments which exceed the reasonable cost of the proportional special benefit conferred on a parcel, (ii) a requirement that the assessment must confer a "special benefit," as defined in Article XIII D, over and above any general benefits conferred, and (iii) a majority protest procedure which involves the mailing of notice and a ballot to the record owner of each affected parcel, a public hearing and the tabulation of ballots weighted according to the proportional financial obligation of the affected property. "Assessment" in Article XIII D is defined to mean any levy or charge upon real property for a special benefit conferred upon the real property. This would include maintenance assessments for open space areas, street medians, street lights and parks, if the City were to become unable

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to continue to collect assessment revenues for these programs, the programs might have to be curtailed and/or funded by amounts in the City's existing General Fund. All but one of the City's assessments are security for bonded indebtedness, and are considered exempt from the provisions of Article XIII D. The remaining assessment is levied by the Landscape and Lighting Assessment District, which was approved by the citizens through an initiative, and should be exempt from the provisions of Article XIII D.

In addition, Proposition 218 adds several provisions affecting "fees" and "charges" (Article XIII D), defined for purposes of Article XIII D to mean "any levy other than an ad valorem tax, a special tax, or an assessment imposed by a local government upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new and, after June 30, 1998, existing property related fees and charges must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. This may require the City's General Fund to forego collecting some or all of the annual amounts it collects from the City's enterprise funds. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The City must then hold a hearing upon the proposed imposition or increase, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the City may not impose or increase the fee or charge. Moreover, except for fees or charges for sewer, water and refuse collection services (and for fees for electrical and gas service, which are not treated as "property related" for purposes of Article XIII D), no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge (essentially the same procedure required for approval of assessments) or, at the option of the local agency, two-thirds voter approval by the electorate residing in the affected area. The only enterprise fund operated by the City which may be subject to Proposition 218 is the Sewer Enterprise Fund. The fees and charges of the Sewer Enterprise Fund may in the future be determined to be fees and charges subject to the initiative power referred to in Article XIII C, as described below. In the event that fees and charges cannot be appropriately increased or are reduced pursuant to exercise of the initiative power, the City may have to decide whether to support any deficiencies in these enterprise funds with moneys from the General Fund or to curtail service, or both.

Proposition 218 also removes many of the limitations on the initiative power in matters of reducing or repealing any local tax, assessment, fee or charge (Article XIII C). No assurance can be given that the voters of the City will not, in the future, approve an initiative or initiatives which reduce or repeal local taxes, assessments, fees or charges currently comprising a substantial part of the City's General Fund. "Assessments," "fees" and "charges" are not defined in Article XIII C, and it is unclear whether these terms are intended to have the same meaning for purposes of Article XIII C as for Article XIII D described above. If not, the scope of the initiative power under Article XIII C potentially could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

Further analysis and future judicial interpretations may affect the City's estimate of the impact of Proposition 218 on current general fund revenues.

### **TAX MATTERS**

#### **Opinion of Bond Counsel**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law the interest on the Notes is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of

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computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Notes in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Notes.

If the initial offering price to the public (excluding Bond houses and brokers) at which a Note is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Note is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount is disregarded.

Under the Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Notes to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Note. The Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Notes who purchase the Notes after the initial offering of a substantial amount of such maturity. Owners of such Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Notes under federal individual and corporate alternative minimum taxes.

Under the Code, original issue premium is amortized on an annual basis over the term of the Note (said term being the shorter of the Note's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis of the owner of the Note for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Note is amortized each year over the term to maturity of the Note on the basis of a constant interest rate compounded on each interest or principal payment date (with straightline interpolations between compounding dates). Amortized Note premium is not deductible for federal income tax purposes. Owners of Premium Notes, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Notes.

In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes.

Owners of the Notes should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Notes may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Notes other than as expressly described above.

#### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, sale, execution and delivery by the City of the Notes are subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix D hereto.

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### **CONTINUING DISCLOSURE**

The City will undertake responsibility for any continuing disclosure to owners of the Notes as described below.

