

2009 DEC -3 PM 7:37

CITY OF OAKLAND
AGENDA REPORT

TO: Office of the City Administrator
ATTN: Dan Lindheim
FROM: Finance and Management Agency
DATE: December 15, 2009

RE: Informational Report presenting the Fiscal Year 2008/2009 Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Agency (ORA) Audit Report, and the Management Letter

SUMMARY

The Finance and Management Agency is pleased to present to the City Council the attached Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Agency (ORA) Audit Report, and the Management Letter.

The CAFR incorporates the audited basic financial statements of the Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), the ORA, and the Port of Oakland.

The ORA Audit Report provides an overview of the Redevelopment Agency financial activities during the Fiscal Year ended June 30, 2009.

The Management Letter outlines the Auditor's responsibility, provides advice on accounting policies, and makes recommendations designed to improve operational efficiencies that further strengthen internal controls.

The Auditor's unqualified opinion letters for the two audit reports mentioned above declared that the basic financial statements contained therein accurately represent the financial condition of the City as of June 30, 2009.

FISCAL IMPACT

This is an informational report only; there is no fiscal impact.

BACKGROUND

▪ **The Comprehensive Annual Financial Report**

The CAFR is presented in three sections:

- **Introductory Section:** This section includes information about the organizational structure of the City, including an overview of the City and its economy, and general

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government operations. This section also highlights the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting award for the previous Fiscal Years.

- **Financial Section:** This section includes the Independent Auditor's Report and the Management's Discussion and Analysis (MD&A), as required by GASB 34. The MD&A provides financial highlights and an analytical overview of the City's financial activities. The Basic Financial Statements include the government-wide financial statements that present an overview of the City's entire financial operations. The fund financial statements present financial information for each of the City's major funds as well as non-major governmental funds. Capital Assets, including infrastructure, and the liability for the City's long-term debt are included in the Statement of Net Assets. Also incorporated in the City's basic financial statements are the audited financial statements for the OMERS, PFRS, ORA and the Port of Oakland as a discrete component unit of the City.
- **Statistical Section:** This section provides ten years of summary financial data, as well as demographic, economic, and statistical information related to the City and its operations.

▪ **The Oakland Redevelopment Agency**

The ORA audit is presented in one section:

- **Financial Section:** This section includes the Independent Auditor's Report and the Management's Discussion and Analysis (MD&A), as required by GASB 34. The MD&A provides financial highlights and an analytical overview of the Agency's financial activities. The Basic Financial Statements include the government-wide financial statements that present an overview of the Agency's financial operations. The fund financial statements present financial information for each of the Agency's governmental funds. The Agency capital assets and the liability for the long-term debt are included in the Statement of Net Assets.

▪ **The Management Letter**

The Management Letter is a required communications and recommendations by Statement on Auditing Standards (SAS) No. 114. The letter outlines the Auditor's responsibility, planned scope and timing of the audit, provides advice on accounting policies, evaluates accounting estimates, proposes audit adjustments, significant audit findings, status of prior years' recommendations, corrected and uncorrected misstatements, disagreement with management, management representation, and outlines any major difficulties encountered in performing the audit.

The City has fully implemented prior year audit recommendations on accounting for the City's sewer service revenues and the City's net pension assets.

The Management Letter is intended solely for the information and use of the City Council, the Finance Committee, the Federal grantor agencies, and the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Macias, Gini & O'Connell LLP, a certified public accounting firm, engaged by the City as the primary contractor for its year end audits, performed the following audits:

- The Comprehensive Annual Financial Report (CAFR),
- The Single Audit Report,
- The Oakland Municipal Employees Retirement System (OMERS),
- The Police and Fire Retirement System (PFRS), and
- A separate audit of the Port of Oakland.

Williams, Adley & Company LLP, a certified public accounting firm and sub-contractor, performed the audit of the Oakland Redevelopment Agency.

Patel & Associates LLP, a certified public accounting firm and sub-contractor, performed the audit of the Measure Y – Violence Prevention & Public Safety Act of 2004 audit report.

Yano Accountancy Corporation, a certified public accounting firm and sub-contractor, performed the audits of the Oakland Wildlife Prevention Assessment District Audit Report, and the GANN Appropriation Limit attestation.

KEY ISSUES AND IMPACTS

▪ **The Comprehensive Annual Financial Report (CAFR)**

The CAFR provides a wealth of information for the citizens of Oakland and those interested in the City's finances as of June 30, 2009 in conformity with accounting principles generally accepted in the United States. The CAFR incorporates the audited basic financial statements of the City, Oakland Municipal Employees' Retirement System (OMERS), the Police and Fire Retirement System (PFRS), the Oakland Redevelopment Agency (ORA), and the Port of Oakland.

a. Schedule of Findings and Responses to Findings

The auditors identified a material weakness in the City's management of its internal service funds. Due to the deficiency in charges for services, the internal funds have essentially borrowed monies from the General Fund in order to maintain operations. While the City made improvement in the Equipment Fund, reducing its deficit by more than half, it worsened in the Facilities and Central Stores Funds. The overall net assets deficit of internal service funds grew by \$3.1 million and the overall borrowings from the General Fund grew by \$1.7 million.

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Governments often use internal service funds to centralize certain services and then allocate the costs of those services within the government. U.S. generally accepted accounting principles permit the use of internal service funds to be used to report any activity that provides goods or services to the government on a cost reimbursement basis. That is, the goal of an internal service fund should be to measure the full cost (including cost of capital assets) of providing goods or services for the purpose of fully recovering that cost through fees or charges.

The City has acknowledged this matter as significant and has made an effort to take corrective measures. The City prepared a “rebalancing plan” for its internal service funds, which was first adopted for the Fiscal Year 2005-2007 policy budget, which attempted to cure the internal service fund deficit by Fiscal Year 2014-15. However, the balancing plans put in place in Fiscal Year 2005-07 were not followed correctly due to the lack of General Fund resources to make the required annual payments. As such, the City restructured its rebalancing plan as part of the recently adopted Fiscal Year 2009-10 mid-year budget amendments. This newly restructured rebalancing plan has been modified to cure the net assets deficit of internal service funds by Fiscal Year 2018-19. In addition, the City adopted a financial policy that requires one-half of any one-time revenues received to be used specifically to reduce the net assets deficit of internal service funds.

The need for the City to restructure its initial rebalancing plan brings into question its ability to manage its internal service funds on a cost reimbursement basis, as its accumulated borrowings have reached \$50.8 million as of June 30, 2009. The auditors recommend the City monitor the progress over its restructured rebalancing plan very closely to ensure its feasibility. If it is determined that the plan is not feasible and that the City does not intend to or cannot recover the full cost of providing goods or services, then the use of internal service funds is no longer appropriate and should not be used.

b. Management Response

The Internal Service Fund deficits has been created by user fees not being set to recover full cost of services for a long time, but now the City has acknowledged this matter as significant and has made the following corrective measures:

- As of June 30, 2009, the City has made improvement in the Equipment Fund, by reducing its deficit by more than half.
- The adopted Fiscal Year 2009-11 Budget includes a repayment plan for the internal service funds to eliminate the funds net assets deficit by Fiscal Year 2018-19.
- In addition, the City adopted a financial policy during the Fiscal Year 2009-11 Budget that requires half of one-time revenues received to be used specifically to reduce the net assets deficits of internal service funds. Receipt of such one-time assets – and their subsequent deposit into the Internal Service Funds, as required by the financial policies

and barring any fiscal emergencies – will, in essence, expedite the “repayment” of the negative internal service balances.

- It is management’s intent to take every step possible to ensure such an expedited repayment, in advance of Fiscal Year 2018-19. Currently, the City is reviewing all of its surplus real estate assets to determine the feasibility of sale in the next one to three years.

c. Conclusion

The auditors expressed an opinion that the City’s financial statements for the year ended June 30, 2009 are fairly stated and in accordance with accounting principles generally accepted in the United States. The Auditor’s unqualified or “clean” opinion letters for the CAFR declared that the basic financial statements contained therein accurately represent the financial condition of the City as of June 30 2009.

▪ **The Oakland Redevelopment Agency**

The ORA audit report provides information for the citizens of Oakland and those interested in the Agency’s finances as of June 30, 2009 in conformity with accounting principles generally accepted in the United States.

a. Schedule of Findings and Responses to Findings

The auditors identified one significant deficiency in the period end reporting process. Although there are written policies and procedures for the recording of transactions into the general ledger and closing the books at the end of the year, the auditors observed a property purchase transaction reported in the incorrect period. The \$695,000 purchase of 5847 & 5841 Foothill Blvd. was actually completed July 15, 2009, but it was recorded in the June 30, 2009 financial statements. The auditors recommend the Agency provide additional training to accounting personnel.

b. Management Response

Even though there is no material impact on the Agency’s financial statement, management acknowledges the finding and the correction was made accordingly. Additional training and guidance for staff responsible for report preparation will be provided.

c. Conclusion

The auditors expressed an opinion that the Agency’s financial statements for the year ended June 30, 2009 are fairly stated and in accordance with accounting principles generally accepted in the United States. The Auditor’s unqualified or “clean” opinion letters for the Agency declared that the basic financial statements contained therein accurately represent the financial condition of the City as of June 30 2009.

SUSTAINABLE OPPORTUNITIES

There are no economic, environmental, or social equity opportunities resulting from this report.

DISABILITY AND SENIOR CITIZEN ACCESS

The information contained in this report does not impact disability and senior citizen access.

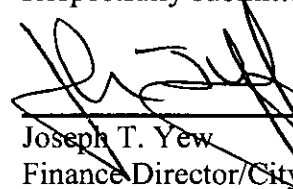
RECOMMENDATION(S) AND RATIONALE

Staff recommends that the City Council accept the June 30, 2009 City of Oakland Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Agency (ORA) Audit Report, and the Management Letter.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council accept the June 30, 2009 City of Oakland Comprehensive Annual Financial Report (CAFR), the Oakland Redevelopment Agency (ORA) Audit Report, and the Management Letter.

Respectfully submitted,




Joseph T. Yew
Finance Director/City Treasurer

Prepared by:
Osborn Solitei, Acting Controller
Finance and Management Agency

Attachments:
Comprehensive Annual Financial Report (CAFR)
Oakland Redevelopment Agency (ORA) Audit Report
Management Letter

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE:



Office of the City Administrator

Item: _____
Finance and Management Committee
December 15, 2009

CITY OF OAKLAND

CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

PREPARED BY THE FINANCE AND MANAGEMENT AGENCY

JOSEPH T. YEW, JR. • DIRECTOR
OSBORN K. SOLITEI • ACTING CONTROLLER

PRINTED ON RECYCLED PAPER

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2009

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INTRODUCTORY SECTION



**FINANCE AND MANAGEMENT AGENCY
ACCOUNTING DIVISION**

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

November 25, 2009

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

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Oakland, California (City). The Finance and Management Agency has prepared this report to present the financial position and the changes in net assets for the fiscal year ended June 30, 2009, and the cash flows of its proprietary fund types for the year then ended. The basic financial statements and supporting schedules have been prepared in compliance with Section 809 of the City Charter, with California Government Code Sections 25250 and 25253, and in accordance with generally accepted accounting principles (GAAP) for local governments as established by the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP, and to comply with laws and regulations. We believe this CAFR to be complete and reliable in all material respects.

The City contracted with Macias Gini & O'Connell LLP, a firm of Certified Public Accountants licensed to practice in the State of California, to perform the annual independent audit. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2009 are fairly stated and in accordance with accounting principles generally accepted in the United States. This is the most favorable conclusion and is commonly known as an "unqualified" or "clean" opinion. The independent auditor's report is included in the Financial Section of this report.

In addition, Macias Gini & O'Connell LLP audited the City's major program expenditures of federal funds for compliance with the Federal Single Audit Act Amendments of 1996, the Office of Management and Budget (OMB) Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. The report of the Single Audit is published separately from this CAFR and may be obtained upon request from the City's Finance and Management Agency, Accounting Division.

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

The Reporting Entity and Its Services

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

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

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

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

Profile of the Government

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

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

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

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

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

The City's budget is a detailed operating plan that identifies estimated costs in relation to estimated revenues. The budget includes: (1) the programs, projects, services, and activities to be carried out during the fiscal year; (2) the estimated revenue available to finance the operating plan; and (3) the estimated spending requirements for the operating plan. The budget represents a process wherein policy decisions by the Mayor and the City Council are adopted, implemented and controlled. The notes to the required supplementary information summarizes the budgetary roles of various City officials and the timetable for their budgetary actions according to the City Charter. In October 2008, the City Council, during its mid-cycle review, approved the City's revised budget for fiscal year 2008-09.

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

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

Economic Condition and Fiscal Outlook

The local economy reflects the state of the larger national economy and economists continue to forecast a slow economic recovery from the steep declines of the 4th quarter 2008 and 1st quarter 2009. Slow economic recovery began during the 3rd quarter of 2009, but the effects may not appear immediate with regard to local revenues. Weak growth is projected in the fiscal year 2009-10 for the City's economically sensitive revenues including property tax, real estate transfer tax, parking tax, transient occupancy tax and sales tax due to the declining housing market and consumer spending.

The employment forecast for the remainder of 2009 continues to be negative, although the rate of job loss is declining. The City's average unemployment rate for June 2009 is 17.1 percent, which is higher than July 2008 at 9.6 percent. In general, the 2010 economic forecast is for the economy to show signs of improvement and recovery towards the latter half of that year.

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

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

The Five-Year Financial Plan

In anticipation of longer term needs, the City develops a Five-Year Financial Plan for the General Purpose Fund. The Five-Year Financial Plan is management's best assessment of future revenue, expenditures, and operating results over the five-year forecast period. The compilation and review of the Plan provides an opportunity to put current funding decisions in context with longer-term economic conditions while affording City management a realistic projection for the ongoing financial impact of policy decisions. Major goals of the Five-Year Financial Plan include the following:

1. To put the City's two-year budget-making process into a five-year planning horizon and to facilitate prudent financial management.
2. To set revenue and expenditure targets, and evaluate budget priorities in light of fiscal conditions projected over the long-term.

3. To present a picture of the long-term strategic financial issues facing the City, while highlighting funding priorities for budget planning.
4. To identify potential structural budget surpluses or shortfalls.
5. To demonstrate to policy-makers the likely impact of short-term capital investment and financing decisions on the City's long-term financial capacity.
6. To provide a useful framework for reviewing and refining the City's financial forecasts, as well as its financial goals and priorities.

In preparing the Plan, City staff take into account historical experience, as well as the economic uncertainties underlying the revenue and expenditure outlook over the five-year period. The Plan also considers major demographic and legislative changes.

Cash Management Policies and Practices

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

Risk Management

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

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

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

Awards

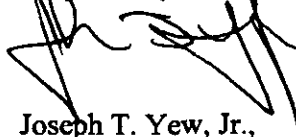
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Oakland for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. The City of Oakland has received a Certificate of Achievement for 19 of the last 20 years. The single missing year was due to the delay in the submission of the City's CAFR to GFOA as a result of conversion to a new financial management system. The City's Fiscal Year 2008-09 CAFR will be submitted to GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

I would like to express my appreciation to the entire staff of the Finance and Management Agency, most particularly the Accounting Division, and other agency and departmental staff, for their professionalism, dedication, and efficiency in the preparation of this report. I also thank Macias, Gini & O'Connell LLP for their assistance and guidance. Finally, I would like to thank the Mayor, members of the City Council, and the City Administrator for their interest and continuing support in planning and conducting the City's financial operations in a responsible and progressive manner.

Respectfully submitted,



Joseph T. Yew, Jr.,
Finance Director/City Treasurer,
Finance and Management Agency

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Oakland
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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



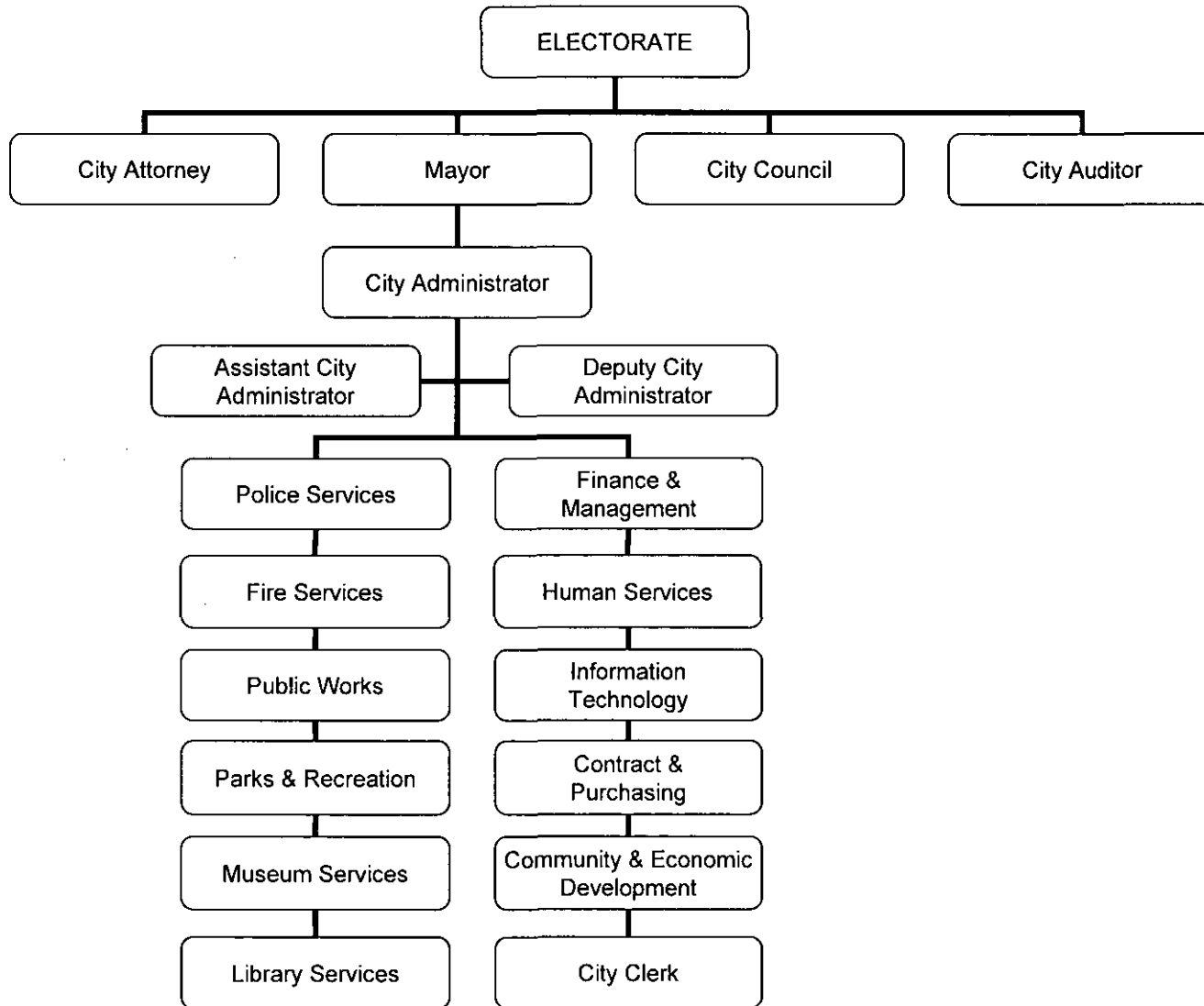
A handwritten signature in black ink, appearing to read "M. L. M.", is written above the printed name.

President

A handwritten signature in black ink, reading "Jeffrey R. Emer", is written above the printed name.

Executive Director

City of Oakland Organization Chart



DIRECTORY OF CITY OFFICIALS
MAYOR/COUNCIL FORM OF GOVERNMENT
JUNE 30, 2009

MAYOR



Ronald V. Dellums

MEMBERS OF THE CITY COUNCIL

Ignacio De La Fuente



Vice Mayor (District 5)

Jean Quan



District 4

Rebecca Kaplan



At Large

Jane Brunner



President (District 1)

Patricia Kernighan



District 2

Nancy Nadel



District 3

Desley Brooks



District 6

Larry Reid



District 7

COUNCIL OR MAYOR APPOINTED OFFICERS

Dan Lindheim



City Administrator

Marianna Marysheva-Martinez, *Assistant City Administrator*

La Tonda Simmons, *City Clerk*

ELECTED OFFICERS

John Russo



City Attorney

Courtney Ruby



City Auditor

AGENCY & DEPARTMENT DIRECTORS

Vitaly B. Troyan (Interim) *Public Works*

Audree Jones- Taylor
Parks & Recreation

Carmen Martinez
Library Services

Gerald A. Simon
Fire Services

Joseph T. Yew, Jr.
Finance & Management

Anthony W. Batts
Police Services

Lori Fogarty
Museum Services

Andrea Youngdahl
Human Services

Robert Glaze
Information Technology

Deborah Barnes
Contracting & Purchasing

Walter Cohen
Community & Economic Development

CITY OF OAKLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT

PROJECT TEAM

Joseph T. Yew, Jr
Finance Director / City Treasurer

Osborn K. Solitei
Acting Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Acting Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

Theresa Woo
Acting Financial Analyst

Connie L. Chu
Accountant III

Accounting CAFR Team

Michelle Wong
Jennifer Luong
Frank Catalya

Erico Parras
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Andy Yang
Rogelio Medalla

ADMINISTRATIVE SUPPORT

Deborah Griffin, *Administrative Assistant*

SPECIAL ASSISTANCE

Donna Treglown
Dawn Hort

Deanna Andrews
Gregoria Torres

Katano Kasaine
Sharon Holman

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Administrator's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

Risk Management

FINANCIAL SECTION



MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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Oakland, CA 94612
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SACRAMENTO

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the Oakland Redevelopment Agency (ORA) whose financial activities are included in the City's basic financial statements as a major fund, which represent 30%, 41% and 17% of the assets, net assets, and revenues of the governmental activities as of and for the year ended June 30, 2009. The ORA financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the ORA, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & Connell LLP
Certified Public Accountants

Oakland, California
November 25, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Oakland's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information contained in the City's financial statements and related notes and our letter of transmittal that precedes this section.

FINANCIAL HIGHLIGHTS

- The City's total assets exceeded its total liabilities by \$754.0 million as of June 30, 2009, compared to \$740.4 million at June 30, 2008. This represents a net increase of \$13.6 million or 1.8 percent compared to the previous year. Assets decreased by 1.3 percent or net of \$38.5 million, the net decrease is primarily attributed to a decrease of net pension assets in the amount of \$31.5 million to reflect annual pension cost, an increase in capital assets by \$39.3 million and an offset of a combined decrease of \$99.6 million in pooled and restricted cash and investments attributable to spending bond proceeds for capital improvement. Conversely, liabilities decreased by 2.4 percent or \$52.1 million compared to the prior fiscal year primarily as a result of principal debt payments, restructuring and retirement of certain long-term debt .
- The City's governmental cumulative fund balances decreased by 7.0 percent or \$81 million to \$1,076.3 million compared to \$1,157.3 million for the prior fiscal year. This decrease is primarily attributed to a \$24.6 million or 2.3 percent increase in overall governmental expenditures for its operations and a \$15.9 million or 1.6 percent the decrease in overall governmental revenue.
- As of June 30, 2009, the City had total long-term obligations outstanding of \$1.97 billion compared to \$2.02 billion outstanding for the prior fiscal year for a decrease of 2.3 percent or \$45.9 million. Of this amount, \$317.2 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.65 billion is comprised of various long-term debt instruments including accruals of year-end estimates for other long-term liabilities.
- The City's General Fund unreserved/undesignated fund balance at June 30, 2009 was \$40.7 million compared to \$37.5 million for the previous year, an increase of 8.5 percent or \$3.2 million. The unreserved/undesignated fund balance met the requirements of the City Council's 7.5% reserve policy based on the total General Fund expenditures for fiscal year 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to introduce the City's basic financial statements. The City's basic financial statements consist of four components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements
- Required Supplemental Information

In addition, this report also contain other supplementary information.

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Sewer Service System and the Parks and Recreation operations. The Sewer Service Fund is considered to be a major fund of the City.

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

The required supplementary information includes the budgetary schedule for the General Fund and schedules of funding progress for pension and other postemployment benefits that show the City's progress towards funding its obligation to provide future pension and other postemployment benefits for its active and retired employees.

Other Information

In addition, this report presents combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are immediately following the required supplementary information along with budgetary comparison schedules.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. The City's total assets exceeded its liabilities as of June 30, 2009 by \$754.0 million compared to \$740.4 million as of June 30, 2008, an increase of \$13.6 million. The largest portion of the City's net assets, 73.8 percent, reflects its investment in capital assets of \$556.8 million for governmental and business-type activities net of related debt. Of the remaining balance, 44.9 percent reflects \$338.5 million in resources that are subject to external restrictions on how they may be used. The net deficit of \$141.3 million is primarily attributed to a decrease of annual pension cost of \$31.5 million as of June 30, 2009 offset by a 2.4 percent decrease in ongoing project expenditures related to governmental activities and a 0.4 percent increase in revenues.

City of Oakland's Net Assets June 30, 2009 (In Thousands)