The City will execute a Continuing Disclosure Certificate, to be dated the date of delivery of the Notes (the "Continuing Disclosure Certificate"), which provides for certain disclosure obligations on the part of the City. Under the Continuing Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Notes to provide notices of the occurrence of certain enumerated events (the "Listed Events"), if material. The notices of material events will be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with any then existing State Repository for the State of California. Currently, there is no State Repository for the State of California. This covenant will be made in order to assist the Underwriter of the Notes in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The City has not failed to comply with any prior such undertaking under the Rule. See "APPENDIX E: PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a form of the Continuing Disclosure Certificate.

### **LEGALITY FOR INVESTMENT IN CALIFORNIA**

Under the provisions of the Financial Code of the State, the Notes are legal investments for commercial banks in the State to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment funds of its depositors, and under provisions of the Government Code of the State are eligible to secure deposits of public moneys in the State.

### **LITIGATION**

No litigation is pending or, to the best of the knowledge of the City, threatened concerning the validity of the Notes, and an opinion of the City Attorney to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The City is not aware of any litigation pending or threatened questioning its political existence or contesting its ability to levy and collect ad valorem taxes or to collect or receive other Pledged Moneys or contesting its ability to pay the principal of and interest on the Notes.

The City is involved in certain litigation and disputes relating to its operations. Upon the basis of information presently available, the City Attorney believes that there are substantial defenses to such litigation and disputes and that, in any event, any ultimate liability in excess of applicable insurance coverage resulting therefrom will not materially affect the financial position or results of the operations of the City. See "APPENDIX A: CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND – Litigation" herein.

### **UNDERWRITING**

The Notes have been purchased by \_\_\_\_\_ (the "Underwriter"). The Underwriter has agreed to purchase the Notes in the par amount of \$\_\_\_\_\_, plus original issue premium of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_, for a total purchase price of \$\_\_\_\_\_. The bid proposal relating to the Notes provides that the Underwriter will purchase all of the Notes if any are purchased, subject to the approval of certain legal matters by counsel and certain other conditions.

The Underwriter may offer and sell Notes to certain dealers, dealer banks, and banks, and banks acting as Agent at prices lower than the offering price stated on the cover page thereof. The public offering prices may be changed from time to time by the Underwriter.

EXHIBIT D

**FINANCIAL ADVISOR**

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the "Financial Advisor") in connection with the preparation of this Official Statement and with respect to the issuance of the Notes. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities.

**RATINGS**

Moody's Investors Service, Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc., and Fitch Ratings have assigned ratings of "\_\_\_\_", "\_\_\_\_", and "\_\_\_\_", respectively, to the Notes as shown on the cover of this Official Statement. Certain information was supplied by the City to said rating agencies to be considered in evaluating the Note issue. The ratings issued reflect only the views of such rating agencies, and any explanation of the significance of such ratings should be obtained from each rating agency. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by such rating agencies if, in its judgment, circumstances so warrant. The City undertakes no responsibility to oppose any downward revision or withdrawal of such ratings obtained. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Notes.

**ADDITIONAL INFORMATION**

The purpose of this Official Statement is to supply information to purchasers of the Notes. Quotations from and summaries and explanations of the Notes and the Ordinance authorizing the Notes and of statutes and documents contained herein do not purport to be complete, and reference is hereby made to said Ordinance, statutes and documents for full and complete statements of their provisions. Additional information can be obtained from the City's Treasurer/Director of the Finance and Management Agency.

All data contained herein have been taken or constructed from the City's records and other sources. The appropriate City officials, acting in their official capacity, have reviewed this Official Statement and have determined that as of the date hereof the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The appropriate City official will execute a certificate to this effect upon delivery of the Notes. This Official Statement and its distribution have been duly authorized and approved by the City Council of the City.

**CITY OF OAKLAND, CALIFORNIA**

BY: \_\_\_\_\_  
City Administrator

**APPENDIX A: CERTAIN INFORMATION CONCERNING THE CITY OF OAKLAND**

**APPENDIX B: CITY OF OAKLAND COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED JUNE 30, 2003**



APPENDIX C: CITY OF OAKLAND INVESTMENT POLICY

**APPENDIX D: PROPOSED FORM OF OPINION OF BOND COUNSEL**

APPENDIX E: PROPOSED FORM OF CONTINUING DISCLOSURE CERTIFICATE

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ORA/COUNCIL

JUN 15 2004