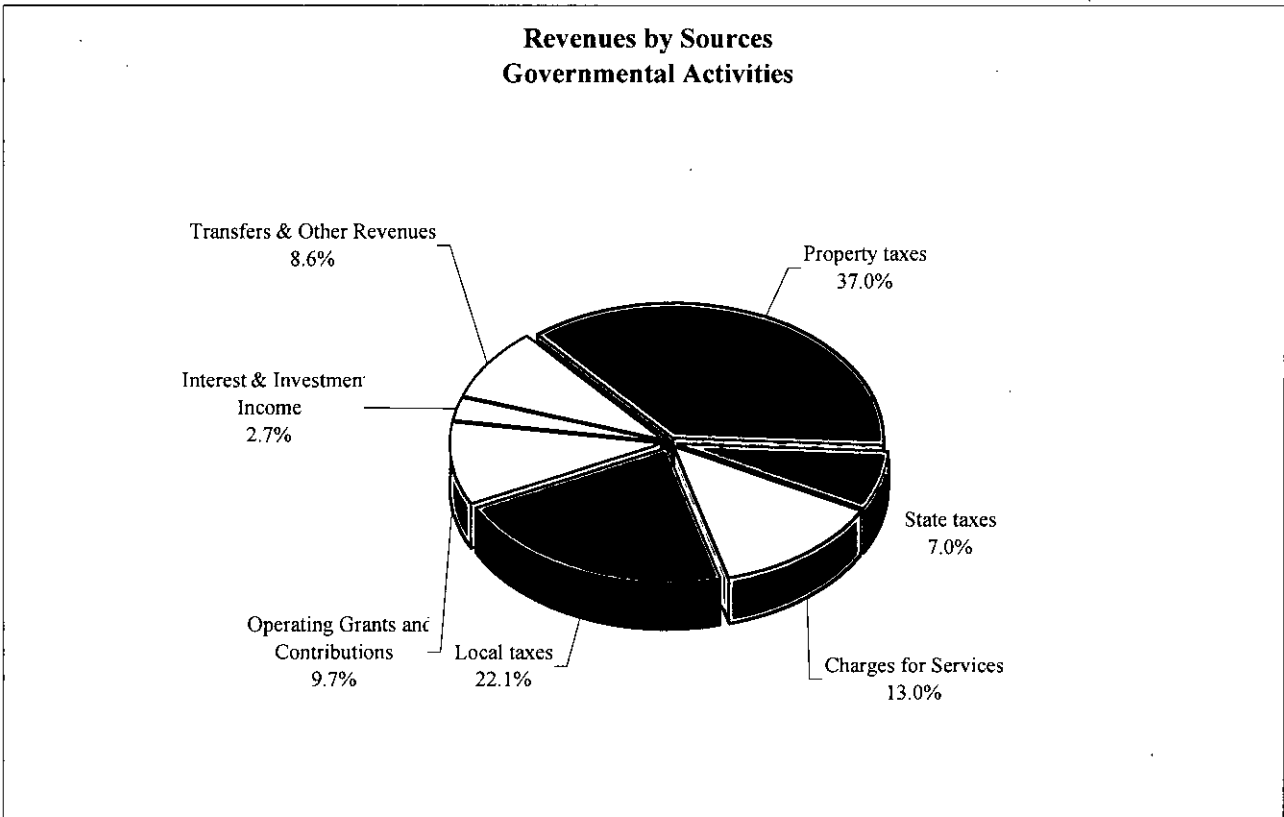
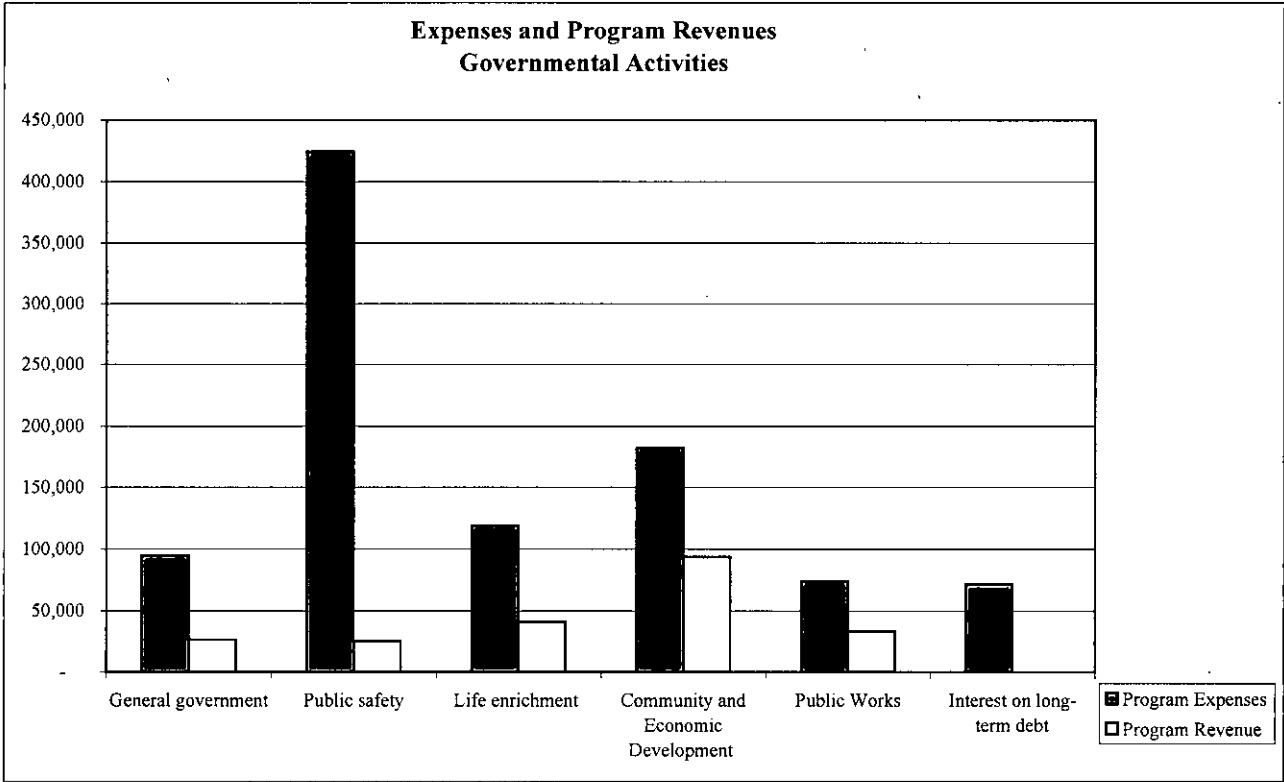
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets:						
Current and other assets	\$ 1,791,971	\$ 1,866,790	\$ 37,789	\$ 40,808	\$ 1,829,760	\$ 1,907,598
Capital assets	930,838	899,317	153,513	145,731	1,084,351	1,045,048
TOTAL ASSETS	2,722,809	2,766,107	191,302	186,539	2,914,111	2,952,646
Liabilities:						
Long-term liabilities	1,908,258	1,951,568	60,987	63,541	1,969,245	2,015,109
Other liabilities	189,575	193,721	1,317	3,386	190,892	197,107
TOTAL LIABILITIES	2,097,833	2,145,289	62,304	66,927	2,160,137	2,212,216
Net assets:						
Invested in capital assets, net of related debt	442,793	401,881	113,961	111,881	556,754	513,762
Restricted	338,514	336,908	-	-	338,514	336,908
Unrestricted (deficit)	(156,331)	(117,971)	15,037	7,731	(141,294)	(110,240)
Total net assets	\$ 624,976	\$ 620,818	\$ 128,998	\$ 119,612	\$ 753,974	\$ 740,430

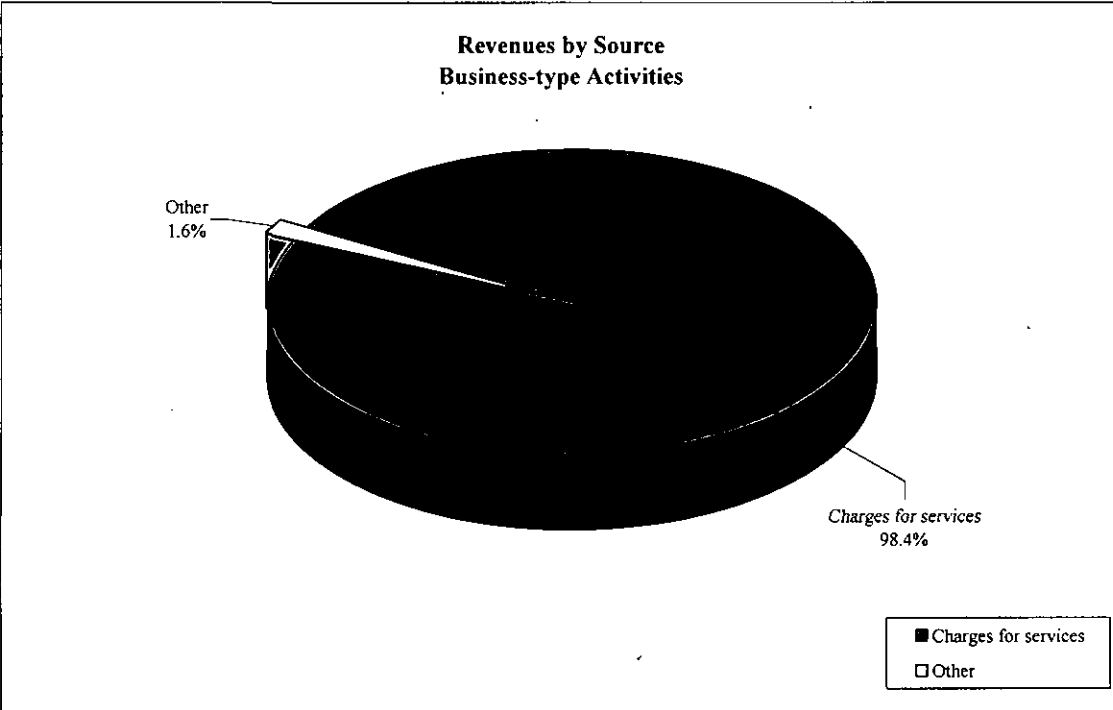
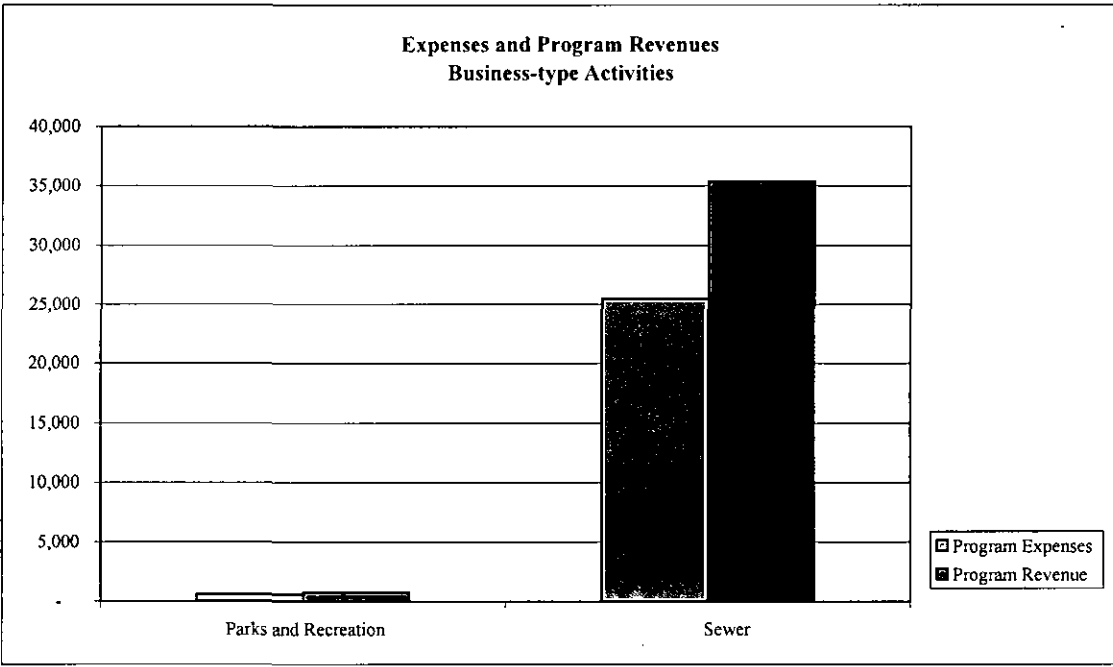
Governmental activities. The City's change in net assets of \$4.2 million for the year ended June 30, 2009 compared to a deficit of \$19.0 million for the previous fiscal year represents a net increase of \$23.2 million. The key elements of this increase are listed below.

Changes in Net Assets
For the Year Ended June 30, 2009
(In Thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services (1)	\$ 126,055	\$ 129,615	\$ 36,178	\$ 33,751	\$ 162,233	\$ 163,366
Operating grants and contributions	94,353	91,278	-	-	94,353	91,278
General revenues:						
Property taxes	359,851	358,338	-	-	359,851	358,338
State taxes:						
Sales and use taxes	56,090	64,812	-	-	56,090	64,812
Motor vehicles in-lieu tax	1,282	1,811	-	-	1,282	1,811
Gas tax	10,270	7,305	-	-	10,270	7,305
Local taxes:						
Business license	54,291	52,542	-	-	54,291	52,542
Utility consumption	52,701	52,524	-	-	52,701	52,524
Real estate transfer	34,267	36,205	-	-	34,267	36,205
Transient occupancy	10,599	12,400	-	-	10,599	12,400
Parking	14,196	15,747	-	-	14,196	15,747
Voter approved special tax	33,772	32,942	-	-	33,772	32,942
Franchise	14,440	13,791	-	-	14,440	13,791
Interest and investment income	25,917	47,852	590	1,434	26,507	49,286
Other	81,885	50,153	-	-	81,885	50,153
Total revenues	969,969	967,315	36,768	35,185	1,006,737	1,002,500
Expenses:						
General government	94,957	102,218	-	-	94,957	102,218
Public safety	424,435	412,050	-	-	424,435	412,050
Life enrichment	119,659	115,315	-	-	119,659	115,315
Community & economic development	182,327	203,406	-	-	182,327	203,406
Public works	74,081	79,348	-	-	74,081	79,348
Interest on long-term debt	71,552	74,545	-	-	71,552	74,545
Sewer	-	-	25,530	30,502	25,530	30,502
Parks and recreation	-	-	652	384	652	384
Total expenses	967,011	986,882	26,182	30,886	993,193	1,017,768
Change in net assets before transfers	2,958	(19,567)	10,586	4,299	13,544	(15,268)
Transfers	1,200	600	(1,200)	(600)	-	-
Change in net assets	4,158	(18,967)	9,386	3,699	13,544	(15,268)
Net assets at beginning of year	620,818	639,785	119,612	115,913	740,430	755,698
Net assets at end of year	\$ 624,976	\$ 620,818	\$ 128,998	\$ 119,612	\$ 753,974	\$ 740,430

(1) License and Permits are reported in the charges for services of program revenue in FY 2009 and 2008.





Governmental activities: Net assets for governmental activities increased by \$4.2 million or 0.7 percent during 2008-09 from \$620.8 million to \$625.0 million. Total revenue increased at rate of 0.3 percent compared to expenses decreased at a rate of 2.0 percent. During 2007-08, revenues decreased at a rate of 1.3 percent and expenses increased at rates of 8.4 percent, respectively.

Changes in net assets for governmental activities are attributed to the following significant elements:

- Contributing to the increase in total revenue; other revenues experience an aggregate increase of \$31.7 million or 63.3 percent, this is mainly due to increases in fines and penalties and annuity income; the increases are offset by decrease in state taxes by \$6.3 million or 8.5 percent primarily due to a sluggish economy. Investment income also decreased by \$21.9 million or 45.8 percent due to earned interest yield reflects a lower interest rate environment experienced during the year.
- General government expenses decreased by \$7.3 million or 7.1 percent when compared to previous year primarily due to budgets cuts, layoffs and furlough days.
- Public safety expenses increased by \$12.4 million or 3.0 percent when compared to the previous year due primarily to negotiated overtime spending, higher wages, pension, and health care and other benefit costs.
- Life enrichment expenses increased by \$4.3 million or 3.8 percent primarily due to increased expenditures in the Kid's First program.
- Community and economic development expenses decreased by \$21.1 million or 10.4 percent is attributed to budgets cuts, layoffs and furlough days.
- Public work expenses decreased by \$5.3 million or 6.6 percent is attributed to the reduction of expenditures in the Lighting & Landscape Assessment District (LLAD) and on-going construction improvement projects due to a slowdown in construction projects.
- Interest on long-term debt decreased by \$3.0 million or 4.0 percent due to City debt payments and restructuring and retirement of certain long-term debt.

Business-type activities: Business-type activities ended the fiscal year with a positive change in its net assets of \$9.4 million compared to \$3.7 million the previous fiscal year. The increase of \$5.7 million in net assets is attributable to \$2.2 million or 6.6 percent increase in sewer revenues offset by \$5.0 million or 16.3 percent decrease in sewer project related expenses.

Financial Analysis of the Government's Funds

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

General Fund: The General Fund is the chief operating fund of the City. At June 30, 2009, its unreserved fund balance is \$120.4 million or 50.8 percent of the \$236.9 million total General Fund balance.

In 2008-09, General Fund revenues of \$533.1 million were \$8.7 million or 1.6 percent lower than 2007-08 revenues of \$541.7 million. Due to a slowing economy and sluggish housing market, the revenues have decreased modestly over last year. The current year decrease is due primarily to decreases in sales and use tax revenue of \$7.0 million, investment income of \$5.6 million, and property tax revenue of \$2.9 million, offset by a slight increase in annuity income of \$2.9 million and \$4.2 million in fines and penalties.

In 2008-09, General Fund expenditures of \$473.0 million were \$15.5 million or 3.2 percent lower than 2007-08 expenditures of \$488.5 million. The decrease in expenditures was mainly due to \$6.3 million decrease in capital outlay, \$6.4 million decrease in non departmental expenditures, and most City Agencies reporting decreases in expenditures, offset by an increase in public safety of \$6.8 million because of salaries, pension, health care and other benefit costs.

Federal and State Grant Fund: The Federal and State Grant Fund had a fund balance of \$18.6 million as of June 30, 2009 that represents an increase of \$1.2 million or 7.2 percent over the prior fiscal year. The net increase was primarily attributed to \$3.6 million received from the State for Proposition 42, *Transportation Congestion Improvement Act* derived from the state motor vehicle fuel sales tax revenues and transportation improvement funding.

Oakland Redevelopment Agency: The Oakland Redevelopment Agency had a fund balance of \$616.1 million as of June 30, 2009 that represents an increase of \$17.3 million or 2.9 percent over the prior fiscal year. The net increase of \$17.3 million was primarily attributed to \$9.7 million increase in tax increment and a \$10.8 million settlement from California Department of Transportation (Caltrans) for the use of 26 acres of land in the West Gateway portion of the former Oakland Army Base. These increases were offset by increased project expenditures of \$12.8 million and a decrease of \$2.9 million in rents and other reimbursements revenues.

Municipal Capital Improvement Fund: The Municipal Capital Improvement Fund had a fund balance of \$42.0 million as of June 30, 2009 that represents a decrease of \$26.5 million or 38.7 percent over the prior fiscal year. The net decrease of \$26.5 million is attributed to an increase in capital improvement projects expenditures.

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

The portion of net assets invested in capital assets, net of related debt amounted to \$114.0 million as of June 30, 2009, compared to \$111.9 million for the previous fiscal year. The \$2.1 million or 1.8 percent increase is related to proceeds spent from debt issued to finance sewer projects. During the fiscal year, the City capitalized \$7.0 million in sewer system completed projects, net of depreciation.

General Fund Budgetary Highlights

During the fiscal year ended June 30, 2009, General Fund had a \$24.3 million decrease in budgeted revenues between the original and final amended operating budget. The decrease is due to a slow economy and the City budget was revised in Mid-November of 2008 to reflect shortfalls in revenues from various funding sources. Actual budgetary basis revenues of \$532.6 million were \$4.1 million more than the final amended budget. The increase is due primarily to increased property tax and real estate transfer tax revenues.

In addition, there was a \$7.3 million increase in appropriations between the original and final amended operating budget for the General Fund. The increase in appropriation is due primarily to the determination of actual project carryforwards for continuing appropriations for various multi-year projects, capital improvement projects, and other projects authorized by the City Council. The original approved expenditure budget contained only estimates of project carryforwards.

Actual budgetary basis expenditures of \$473 million were \$7.6 million less than the amended budget. The net budget savings is attributed to (1) general budget cuts, (2) layoffs, and (3) furlough days.

Capital Assets

The City's capital assets, net of depreciation, totaled \$1,084.4 million as of June 30, 2009 compared to \$1,045.0 million as of June 30, 2008, an increase of \$39.3 million or 3.8 percent. Governmental activities additions of \$80.8 million in capital assets included construction in progress and capitalization of infrastructure, facilities and improvements, and furniture, machinery and equipment which met the City's threshold for capitalization.

These additions were offset by retirements and depreciation, the net effect of which was an increase of \$33.1 million in additions against capital assets for governmental activities. Business activities, primarily the sewer fund, increased its capital assets by \$7.8 million, net of retirements and depreciation. See Note (7) for more details in capital assets.

Construction Commitments

The City has committed to funding in the amount of \$139,601,396 to a number of capital improvement projects for fiscal year 2010 through fiscal year 2012. This projects include building and facilities improvements; parks and open space; sewers and storm drains; streets and sidewalks construction; technology enhancements and traffic improvements. See note 18 for more details in construction commitments.

Debt Administration

At the end of the current fiscal year, the City's debt limit (3.75 percent of property valuation, net of exemptions subject to taxation) was \$1,156.8 million. The total amount of debt applicable to the debt limit was \$317.2 million. The resulting legal debt margin was \$839.6 million.

The City of Oakland's underlying ratings for its general obligation bonds remained unchanged from last year; as of June 30, 2009, the rating were as follows:

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

Agency bond ratings as of June 30, 2009 were as follows:

	Moody's	Standard & Poors	Fitch, JBCA
Tax allocation bonds	A3	A-	N/A
Housing set-aside revenue bonds	A2	A	A

As of June 30, 2009, the City had total long-term obligations outstanding of \$1.97 billion compared to \$2.02 billion outstanding for the prior fiscal year, a decrease of 2.3 percent. Of this amount, \$317.2 million is general obligation bonds backed by the full faith and credit of the City. The remaining \$1.65 billion is comprised of various long-term debt instruments listed below including accruals of year-end estimates for other long-term liabilities.

Outstanding Debt
June 30, 2009
(In Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 317,188	\$ 331,528	\$ -	\$ -	\$ 317,188	\$ 331,528
Tax allocation, Housing and Other bonds	505,765	496,630	-	-	505,765	496,630
Certificate of participation	10,375	40,495	-	-	10,375	40,495
Lease revenue bonds	296,985	323,340	-	-	296,985	323,340
Pension obligation bonds	248,455	282,705	-	-	248,455	282,705
Special assessment debt with government commitments	5,645	6,200	-	-	5,645	6,200
Accreted interest on appreciation bonds	148,580	125,743	-	-	148,580	125,743
Sewer-bonds & notes payable	-	-	58,630	61,066	58,630	61,066
Less: deferred amounts						
Bond issuance premiums	28,691	32,204	2,357	2,475	31,048	34,679
Bond refunding loss	(30,858)	(34,658)	-	-	(30,858)	(34,658)
Total Bonds Payable	<u>1,530,826</u>	<u>1,604,187</u>	<u>60,987</u>	<u>63,541</u>	<u>1,591,813</u>	<u>1,667,728</u>
Notes & Leases payable	40,845	46,013	-	-	40,845	46,013
Other long-term liabilities	336,587	301,368	-	-	336,587	301,368
Total Outstanding Debt	<u>\$ 1,908,258</u>	<u>\$ 1,951,568</u>	<u>\$ 60,987</u>	<u>\$ 63,541</u>	<u>\$ 1,969,245</u>	<u>\$ 2,015,109</u>

The City's overall total long-term obligations decreased by \$45.9 million compared to fiscal year 2008. The net decrease is primarily attributable to the City debt principal payments and restructuring and retirement of certain long-term debt offset by new Agency debt of \$38.8 million.

Summary of New Debt:

Current Year Long-Term Debt Financing

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2009T (Taxable): On May 6, 2009, the Redevelopment Agency of the City issued \$38,755,000 of the above mentioned bond issue to finance certain redevelopment activities within or to the benefit of the Central District Redevelopment Project Area. The bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central District Redevelopment Project Area.

Master Lease – Sun Microsystems, Inc.: On February 26, 2009, the City closed a lease transaction with Sun Microsystems, Inc. in the amount of \$1,472,891 for the purpose of financing certain hardware, equipment and software. The financing structure was taxable for services and tax-exempt for equipment.

Restructuring of Long-Term Debt

Central District Redevelopment Project, Subordinated Tax Allocation Bonds, Series 2005: On March 23, 2009, the Redevelopment Agency of the City utilized unused proceeds of the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 to purchase and tender the outstanding bonds with maturity date of September 1, 2022 and September 1, 2020 in the amount of \$11,190,000 and \$1,200,000, respectively. After the tendering and cancellation of the bonds with trustee, \$31,970,000 remains outstanding as of June 30, 2009.

Certificate of Participation (Certain Capital Improvement Project): On June 1, 2009, the City called full redemption of the outstanding bond issue Variable Rate Demand Certificate of Participation (Certain Capital Improvement Project) totaling \$24,500,000 in outstanding principal amount. These bonds are completely retired.

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

Economic Factors and Next Year's Budgets and Tax Rates

The economic indicators highlighted below, among others and including labor union contracts, were factored into the City's budget formulation process as they relate to revenue forecasting, program planning, and resource allocation for fiscal years 2010-11.

Sluggish growth is projected in fiscal years 2010-11 for the City's major revenues including property tax, sales tax, vehicle license fees, business license tax, real estate transfer tax, and parking tax, due to uncertainties brought about by the continuing housing recession, the increase in home foreclosures, and tightened lending policies. The remaining areas, while impacted by overall economic performance, are driven by other factors, for

example, franchise fee is typically more heavily impacted by rate changes than economic growth.

The fiscal years 2010-11 budget focuses on the Mayor and City Council priorities, directing resources toward essential services such as public safety; sustainable and healthy environment; economic development; community involvement and empowerment; public-private partnerships and government solvency and transparency. To meet these priorities, the City Council approved a balanced General Fund budget for fiscal year 2010-11, closing a funding gap of approximately \$83 million primarily with ongoing reductions and fee increases combined with the strategic use of reserves and other one-time revenue sources.

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The Agency's share of this revenue shift is approximately \$41,074,866 in fiscal year 2009-2010 and \$8,497,000 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. Further information regarding the City's response and SERAF impact is contained in the subsequent events footnote (21) to the basic financial statements.

The City of Oakland's unemployment rate increased to 17.1% in June 2009 compared to an average unemployment rate of 9.6% for July 2008.

The Bay Area's consumer price index for all urban consumers in June 2009 was 225.692 compared to the U.S. city average consumer price index (CPI-U) for all urban consumers at 215.693 (Base period: 1982 - 84 = 100).

Estimated population for January 1, 2009 is 425,068 with an estimated total number of households of 145,506, an average household size of 2.92 persons, and a per capita personal income of \$26,308.

Increases in expenditures due to new union contracts, CalPERS pension rates, and health care costs have been factored into the City's Fiscal Years 2010-11 budget and amending the municipal code to provide for a three (3) percent surcharge on the City's transient occupancy tax.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

City of Oakland
Statement of Net Assets
June 30, 2009
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Port of Oakland
ASSETS				
Cash and investments	\$ 424,990	\$ 7,511	\$ 432,501	\$ 77,384
Receivables (net of allowance for uncollectibles of \$5,910 for City and \$3,326 for Port):				
Accrued interest	1,250	-	1,250	170
Property taxes	26,457	-	26,457	-
Accounts receivable	58,040	8,460	66,500	40,632
Grants receivable	14,916	-	14,916	-
Due from Port	13,350	-	13,350	-
Due from other governments	14	-	14	-
Inventories	931	-	931	-
Restricted assets:				
Cash and investments	557,463	21,221	578,684	107,068
Receivables	-	-	-	4,125
Property held for resale	129,870	-	129,870	-
Notes and loans receivable (net of allowance for uncollectibles of \$49,985 for the City)	304,750	-	304,750	-
Other	76	-	76	68,900
Unamortized bond issuance costs	16,070	597	16,667	-
Net pension asset	243,794	-	243,794	-
Capital assets:				
Land and other assets not being depreciated	145,900	11,772	157,672	634,626
Facilities, infrastructures, and equipment, net of depreciation	784,938	141,741	926,679	1,669,449
TOTAL ASSETS	<u>2,722,809</u>	<u>191,302</u>	<u>2,914,111</u>	<u>2,602,354</u>
LIABILITIES				
Accounts payable and other current liabilities	142,635	1,125	143,760	35,400
Accrued interest payable	18,861	161	19,022	18,286
Due to other governments	13,360	-	13,360	-
Due to primary government	-	-	-	13,350
Unearned revenue	5,819	26	5,845	70,144
Matured bonds and interest payable	520	-	520	-
Other	8,380	5	8,385	11,015
Non-current liabilities:				
Due within one year	174,321	2,661	176,982	53,918
Due in more than one year	1,733,937	58,326	1,792,263	1,511,035
TOTAL LIABILITIES	<u>2,097,833</u>	<u>62,304</u>	<u>2,160,137</u>	<u>1,713,148</u>
NET ASSETS (deficit)				
Invested in capital assets, net of related deb	442,793	113,961	556,754	853,011
Restricted net assets:				
Debt service	18,668	-	18,668	-
Pension	120,622	-	120,622	-
Urban redevelopment and housing	188,016	-	188,016	-
Other purposes	11,208	-	11,208	21,357
Unrestricted net assets (deficit)	(156,331)	15,037	(141,294)	14,838
TOTAL NET ASSETS	<u>\$ 624,976</u>	<u>\$ 128,998</u>	<u>\$ 753,974</u>	<u>\$ 889,206</u>

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

City of Oakland
Statement of Activities
For the Year Ended June 30, 2009
(In Thousands)

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			Component Unit Port of Oakland
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 94,957	\$ 21,128	\$ 5,634	\$ -	\$ (68,195)	\$ -	\$ (68,195)	
Public safety	424,435	15,733	9,774	-	(398,928)	-	(398,928)	
Life enrichment	119,659	11,084	29,931	-	(78,644)	-	(78,644)	
Community and economic development	182,327	47,223	46,321	-	(88,783)	-	(88,783)	
Public works	74,081	30,887	2,693	-	(40,501)	-	(40,501)	
Interest on long-term debt	71,552	-	-	-	(71,552)	-	(71,552)	
TOTAL GOVERNMENTAL ACTIVITIES	967,011	126,055	94,353	-	(746,603)	-	(746,603)	
Business-type activities:								
Sewer	25,530	35,382	-	-	-	9,852	9,852	
Parks and recreation	652	796	-	-	-	144	144	
TOTAL BUSINESS-TYPE ACTIVITIES	26,182	36,178	-	-	-	9,996	9,996	
TOTAL PRIMARY GOVERNMENT	\$ 993,193	\$ 162,233	\$ 94,353	\$ -	(746,603)	9,996	(736,607)	
Component unit:								
Port of Oakland	\$ 348,167	\$ 283,290	\$ -	\$ 11,896				\$ (52,981)
General revenues:								
Property taxes					359,851	-	359,851	-
State taxes:								
Sales and use taxes					56,090	-	56,090	-
Motor vehicle in-lieu tax					1,282	-	1,282	-
Gas tax					10,270	-	10,270	-
Local taxes:								
Business license					54,291	-	54,291	-
Utility consumption					52,701	-	52,701	-
Real estate transfer					34,267	-	34,267	-
Transient occupancy					10,599	-	10,599	-
Parking					14,196	-	14,196	-
Voter approved special tax					33,772	-	33,772	-
Franchise					14,440	-	14,440	-
Interest and investment income					25,917	590	26,507	9,655
Other					81,885	-	81,885	24,626
Transfers					1,200	(1,200)	-	-
TOTAL GENERAL REVENUES AND TRANSFERS					750,761	(610)	750,151	34,281
Changes in net assets								
Net Assets - Beginning as originally reported					620,818	119,612	740,430	923,798
Prior period adjustment					-	-	-	(9,212)
Adoption of Governmental Accounting Standards Board Statement 49					-	-	-	(6,680)
Net Assets - Beginning as restated					620,818	119,612	740,430	907,906
NET ASSETS - ENDING					\$ 624,976	\$ 128,998	\$ 753,974	\$ 889,206

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

CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2009
(In Thousands)

	<u>General</u>	<u>Federal/State Grant Fund</u>	<u>Oakland Redevelopment Agency</u>	<u>Municipal Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 120,422	\$ 2,034	\$ 260,660	\$ 1,485	\$ 40,385	\$ 424,986
Receivables (net of allowance for uncollectibles of \$3,695):						
Accrued interest	254	3	880	2	111	1,250
Property taxes	14,966	1,823	2,225	-	7,443	26,457
Accounts receivable	41,053	1,681	2,179	120	12,867	57,900
Grants receivable	-	13,731	-	-	1,185	14,916
Due from component unit	13,350	-	-	-	-	13,350
Due from other funds	69,781	166	15,278	-	3,069	88,294
Due from other government	-	-	14	-	-	14
Notes and loans receivable (net of allowance for uncollectibles of \$49,985)	22,000	110,388	143,823	-	28,539	304,750
Restricted cash and investments	120,736	9,956	252,525	43,413	129,695	556,325
Property held for resale	-	-	129,870	-	-	129,870
Other	36	-	40	-	-	76
TOTAL ASSETS	<u>\$402,598</u>	<u>\$ 139,782</u>	<u>\$ 807,494</u>	<u>\$ 45,020</u>	<u>\$ 223,294</u>	<u>\$1,618,188</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable and accrued liabilities	\$ 125,811	\$ 4,492	\$ 3,534	\$ 1,830	\$ 5,848	\$ 141,515
Due to other funds	8,578	3,366	11,587	-	14,042	37,573
Due to other governments	51	257	13,052	-	-	13,360
Deferred revenue	30,653	112,573	162,083	-	35,231	340,540
Matured bonds and interest payable	-	-	-	520	-	520
Other	556	522	1,100	637	5,565	8,380
TOTAL LIABILITIES	<u>165,649</u>	<u>121,210</u>	<u>191,356</u>	<u>2,987</u>	<u>60,686</u>	<u>541,888</u>
Fund balances						
Reserved:						
Encumbrances	4,594	17,613	-	5,175	18,473	45,855
Long-term receivables	-	-	1,799	-	-	1,799
Debt service	13,949	-	-	1,473	131,075	146,497
Property held for resale	-	-	129,870	-	-	129,870
Capital projects	-	-	482,998	-	-	482,998
Pension obligations	98,000	-	-	-	-	98,000
Unreserved reported in:						
General fund	120,406	-	-	-	-	120,406
Special revenue funds	-	959	-	-	8,594	9,553
Capital project funds	-	-	1,471	35,385	4,466	41,322
TOTAL FUND BALANCES	<u>236,949</u>	<u>18,572</u>	<u>616,138</u>	<u>42,033</u>	<u>162,608</u>	<u>1,076,300</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$402,598</u>	<u>\$ 139,782</u>	<u>\$ 807,494</u>	<u>\$ 45,020</u>	<u>\$ 223,294</u>	<u>\$1,618,188</u>

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

City of Oakland
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
for Governmental Activities
June 30, 2009
(In Thousands)

Fund balances - total governmental funds		\$ 1,076,300
<p>Amounts reported for governmental activities in the statement of net assets are different due to the following:</p>		
<p>Capital assets used in governmental activities are not a financial resource and therefore, are not reported in the funds.</p>		
Primary government capital assets, net of depreciation	\$ 930,838	
Less: internal service funds' capital assets, net of depreciation	(17,850)	912,988
<p>Bond issuance costs are expended in the governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for the purposes of the governmental activities on the statement of net assets.</p>		
		16,070
<p>Net pension assets are recognized in the statement of net assets as an asset; however, it is not considered a financial resource and, therefore, is not reported on the balance sheet of governmental funds.</p>		
		243,794
<p>Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.</p>		
Interest payable on long-term debt for primary government	\$ (18,861)	
Add: Interest payable on long-term debt for internal service fund	78	(18,783)
<p>Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the governmental funds.</p>		
		334,721
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Long-term liabilities	\$ (1,908,258)	
Less: long-term liabilities for internal service funds	7,812	(1,900,446)
<p>Internal service funds are used by the City to charge the costs of providing supplies and services, fleet and facilities management, and use of radio and communication equipment to individual funds. Assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.</p>		
		(39,668)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ 624,976

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

CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009
(In Thousands)

	General	Federal/State Grant Fund	Oakland Redevelopment Agency	Municipal Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property	\$ 198,848	\$ -	\$ 131,536	\$ -	\$ 29,315	\$ 359,699
State:						
Sales and use	46,122	-	-	-	9,968	56,090
Motor vehicle in-lieu	1,282	-	-	-	-	1,282
Gas	-	3,565	-	-	6,184	9,749
Local:						
Business license	54,291	-	-	-	-	54,291
Utility consumption	52,701	-	-	-	-	52,701
Real estate transfer	34,267	-	-	-	-	34,267
Transient occupancy	10,599	-	-	-	-	10,599
Parking	7,655	-	-	-	6,541	14,196
Voter approved special tax	-	12,416	-	-	21,356	33,772
Franchise	14,221	219	-	-	-	14,440
Licenses and permits	1,282	-	-	-	13,185	14,467
Fines and penalties	25,838	863	-	-	2,647	29,348
Interest and investment income	5,311	1,089	11,253	1,097	8,770	27,520
Charges for services	57,447	45	6,733	-	13,060	77,285
Other intergovernmental revenues	-	-	-	-	35,588	35,588
Federal and state grants and subventions	4,505	80,756	-	-	2,710	87,971
Annuity income	5,348	-	-	-	-	5,348
Other	13,346	1,666	15,934	163	4,130	35,239
TOTAL REVENUES	533,063	100,619	165,456	1,260	153,454	953,852
EXPENDITURES						
Current:						
Elected and Appointed Officials:						
Mayor	2,910	-	-	3	721	3,634
Council	3,396	-	-	243	1,382	5,021
City Administrator	9,030	246	-	571	4,234	14,081
City Attorney	9,084	80	-	-	5,290	14,454
City Auditor	1,656	-	-	-	52	1,708
City Clerk	1,873	-	-	-	67	1,940
Agencies/Departments:						
Human Resource Management	5,945	-	-	-	601	6,546
Information Technology	11,029	-	-	460	1,486	12,975
Financial Services	26,618	265	-	-	1,434	28,317
Contracting and Purchasing	1,959	-	-	-	-	1,959
Police Services	210,292	4,120	-	121	17,256	231,789
Fire Services	106,469	2,410	-	1,479	9,353	119,711
Life Enrichment:						
Parks and Recreation	15,868	181	-	49	4,210	20,308
Library	10,595	10,999	-	-	230	21,824
Cultural Arts and Museum	6,121	-	-	100	363	6,584
Aging & Health and Human Services	5,723	30,526	-	-	26,133	62,382
Community and Economic Development	7,555	33,352	96,270	4,933	55,175	197,285
Public Works	31,300	3,483	-	551	28,954	64,288
Other	2,703	15	17,245	-	136	20,099
Capital outlay	415	11,349	-	20,484	12,170	44,418
Debt service:						
Principal repayment	1,433	1,435	29,620	746	105,620	138,854
Bond issuance costs	263	-	601	-	-	864
Interest charges	746	917	26,391	5	37,098	65,157
TOTAL EXPENDITURES	472,983	99,378	170,127	29,745	311,965	1,084,198
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	60,080	1,241	(4,671)	(28,485)	(158,511)	(130,346)
OTHER FINANCING SOURCES (USES)						
Issuance of debt	-	-	38,755	1,473	-	40,228
Premiums/discounts on issuance of bonds	-	-	(779)	-	-	(779)
Property sale proceeds	8,723	-	-	-	-	8,723
Transfers in	17,041	-	-	500	112,554	130,095
Transfers out	(96,579)	-	(15,925)	-	(16,341)	(128,895)
TOTAL OTHER FINANCING SOURCES (USES)	(70,815)	-	22,001	1,973	96,213	49,372
NET CHANGE IN FUND BALANCES	(10,735)	1,241	17,330	(26,512)	(62,298)	(80,974)
Fund balances - beginning	247,684	17,331	598,808	68,545	224,906	1,157,274
FUND BALANCES - ENDING	\$ 236,949	\$ 18,572	\$ 616,138	\$ 42,033	\$ 162,608	\$ 1,076,300

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

City of Oakland
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the
Statement of Activities of Governmental Activities
For the Year Ended June 30, 2009
(In Thousands)

Net change in fund balances - total governmental funds \$ (80,974)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay and other capital transactions exceeds depreciation in the current period.

Primary government:

Capital asset acquisition	\$ 80,799	
Retirement of capital assets	(1,580)	
Depreciation	(47,698)	
Less: net changes of capital assets within internal service funds	(1,151)	30,370

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period. 49,895

Some expenses such as claims, workers compensation, and vacation and sick leave reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds. 2,800

Changes to the net pension assets, as reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (31,487)

Bond issuance costs are expended in the governmental funds when paid, and are deferred and amortized over the life of the corresponding life of the bonds for purposes of the statement of net assets. This is the amount by which current year amortization expense exceeded bond issuance costs in the current period. (847)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and the advance refunding of debt consume the current financing sources of the governmental funds. These transactions, however have no effect on net assets. This is the amount by which principal retirement and payment to escrow agent exceeded bond proceeds in the current period.

Debt and capital lease principal payments	\$ 138,854	
Issuance of bonds and notes	(40,228)	
Discounts of bonds	779	99,405

Amortization of bond premiums and discounts 2,734

Amortization of refunding loss (3,800)

Additional accrued and accreted interest calculated on bonds and notes payable (22,837)

Principal payments of Coliseum Authority pledge obligation 3,100

Net changes in mandated environmental remediation obligation 971

Net changes on post employment benefits other than pension benefits (OPEB) (42,090)

The net loss of activities of internal service funds is reported with governmental activities (3,082)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,158

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

CITY OF OAKLAND
Statement of Fund Net Assets
Proprietary Funds
June 30, 2009
(In Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Sewer Service</u>	<u>Nonmajor Fund Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 5,281	\$ 2,230	\$ 7,511	\$ 4
Accounts receivables (net of uncollectibles of \$1,801 and \$414 for the enterprise funds and internal service funds, respectively)	8,455	5	8,460	140
Due from other funds	-	-	-	64
Inventories	-	-	-	931
Restricted cash and investments	<u>20,838</u>	<u>383</u>	<u>21,221</u>	<u>1,138</u>
Total Current Assets	<u>34,574</u>	<u>2,618</u>	<u>37,192</u>	<u>2,277</u>
Non-current Assets:				
Capital assets:				
Land and other assets not being depreciated	11,554	218	11,772	310
Facilities, equipment and infrastructure, net of depreciation	<u>138,735</u>	<u>3,006</u>	<u>141,741</u>	<u>17,540</u>
Total capital assets	150,289	3,224	153,513	17,850
Unamortized bond issuance costs	<u>597</u>	<u>-</u>	<u>597</u>	<u>-</u>
Total Non-current Assets	<u>150,886</u>	<u>3,224</u>	<u>154,110</u>	<u>17,850</u>
TOTAL ASSETS	<u>185,460</u>	<u>5,842</u>	<u>191,302</u>	<u>20,127</u>
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	1,125	-	1,125	1,120
Accrued interest payable	161	-	161	78
Due to other funds	-	-	-	50,785
Unearned revenue	26	-	26	-
Other liabilities	5	-	5	-
Bonds and notes payables	<u>2,661</u>	<u>-</u>	<u>2,661</u>	<u>2,511</u>
Total Current Liabilities	<u>3,978</u>	<u>-</u>	<u>3,978</u>	<u>54,494</u>
Non-current Liabilities:				
Bonds and notes payables	<u>58,326</u>	<u>-</u>	<u>58,326</u>	<u>5,301</u>
Total Non-current Liabilities	<u>58,326</u>	<u>-</u>	<u>58,326</u>	<u>5,301</u>
TOTAL LIABILITIES	<u>62,304</u>	<u>-</u>	<u>62,304</u>	<u>59,795</u>
NET ASSETS (DEFICIT)				
Invested in capital assets, net of related debt	110,737	3,224	113,961	13,248
Unrestricted (deficit)	<u>12,419</u>	<u>2,618</u>	<u>15,037</u>	<u>(52,916)</u>
TOTAL NET ASSETS (DEFICIT)	<u>\$ 123,156</u>	<u>\$ 5,842</u>	<u>\$ 128,998</u>	<u>\$ (39,668)</u>

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

CITY OF OAKLAND
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
(In Thousands)

	<u>Business-type Activities Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer Service</u>	<u>Nonmajor Fund Parks and Recreation</u>	<u>Total</u>	<u>Internal Service Funds</u>
OPERATING REVENUES				
Rental	\$ -	\$ 488	\$ 488	\$ -
Sewer services	35,373	-	35,373	-
Charges for services	-	-	-	45,183
Other	9	308	317	70
TOTAL OPERATING REVENUES	<u>35,382</u>	<u>796</u>	<u>36,178</u>	<u>45,253</u>
OPERATING EXPENSES				
Personnel	11,086	83	11,169	19,891
Supplies	420	279	699	6,122
Depreciation and amortization	4,264	231	4,495	4,140
Contractual services and supplies	1,223	11	1,234	568
Repairs and maintenance	44	-	44	2,642
General and administrative	3,864	25	3,889	5,267
Rental	839	23	862	2,114
Other	932	-	932	6,279
TOTAL OPERATING EXPENSES	<u>22,672</u>	<u>652</u>	<u>23,324</u>	<u>47,023</u>
OPERATING INCOME (LOSS)	<u>12,710</u>	<u>144</u>	<u>12,854</u>	<u>(1,770)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment income	525	65	590	(1,120)
Interest expense	(2,858)	-	(2,858)	(427)
Other, net	-	-	-	235
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,333)</u>	<u>65</u>	<u>(2,268)</u>	<u>(1,312)</u>
INCOME (LOSS) BEFORE TRANSFERS	10,377	209	10,586	(3,082)
Transfers out	(600)	(600)	(1,200)	-
TOTAL TRANSFERS	<u>(600)</u>	<u>(600)</u>	<u>(1,200)</u>	<u>-</u>
Change in net assets (deficit)	9,777	(391)	9,386	(3,082)
Net Assets (deficit) - Beginning	113,379	6,233	119,612	(36,586)
NET ASSETS (DEFICIT) - ENDING	<u>\$ 123,156</u>	<u>\$ 5,842</u>	<u>\$ 128,998</u>	<u>\$ (39,668)</u>

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

CITY OF OAKLAND
Statement of Cash Flows
Proprietary Funds
June 30, 2009
(In Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer Service	Nonmajor Fund Parks and Recreation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 34,811	\$ 12	\$ 34,823	\$ 45,207
Cash received from tenants for rents	-	488	488	-
Cash from other sources	9	308	317	70
Cash paid to employees	(11,086)	(83)	(11,169)	(19,891)
Cash paid to suppliers	(8,808)	(595)	(9,403)	(23,261)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>14,926</u>	<u>130</u>	<u>15,056</u>	<u>2,125</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from interfund loans	-	-	-	6,388
Repayment of interfund loans	(1,177)	-	(1,177)	(4,710)
Other, net	-	-	-	235
Transfers out	(600)	(600)	(1,200)	-
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(1,777)</u>	<u>(600)</u>	<u>(2,377)</u>	<u>1,913</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(11,237)	(1,041)	(12,278)	(2,991)
Long-term debt:				
Repayment of long-term debt	(2,436)	-	(2,436)	(3,029)
Interest paid on long-term debt	(2,946)	-	(2,946)	(530)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(16,619)</u>	<u>(1,041)</u>	<u>(17,660)</u>	<u>(6,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	525	65	590	(1,120)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>525</u>	<u>65</u>	<u>590</u>	<u>(1,120)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,945)	(1,446)	(4,391)	(3,632)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	29,064	4,059	33,123	4,774
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 26,119</u>	<u>\$ 2,613</u>	<u>\$ 28,732</u>	<u>\$ 1,142</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 12,710	\$ 144	\$ 12,854	\$ (1,770)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Depreciation and amortization	4,264	231	4,495	4,140
Retirement of capital assets	1	-	1	105
Changes in assets and liabilities:				
Receivables	(237)	12	(225)	14
Inventories	-	-	-	205
Due from other funds	-	-	-	10
Accounts payable and accrued liabilities	(1,812)	(257)	(2,069)	(579)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,926</u>	<u>\$ 130</u>	<u>\$ 15,056</u>	<u>\$ 2,125</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS				
Cash and investments	\$ 5,281	\$ 2,230	\$ 7,511	\$ 4
Restricted cash and investments	20,838	383	21,221	1,138
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 26,119</u>	<u>\$ 2,613</u>	<u>\$ 28,732</u>	<u>\$ 1,142</u>
NON CASH ITEMS:				
Amortization of bond premiums	\$ (118)	\$ -	\$ (118)	\$ -
Amortization of bond cost of issuance	30	-	30	-
	<u>\$ (88)</u>	<u>\$ -</u>	<u>\$ (88)</u>	<u>\$ -</u>

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

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ASSETS		
Cash and investments	\$ 2,923	\$ 8,677
Receivables:		
Accrued interest and dividends	1,089	10
Investments and contributions	8,428	-
Restricted:		
Cash and investments:		
Short-term investments	17,292	-
U.S. government bonds	29,599	-
U.S. Corporate bonds and mutual funds	64,427	-
Domestic equities and mutual funds	160,734	-
International equities and mutual funds	50,938	-
Real estate mortgage loans	47	-
Total restricted cash and investments	323,037	-
Securities lending collateral	105,215	-
TOTAL ASSETS	440,692	8,687
LIABILITIES		
Accounts payable and accrued liabilities	14,876	586
Securities lending collateral	105,215	-
TOTAL LIABILITIES	120,091	586
NET ASSETS		
Net assets held in trust	\$ 320,601	\$ 8,101

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

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2009
(In Thousands)

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Member contributions	\$ 7	\$ -
Total contributions	7	-
Trust receipts	-	1,110
Investment income:		
Net depreciation in fair value of investments	(104,321)	-
Interest	7,528	123
Dividends	4,939	-
Securities lending	959	-
TOTAL INVESTMENT INCOME (LOSS)	(90,895)	123
Less investment expenses:		
Investment expenses	(1,685)	-
Borrowers rebates and other agent fees on securities lending transactions	(640)	-
Total investment expenses	(2,325)	-
NET INVESTMENT INCOME (LOSS)	(93,220)	123
Other income	97	2,187
TOTAL ADDITIONS (DEDUCTIONS)	(93,116)	3,420
DEDUCTIONS:		
Benefits to members and beneficiaries:		
Retirement	44,325	-
Disability	26,688	-
Death	2,330	-
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	73,343	-
Administrative expenses	1,235	199
CEDA	-	107
Other	-	1,105
Police services	-	468
TOTAL DEDUCTIONS	74,578	1,879
Change in net assets	(167,694)	1,541
NET ASSETS - BEGINNING	488,295	6,560
NET ASSETS - ENDING	\$ 320,601	\$ 8,101

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

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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND
Notes to Basic Financial Statements
Year Ended June 30, 2009

(1) ORGANIZATION AND DEFINITION OF REPORTING ENTITY

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

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

Blended Component Units

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

The Civic Improvement Corporation (Corporation) was created to provide a lease financing arrangement for the City. The Oakland City Council serves as the governing body for the Corporation. The Corporation's activities are reported in other governmental funds.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Discretely Presented Component Units

The Port is a legally separate component unit established in 1927 by the City. Operations include the Oakland International Airport and the Port of Oakland Marine Terminal Facilities. All interfund transactions have been eliminated. The Port is governed by a seven-member Board of Port Commissioners (the Board) that is appointed by the City Council, upon nomination by the Mayor. The Board appoints an Executive Director to administer operations. The Port prepares and controls its own budget, administers and controls its fiscal activities, and is responsible for all Port construction and operations. The Port is required by City charter to deposit its operating revenues in the City Treasury. The City is responsible for investing and managing such funds. The Port is presented in a separate column in the government-wide financial statements.

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

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

liabilities of the current period. The City considers property tax revenues to be available for the year levied and if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and local taxes, grants, licenses, charges for services, and interest and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Special assessments are recorded as revenues and receivables to the extent installments are considered current. The estimated installments receivable not considered available, as defined above, are recorded as receivables and offset by deferred revenue. All other revenues are reported on a cash basis.

The County of Alameda is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law, and for remitting such amounts to the City. Property taxes are assessed and levied as of July 1 on all taxable property located in the City, and result in a lien on real property. Property taxes are then due in two equal installments; the first on November 1 and the second on February 1 of the following calendar year, and are delinquent after December 10 and April 10, respectively. General property taxes are limited to a flat 1% rate applied to the 1975-76 full value of the property, or 1% of the sales price of the property or of the construction value added after the 1975-76 valuation. Assessed values on properties (exclusive of increases related to sales and construction) can rise a maximum of 2% per year. Taxes were levied at the maximum 1% rate during the year ended June 30, 2009.

The City reports the following major governmental funds:

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

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

The **Oakland Redevelopment Agency Fund** accounts for federal grants, land sales, rents and other revenues relating to redevelopment projects. Expenditures are

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

comprised of land acquisitions and improvements and all other costs inherent to redevelopment activities.

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

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

The **Private Purpose Trust Funds** account for the operations of the Youth Opportunity Program and certain gifts that are not related to Agency projects or parks, recreation and cultural activities. The Private Purpose Trust Fund accounts for employee deferred compensation fund

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

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

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

Cash and Investments

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

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

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

Due From/Due To Other Funds and Internal Balances

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

Interest Rate Swap Agreement

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

Inter-fund Transfers

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

Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.

Reimbursements for expenditures, initially made by one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. Reimbursements are eliminated for purposes of government-wide reporting.

Bond Issuance Costs and Discounts/Premiums

In the government-wide financial statements and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Inventories

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

Capital Assets

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

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

The City has a collection of artwork presented for public exhibition and education that is being preserved for future generations. These items are protected, kept unencumbered, cared for and preserved by the City. The proceeds from the sale of any pieces of the collection are used to purchase other acquisitions for the collection. However, future acquisitions purchased with authorized budgeted City funds during a fiscal year will be reported as non-depreciable assets in the City's financial statements.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Infrastructure	5-50 years

Property Held for Resale

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

Net Pension Asset

In February 1997, the City issued pension obligation bonds to reduce the actuarial accrued liability of the Police and Fire Retirement System (PFRS). The net pension asset represents a prepaid asset amortized over the same period used by the actuary at the time of the bond issuance, as it allows for the matching of the asset with the related pension obligation bond liability. See Note 16 for the accounting treatment of the net pension asset.

Compensated Absences - Accrued Vacation, Sick Leave, and Compensatory Time

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

Retirement Plans

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Other Post Employment Benefits (OPEB)

The OPEB valuation covers Police, Fire and Miscellaneous employees. The City retirees are eligible for retiree health benefits if they meet certain requirements relating to age and service. The retiree health benefits are described in the labor agreements between the City and Local Unions and in City resolutions. The demographic rates used for the California Public Employee Retirement System (PERS) were public safety employees retirements benefits under a 3% @ 50 formula and miscellaneous employees retirement benefits under a 2.7% @ 55 formula. At June 30, 2009, the City reported a net OPEB obligation of \$85,758,505. See Note 17 for additional information.

Pollution Remediation Obligations (GASB 49)

The City implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which identifies the circumstances under which a government is required to report a liability related to pollution remediation. In accordance with the statement, the City will estimate its expected pollution remediation obligations at current value and using the expected cash flow measurement technique. By adopting the provisions of GASB 49, the City recorded remediation liabilities related to its pollution remediation activities. See Note 12 for additional information.

Refunding of Debt

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Fund Balances

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

1. **Reserve for Encumbrances** – Encumbrances outstanding at fiscal year end are reported as reservations of fund balances and the related appropriation is automatically carried forward into the next fiscal year. Encumbrances do not constitute expenditures or liabilities because the commitments will be honored during the subsequent fiscal year.
2. **Reserve for Long-Term Receivables** – This fund balance is reserved for long-term receivables that do not represent expendable available financial resources.
3. **Reserve for Debt Service** – This fund balance is reserved for the payment of debt service requirements in subsequent years.
4. **Reserve for Property Held for Resale** – This fund balance is reserved for the cost of developing and administering residential and commercial properties intended for resale.
5. **Reserve for Capital Projects** – This fund balance is reserved for ongoing projects in specific areas excluding the General Fund. This reservation includes \$94,569,000 reserved for low and moderate housing projects.
6. **Reserve for Pension Obligations** – This fund balance is reserved for the City's pension obligations and is restricted with New York Life Annuity Company.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Restricted Net Assets

Restricted net assets are those assets, net of their related liabilities that have constraints placed on their use by laws and regulations of other governments, creditors, grantors, or contributors and restrictions imposed by law through constitutional provisions or enabling legislation. Accordingly, restricted assets may include principal and interest amounts accumulated to pay debt service, unspent grant revenues, certain fees and charges, and restricted tax revenues. At June 30, 2009, the government-wide statement of net assets reported restricted net assets of \$338.5 million in governmental activities, none of which was restricted by enabling legislation:

Restatement of Net Assets - Component Unit - Port of Oakland

Beginning Net Assets as of June 30, 2008 have been restated by \$9,212,000 due to the correction of accruing excess minimum annual guaranteed revenues to a maritime tenant and cost reimbursement related to maritime terminal improvements.

Beginning Net Assets as of June 30, 2008 have been restated by \$6,680,000 to account for existing pollution remediation liabilities from prior periods, as allowed by GASB 49. See Note 18 for further information.

Effects of New Pronouncements

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

In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

face of the financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this statement is effective for the City's fiscal year ending June 30, 2010.

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. It establishes a hierarchy of fund balance classifications based primarily on the extent to which a government is bound to observe spending constraints imposed upon how resources reported in governmental funds may be used. Specifically, GASB 54 distinguishes fund balances between amounts that are considered nonspendable and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Fund balance amounts will be reported in the following classifications:

- Restricted – amounts constrained by external parties, constitutional provision or enabling legislation;
- Committed – amounts constrained by a government using its highest level of decision-making authority;
- Assigned – amounts a government intends to use for a particular purpose; and
- Unassigned – amounts that are not constrained at all will be reported in the general fund.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

Use of Estimates

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(3) CASH AND INVESTMENTS AND RESTRICTED CASH AND INVESTMENTS

Primary Government

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

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

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

On August 31, 2009, the City Operating Fund or Investment Pool is rated 'AAA/V1+' by Fitch Ratings. Investment pools rated AAA reflects the high credit quality of the portfolio assets, a conservative investment policy, and appropriate management oversight and operational capabilities. The fund's V1+ volatility rating reflects low market risk and a capacity to return stable principal value meeting anticipated cash needs of the City and the Port of Oakland, even in adverse interest rate environments.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

The retirement systems' investment policies authorize investment in the domestic stocks and bonds, U.S. equities, international equities, U.S. fixed income, mortgage loans and real estate. The systems' investment portfolios are managed by external investment managers. During the year ended June 30, 2009, the number of external investment managers was nine for the PFRS and one for the OMERS.

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

	<u>Primary Government</u>			<u>Total</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>		<u>Port</u>
Cash and investments	\$ 424,990	\$ 7,511	\$ 11,600	\$ 444,101	\$ 77,384
Restricted cash and investments	557,463	21,221	323,037	901,721	107,068
Restricted securities lending collateral	-	-	105,215	105,215	-
TOTAL	\$ 982,453*	\$ 28,732	\$ 439,852	\$ 1,451,037	\$ 184,452
Deposits				\$ 33,542	\$ 1,721
Investments				1,417,495	182,731
TOTAL				\$ 1,451,037	\$ 184,452

*\$982,453 consists of all governmental funds and the internal service funds.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Investments - Primary Government

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

At June 30, 2009, the carrying amount of the City's deposits and bank balance was \$33.5 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and nonnegotiable certificates of deposit. Of the bank balance, \$2.9 million was FDIC insured and \$30.6 million was collateralized with securities held by the pledging financial institution in the City's name, in accordance with Section 53652 of the California Government Code.

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

Credit Risk: Credit risk represents the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The most effective method for minimizing the risk of default by an issuer is to invest in high quality obligations. Under the City investment policy, short term debt shall be rated at least A-1 by Standard and Poor's (S&P), P-1 by Moody's Investors Service or F-1 by Fitch Ratings. Long term debt shall be rated at least A by Standard and Poor's, Moody's Investors Service or Fitch Ratings.

Since these obligations are the only ones permitted by State law, investing in them is also the most effective way to maintain legal compliance. The City invests only in securities from highly rated entities. As of June 30, 2009, approximately 82% of the pooled investments was invested in "AAA" quality securities.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The following tables show the City's credit risk for the Pool and Restricted portfolios as of June 30, 2009 (in thousands):

Pooled Investments

	Rating as of Fiscal Year Ended 06-30-09			
	Fair Value	AAA/Aaa	A1/P1/F1	Not Rated
U.S. Govt. Agency Securities	\$ 136,814	\$ 136,814	\$ -	\$ -
U.S. Govt. Agency Securities (Disc)	181,901	181,901	-	-
Money Market Funds	99,810	99,810	-	-
Local Agency Investment Fund (LAIF)	78,695	-	-	78,695
Negotiable Certificates of Deposit	13,015	-	13,015	-
Total Investment Pool	\$ 510,235	\$ 418,525	\$ 13,015	\$ 78,695

Restricted Investments

	Rating as of Fiscal Year Ended 06-30-09				
	Fair Value	AAA/Aaa	A1/P1/F1	Ba1	Not Rated
U.S. Treasury Strips	\$ 21,781	\$ -	\$ -	\$ -	\$ 21,781
Money Market Funds	335,766	335,766	-	-	-
Local Agency Investment Fund (LAIF)	5,029	-	-	-	5,029
Commercial Paper	577	-	577	-	-
Corporate Bonds	1,980	-	-	1,980	-
Investment Agreements	13,241	-	-	-	13,241
Local Government Bond	100,674	-	-	-	100,674
Annuity	98,000	-	-	-	98,000
Total	\$ 577,048	\$ 335,766	\$ 577	\$ 1,980	\$ 238,725

Concentration of Credit Risk: The City has an investment policy related to City's cash and investment pool, which is subject to annual review. Under the City's Investment Policy, no more than five percent (5%) of the total assets of the investments held by the City may be invested in the securities of any one issuer, except the obligations of the United States government or government-sponsored enterprises, investment with the Local Agency Investment Fund and proceeds of or pledged revenues for any tax revenue anticipation notes. Per the policy, the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the policy.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Certain other investments are governed by bond covenants which do not restrict the amount of investment in any one issuer. Investments in one issuer that exceed 5% of the City's investment portfolio at June 30, 2009 are as follows (in thousands):

Issuer	Investment Type	Amount	Percent of City's Investment Portfolio
Federal National Mortgage Association	U.S. Government Securities	\$ 86,379	7.94%
Federal Home Loan Bank	U.S. Government Securities	118,325	10.88%
Federal Home Loan Mortgage Corporation	U.S. Government Securities	95,971	8.83%
Oakland Joint Powers Financing Authority	Local Government Bond	100,674	9.26%
New York Life Insurance Company	Annuity	98,000	9.01%

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

Pooled Investments			Restricted Investments		
	Fair Value	% of Portfolio		Fair Value	% of Portfolio
U.S. Govt. Agency Securities	\$ 136,814	26.82%	U.S. Treasury Strips	\$ 21,781	3.77%
U.S. Govt. Agency Securities (Disc)	181,901	35.65%	Money Market Funds	335,766	58.19%
Money Market Funds	99,810	19.56%	LAIF	5,029	0.87%
LAIF	78,695	15.42%	Commercial Paper	577	0.10%
Negotiable Certificates of Deposit	13,015	2.55%	Corporate Bond	1,980	0.34%
			Investment Agreements	13,241	2.30%
			Local Government Bonds	100,674	17.45%
			Annuity	98,000	16.98%
TOTAL	\$ 510,235	100.00%	TOTAL	\$ 577,048	100.00%

Interest Rate Risk: This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. The longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

As a means for limiting its exposure to changing interest rates, Section 53601 of the State of California Government Code and the City's Investment Policy limits certain investments to short maturities such as Certificates of Deposit and Commercial Paper, whose maturities are 360 days and 270 days respectively. Also, Section 53601 of the State of California Government Code limits the maximum maturity of any investment to be no longer than 5 years unless authority for such investment is expressly granted in advance by the City Council or authorized by bond covenants. The City continues to purchase a combination of shorter term and longer-term investments to minimize such risks.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The City has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2009, the City's pooled portfolio had an average day to maturity of 207 days and had the following investments and original maturities (in thousands):

Pooled Investments

	Fair Value	Interest Rates (%)	Maturity		
			12 Months or Less	1 - 3 Years	3 - 5 Years
U.S. Govt. Agency Securities	\$ 136,814	0.00 - 4.07	\$ 18,233	\$ 73,084	\$ 45,497
U.S. Govt. Agency Securities (Disc)	181,901	0.00 - 0.24	181,901	-	-
Money Market Funds*	99,810	0.54	99,810	-	-
Local Agency Investment Fund (LAIF)*	78,695	1.38	78,695	-	-
Negotiable Certificates of Deposit	13,015	1.16 - 1.94	13,015	-	-
Total Investment Pool	\$ 510,235		\$ 391,654	\$ 73,084	\$ 45,497

* weighted average maturity used.

Restricted Investments

	Fair Value	Interest Rates (%)	Maturity			
			12 Months or Less	1 - 3 Years	3 - 5 Years	5 Years +
U.S. Treasury Strips	\$ 21,781	0.55 - 4.93	\$ 2,142	\$ 4,207	\$ 3,974	\$ 11,458
Money Market Funds*	335,766	0.00 - 1.70	335,766	-	-	-
Local Agency Investment Fund*	5,029	1.38	5,029	-	-	-
Commercial Paper	577	0.40	577	-	-	-
Corporate Bonds	1,980	12.26	-	-	-	1,980
Investment Agreements	13,241	4.50 - 4.88	13,241	-	-	-
Local Government Bond	100,674	4.86	6,171	13,335	14,815	66,353
Annuity	98,000	5.45	-	-	-	98,000
Total	\$ 577,048		\$ 362,926	\$ 17,542	\$ 18,789	\$ 177,791

* weighted average maturity used.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Other Disclosures: As of June 30, 2009, the City's investment in LAIF is \$83.7 million (\$78.7 million in pooled investments and \$5.0 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$25.2 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$50.7 billion, 85.29% is invested in non-derivative financial products and 14.71% in structured notes and asset-backed securities. As of June 30, 2009, LAIF has a average life-month end of 235 days. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the City's position in the pool.

Pensions Cash and Investments

Oakland Municipal Employee's Retirement System (OMERS)

City's Investment Pool and Deposits

Cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2009, OMERS share of the City's investment pool totaled \$125,111.

Investments

OMERS investment policy authorizes investments in domestic common stocks, bonds and mutual funds. During the year ended June 30, 2009, OMERS investment portfolio was managed by one external investment manager.

OMERS investment policy states that the asset allocation of the investment portfolio target shall be 70% Domestic Equity and 30% Domestic Fixed Income. As of June 30, 2009, OMERS investment portfolio consists of shares of two commingled fund investments (Funds). OMERS invests in the Western Asset Core Bond Fund, Barclays Aggregate Bond Fund and the American Century Equity Fund. Specific guidelines for the Funds are detailed in the prospectus, or declaration of Trust, for each individual fund.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The following summarizes OMERS investment portfolio as well as the interest rate and maturity of the funds as of June 30, 2009 (in thousands):

<u>Investments</u>	<u>Fair Value</u>	<u>Yield</u>	<u>Weighted Average Maturity (Years)</u>
Equity Investments			
American Century Equity Mutual Fund	\$ 3,389	-	-
Fixed Investments			
Western Asset Core Bond Mutual Fund	833	5.5%	8.1
Barclays Aggregate Bond Fund	663	4.9%	6.7
Total Investment	<u>\$ 4,885</u>		

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

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

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

OMERS does not have any investments that are not registered in the name of OMERS and are either held by the counterparty or the counterparty's trust department or agent, but not in OMERS's name.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Oakland Police and Fire Retirement System (PFRS)

Cash and Cash Deposits

As of June 30, 2009, cash and cash deposits consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. These funds are invested according to the investment policy adopted by the City Council. Interest earned on these pooled accounts is allocated monthly to all funds based on the average daily cash balance maintained by the respective funds. As of June 30, 2009, PFRS share of the City's investment pool totaled \$1,184,840.

PFRS has a money market account with Alta Alliance Bank in the amount of \$1,570,685 and a cash balance of \$42,004 in their international custodian accounts. Of the total cash and cash deposits not held in the City's investment pool, \$142,004 was FDIC insured and \$1,470,684 was collateralized with securities held by the pledging financial institution in PFRS name, in accordance with Section 53652 of the California Government Code.

Investments

PFRS investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income, instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, yankee bonds and non U.S. issued fixed income securities denominated in foreign currencies. PFRS investment portfolio is managed by external investment managers. During the year ended June 30, 2009, the number of external investment managers was nine.

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

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

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. PFRS investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for PFRS fixed income investment portfolio excluding fixed short-term investments and securities lending investments was 4.74 as of June 30, 2009.

As of June 30, 2009, PFRS had the following fixed income investments by category (in thousands):

Short-Term Investment Duration:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (Year)</u>
U.S. Treasuries	\$ 4,696	0.24
Pooled Funds	12,568	N/A
Total Short-Term Investments	<u>\$ 17,264</u>	

Long-Term Investment Duration:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Duration (Year)</u>
Government Bonds		
U.S. Treasuries	\$ 13,855	5.03
Other U.S. Government Bonds	15,744	3.09
Total Government Bonds	<u>29,599</u>	
U.S. Corporate Bonds	62,931	5.09
Total Fixed Income Investments	<u>\$ 92,530</u>	4.74

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The following tables provide information as of June 30, 2009 concerning credit risk of fixed securities (in thousands):

<u>Short-Term Investment Type</u>	<u>S & P/Moody's Rating</u>	<u>Fair Value</u>
U.S. Treasuries	AAA/Aaa	\$ 4,696
Pooled Funds	Not Rated	12,568
Total Short-Term Investments		<u>\$ 17,264</u>

The following tables provide information as of June 30, 2009 concerning credit risk of fixed and Long-term investment rating (in thousands):

<u>S & P/Moody's Rating</u>	<u>Fair Value</u>	<u>Percent of Total Fair Value</u>
AAA/Aaa	\$ 38,925	42.07%
AA /Aa	4,709	5.09%
A/A	20,066	21.69%
BBB/Baa	21,151	22.86%
BB/Ba	3,110	3.36%
B/B	3,266	3.53%
Not Rated	1,303	1.41%
Total Fixed Investments	<u>\$ 92,530</u>	<u>100.0%</u>

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2009, no investment in any single insurer exceeded 5% of PFRS investments.

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

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

by the pledging financial institution's trust department and is considered held in PFRS' name.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the PFRS investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25% of the portfolio value. The following summarizes the PFRS investments denominated in foreign currencies as of June 30, 2009:

<u>Foreign Currency</u>	<u>Total</u>
Australian Dollar	\$ 2,350
Brazilian Real	171
British Pound	6,323
Canadian Dollar	2,442
Danish Krone	551
Euro	6,983
Hong Kong Dollar	4,165
Japanese Yen	4,407
Norwegian Krone	234
Philippines Peso	1
Singapore Dollar	143
South African Rand	238
Swiss Franc	2,914
Total Foreign Currency	\$ 30,922

Securities Lending Transactions

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

Metropolitan West Securities, Inc. (MetWest) administers the securities lending program. MetWest is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of the market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. If securities collateral is received, PFRS cannot pledge or sell the collateral securities unless the borrower defaults. The weighted average maturity of the loaned securities is August 19, 2009 while the weighted average maturity of the collateral not placed in deposits is March 15, 2018. Approximately 85% of the collateral is held in money market deposit accounts that are liquid on demand.

As of June 30, 2009, management believes that PFRS has minimized its credit risk exposure to borrowers because the amounts held by PFRS as collateral exceeded the securities loaned by PFRS. PFRS' contract with MetWest requires it to indemnify PFRS if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fail to pay PFRS for income distributions by the securities' issuers while the securities are on loan.

The following table summarizes investments in securities lending transactions and collateral received as of June 30, 2009 (in thousands):

Securities Lending	
Investments and Collateral Received (At Fair Value)	
Securities on loan:	Amount
U.S. Government and agencies	\$ 9,157
U.S. Corporate bonds	9,601
U.S. Equity	82,801
Non - U.S. Equity	1,284
Total securities on loan	\$ 102,843
Invested cash collateral received:	
Money market	\$ 89,363
Certificates of deposit floating rate	3,003
U.S. corporate floating rate	8,915
Asset backed securities	3,934
Total Invested cash collateral received	\$ 105,215

Fair Value Highly Sensitive to Change in Interest Rates: The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. PFRS has invested in collateralized mortgage obligations (CMOs), which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders, shortening the life of the senior bonds.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The following table shows PFRS investments in CMOs as of June 30, 2009:

<u>Securities Name</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>	<u>Percent of Total Investment Fair Value</u>
Commercial Mortgage Pass-Through	6.05%	9/19/2028	\$ 1,098	0.34%

Discretely Presented Component Unit

Port of Oakland

The Port's cash, cash equivalents, investments and deposits consisted of the following at June 30, 2009 (in thousands):

Cash on hand	\$ 146
Deposits in Escrow	1,575
Investments	182,731
Total Cash and Investments	<u>\$ 184,452</u>

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

Investments

Under the City of Oakland Charter, all income and revenue from the operation of the Port is to be deposited in the City Treasury. Unused bonds proceeds are on deposit with a Trustee for both reserves and construction funds. The investment of funds held by a Trustee is governed by the Amended and Restated Master Trust Indenture, dated as of April 1, 2006 (the Restated Indenture). There were no investments pertaining to the Intermediate Lien Debt. Escrow funds are on deposit with an escrow agent.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

At June 30, 2009 the Port had the following investments (in thousands):

	Fair Value	Credit Rating	Maturity	
			Less than 1 Year	5 Years +
U.S Treasury Notes	\$ 51,567	N/A	\$ 51,567	\$ -
Federal Agency Securities	114	AAA	114	-
Government Securities Money				
Market Mutual Funds	6,651	AAA	6,651	-
Guaranteed Investment Contracts	300	Not Rated	300	-
Bank Investment Contract	28,996	Not Rated	-	28,996
City Investment Pool	95,103	AAA	95,103	-
Total Investment	\$ 182,731		\$ 153,735	\$ 28,996

Investments Authorized by Debt Agreements

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

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

Interest Rate Risk

This risk represents the possibility that an interest rate change could adversely affect an investment's fair value. In order to manage interest rate risk, it is the Port's policy that most bond proceeds are invested in investment contracts or U.S. Treasury securities and structured so that the entire amount of the investment is available if the need should arise, regardless of changes in interest rates.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Credit Risk

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

Concentration of Credit Risk

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

<u>Investment</u>	<u>Investment Type</u>	<u>Percent of Investment</u>
U.S. Treasury Notes	U.S. Treasury Obligation	28.22%
Bayerische Landesbank	Bank Investment Contract	15.87%

Custodial Credit Risk

For investments, custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty to a transaction, the ability to recover the value of the investments or collateral securities in the possession of an outside party may be doubtful. To protect against fraud and potential losses from the financial collapse of securities dealers, all securities owned by the Port shall be held in the name of the Port for safekeeping by a third party bank trust department, acting as an agent for the Port under the terms of the Restated Indenture. The carrying amount of Port bank investment contracts, deposits in escrow was \$30,571,000 at June 30, 2009. Bank balances and escrow deposits of \$841,000 at June 30, 2009 are insured or collateralized with securities held by the pledging financial institution's trust department in the Port's name. The remaining balance of \$29,730,000 as of June 30, 2009, was exposed to custodial credit risk by not being insured or collateralized.

Cash and Investments with the City of Oakland

Pursuant to the City Charter, Port operating revenues are deposited in the City Treasury. These funds are commingled in the City's investment pool. The Port receives a monthly interest allocation from investment earnings of the City based on the average daily balance on deposit and the earnings of the investments.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(4) INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash and interfund loans. The amounts due from the Oakland Redevelopment Agency are related to advances and interfund loans made by the City for projects, loans and services. The receivable amounts in the Agency relate to project advances made by the Agency for the City. The internal service funds borrowing will be repaid over a reasonable period of time as described in Note 20. The composition of interfund balances as of June 30, 2009, is as follows (in thousands):

DUE FROM/DUE TO OTHER FUNDS:

Receivables	Payable Fund	Amount
General Fund	Oakland Redevelopment Agency	\$ 8,288
	Other Governmental Funds	10,708
	Internal Service Funds	<u>50,785</u>
TOTAL		<u>69,781</u>
Federal/State Grant Fund	Oakland Redevelopment Agency	<u>166</u>
Oakland Redevelopment Agency	General Fund	8,578
	Federal/State Grant Fund	3,366
	Other Governmental Funds	<u>3,334</u>
TOTAL		<u>15,278</u>
Other Governmental Funds	Oakland Redevelopment Agency	<u>3,069</u>
TOTAL GOVERNMENTAL		<u>88,294</u>
Internal Service Funds	Oakland Redevelopment Agency	<u>64</u>
TOTAL		<u>\$ 88,358</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

INTERFUND TRANSFERS:

<u>TRANSFERS OUT</u>	<u>TRANSFERS IN</u>			
	<u>General Fund</u>	<u>Municipal Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental</u>
General Fund	\$ -	\$ -	\$ 96,579	\$ 96,579
Oakland Redevelopment Agency	-	-	15,975	15,975
Other Governmental Funds	16,341	-	-	16,341
Sewer Service Fund	600	-	-	600
Non-Major Parks & Recreation Fund	100	500	-	600
Total	<u>\$ 17,041</u>	<u>\$ 500</u>	<u>\$ 112,554</u>	<u>\$ 130,095</u>

The \$96.6 million transferred from the General Fund consists of transfers made to provide funding for the following:

- \$10.6 million for the Kids' First Children's Program
- \$85.2 million for debt service payments
- \$0.6 million for contract compliance administration fee
- \$0.2 million for City-owned parcels of land in the Wildfire Prevention Assessment District

The \$16.0 million transferred from Oakland Redevelopment Agency to the Other Governmental Funds is for the repayment of the City Center Garage interfund loan.

The \$16.3 million transferred from Other Governmental Funds to the General Fund are for the following:

- \$2.6 million is a contribution from the Development Service Fund to the General Fund for interest, administrative and overhead costs incurred prior to the establishment of the Development Services Fund.
- \$12.5 million excess from 1985 Certificate of Participation debt payoff
- \$1.2 million excess after capital project closures

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

The \$0.5 million transfer from the Parks & Recreation Fund to the Municipal Capital Improvement Fund is a one-time contribution.

The \$0.1 million transfer from the Parks & Recreation Fund to the General Fund is a one-time balancing measure for the General Fund budget.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

INTERFUND LOANS:

Certain interfund loans made from the General Fund to the ORA Governmental Fund have been removed as they are not expected to be repaid within a reasonable period of time. The loans continue to be obligations of the ORA, and will be recognized as other financing sources in the General Fund upon receipt. During the year, the City collected \$16,533,000 from the Agency for the City Center Garage/Central District of which \$15,975,457 was for the loan pay-off. The table below shows the total amount of interfund loan due as of June 30, 2009 (in thousands):

	Balance June 30, 2008	Additions	Deductions	Balance June 30, 2009
City Center Garage/Central District	\$ 16,533	-	16,533	\$ -
Oakland Center Project	13,737	816	700	13,853
Total	<u>\$ 30,270</u>	<u>\$ 816</u>	<u>\$ 17,233</u>	<u>\$ 13,853</u>

(5) MEMORANDUMS OF UNDERSTANDING

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

Special Services

Payments for Special Services are treated as a cost of Port operations pursuant to the City Charter Section 717(3) Third Clause and have priority over certain other expenditures of Port revenues. Special Services totaled \$7,103,000 and are included in "Operating Expenses." At June 30, 2009, \$8,987,000 was accrued as a current liability by the Port and as a receivable by the City.

General Services and Lake Merritt

Payments for General Services from the City are payable only to the extent the Port determines annually that surplus monies are available under the Charter for such purposes. As of June 30, 2009, the Port accrued approximately \$2,435,000 of payments for General

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Services as a current liability and by the City as a receivable. Additionally, subject to certain conditions, the Port accrued approximately \$1,928,000 to reimburse the City for General Services for net City expenditures for Lake Merritt Tideland Trust properties in 2009. Subject to adequate documentation from the City, and subject to availability of surplus monies, the Port expects that it will continue to reimburse the City annually for General Services and Lake Merritt Tideland Trust purpose costs.

Lease with the Port

The Port has leased property to the City under a 66-year lease, which is expressed in terms of the Amended and Restated Lease between the Port and the City for the development and operation of the public golf course by the City. The lease commenced in 2003 when the Port delivered a completed 164.90 acres golf course to the City to replace the City's golf course that was destroyed when the Port used the site as a dredge disposal site. The golf course is leased to a third party and the minimum annual rental is \$269,760 payable in twelve installments of \$22,480 per month, which is then split 50/50 between the Port and the City.

(6) NOTES AND LOANS RECEIVABLE

The composition of the City's notes and loans receivable as of June 30, 2009, is as follows (in thousands):

Type of Loan	General Fund	Federal/State Grant Fund	Oakland Redevelopment Agency	Other Governmental Funds	Total Governmental Funds/ Governmental Activities
Pass-through loans	\$ 8,137	\$ 3,349	\$ -	\$ 692	\$ 12,178
Loans to Oakland Hotel Association, LTD	12,038	-	-	-	12,038
HUD Loans	-	66,165	-	-	66,165
Economic Development Loans and Other	1,932	43,964	190,551	27,907	264,354
Less: Allowance for uncollectable accounts	(107)	(3,090)	(46,728)	(60)	(49,985)
TOTAL LOANS, NET	\$ 22,000	\$ 110,388	\$ 143,823	\$ 28,539	\$ 304,750

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(7) CAPITAL ASSETS AND LEASES

Primary Government

Capital assets activity of the primary government for the year ended June 30, 2009, is as follows (in thousands):

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 81,796	\$ -	\$ 782	\$ 66	\$ 81,080
Museum collections	392	55	-	-	447
Construction in progress	49,508	57,778	(11)	(42,924)	64,373
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>131,696</u>	<u>57,833</u>	<u>771</u>	<u>(42,858)</u>	<u>145,900</u>
Capital assets, being depreciated:					
Facilities and improvements	711,536	8,316	-	10,341	730,193
Furniture, machinery and equipment	168,174	7,509	1,429	679	174,933
Infrastructure	469,534	7,141	2,320	31,838	506,193
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>1,349,244</u>	<u>22,966</u>	<u>3,749</u>	<u>42,858</u>	<u>1,411,319</u>
Less accumulated depreciation:					
Facilities and improvements	288,505	21,055	-	-	309,560
Furniture, machinery and equipment	132,797	10,241	1,427	-	141,611
Infrastructure	160,321	16,402	1,513	-	175,210
TOTAL ACCUMULATED DEPRECIATION	<u>581,623</u>	<u>47,698</u>	<u>2,940</u>	<u>-</u>	<u>626,381</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>767,621</u>	<u>(24,732)</u>	<u>809</u>	<u>42,858</u>	<u>784,938</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 899,317</u>	<u>\$ 33,101</u>	<u>\$ 1,580</u>	<u>\$ -</u>	<u>\$ 930,838</u>

(continued)

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2009</u>
Business-type activities:					
Sewer fund:					
Capital assets, not being depreciated:					
Land	\$ 4	\$ -	\$ -	\$ -	\$ 4
Construction in progress	9,781	9,915	1	(8,145)	11,550
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>9,785</u>	<u>9,915</u>	<u>1</u>	<u>(8,145)</u>	<u>11,554</u>
Capital assets, being depreciated:					
Facilities and improvements	306	-	-	-	306
Furniture, machinery and equipment	755	122	-	-	877
Sewer and storm drains	206,817	1,200	-	8,145	216,162
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>207,878</u>	<u>1,322</u>	<u>-</u>	<u>8,145</u>	<u>217,345</u>
Less accumulated depreciation:					
Facilities and improvements	112	20	-	-	132
Furniture, machinery and equipment	724	14	-	-	738
Sewer and storm drains	73,510	4,230	-	-	77,740
TOTAL ACCUMULATED DEPRECIATION	<u>74,346</u>	<u>4,264</u>	<u>-</u>	<u>-</u>	<u>78,610</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>133,532</u>	<u>(2,942)</u>	<u>-</u>	<u>8,145</u>	<u>138,735</u>
SEWER FUND CAPITAL ASSETS, NET	<u>143,317</u>	<u>6,973</u>	<u>1</u>	<u>-</u>	<u>150,289</u>
Other Proprietary Funds:					
Capital assets, not being depreciated:					
Land	218	-	-	-	218
Construction in progress	539	762	-	(1,301)	-
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>757</u>	<u>762</u>	<u>-</u>	<u>(1,301)</u>	<u>218</u>
Capital assets, not being depreciated:					
Facilities and improvements	2,264	279	-	1,301	3,844
Furniture, machinery & equipment	369	-	-	-	369
Infrastructure	85	-	-	-	85
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>2,718</u>	<u>279</u>	<u>-</u>	<u>1,301</u>	<u>4,298</u>
Less accumulated depreciation:					
Facilities and improvements	781	206	-	-	987
Furniture, machinery & equipment	277	19	-	-	296
Infrastructure	3	6	-	-	9
TOTAL ACCUMULATED DEPRECIATION	<u>1,061</u>	<u>231</u>	<u>-</u>	<u>-</u>	<u>1,292</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>1,657</u>	<u>48</u>	<u>-</u>	<u>1,301</u>	<u>3,006</u>
OTHER PROPRIETARY FUNDS CAPITAL ASSETS, NET	<u>2,414</u>	<u>810</u>	<u>-</u>	<u>-</u>	<u>3,224</u>
TOTAL BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 145,731</u>	<u>\$ 7,783</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 153,513</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

Governmental Activities:	
General Government	\$ 3,973
Public Safety	3,452
Life Enrichment	11,916
Community and Economic Development	9,764
Public Works	14,453
Capital assets held by internal service funds that are charged to various functions based on their usage of the assets	<u>4,140</u>
TOTAL	<u><u>\$ 47,698</u></u>
 Business-Type Activities:	
Sewer	\$ 4,264
Parks and Recreation	<u>231</u>
	<u><u>\$ 4,495</u></u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Discretely Presented Component Units

Port of Oakland

Capital assets activity for the Port for the year ended June 30, 2009, is as follows (in thousands):

	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Adjustments & Retirements</u>	<u>Transfers of Completed Construction</u>	<u>Balance June 30, 2009</u>
Capital assets, not being depreciated:					
Land	\$ 494,805	\$ 12,107	\$ -	\$ -	\$ 506,912
Construction in progress	121,976	47,070	-	(41,332)	127,714
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	<u>616,781</u>	<u>59,177</u>	<u>-</u>	<u>(41,332)</u>	<u>634,626</u>
Capital assets, being depreciated:					
Building and improvements	787,775	-	(606)	22,394	809,563
Container cranes	177,980	-	-	-	177,980
Systems and structures	1,515,987	33	1,106	18,289	1,535,415
Other equipment	72,760	1,504	(1,834)	649	73,079
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	<u>2,554,502</u>	<u>1,537</u>	<u>(1,334)</u>	<u>41,332</u>	<u>2,596,037</u>
Less accumulated depreciation:					
Building and improvements	340,187	32,627	30	-	372,784
Container cranes	78,167	6,400	-	-	84,567
Systems and structures	381,199	51,902	(30)	-	433,131
Other equipment	31,417	6,009	1,320	-	36,106
TOTAL ACCUMULATED DEPRECIATION	<u>830,970</u>	<u>96,938</u>	<u>1,320</u>	<u>-</u>	<u>926,588</u>
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	<u>1,723,532</u>	<u>95,401</u>	<u>(14)</u>	<u>41,332</u>	<u>1,669,449</u>
CAPITAL ASSETS, NET	<u>\$ 2,340,313</u>	<u>\$ (36,224)</u>	<u>\$ (14)</u>	<u>\$ -</u>	<u>\$ 2,304,075</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Capital Leases

The capital assets leased to others at June 30, 2009, consist of the following (in thousands):

Land	\$ 270,640
Container cranes	177,980
Building and other facilities	<u>1,157,605</u>
Total	1,606,225
Less accumulated depreciation	<u>(435,273)</u>
Capital assets, net, on lease	<u><u>\$ 1,170,952</u></u>

Operating Leases

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

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

A summary of revenues from long-term leases for the year ended June 30, 2009, is as follows (in thousands):

Minimum non-cancelable rentals, including preferential assignments	\$ 152,532
Contingent rentals in excess of minimums	16,094
Secondary use of facilities leased under preferential assignments	<u>334</u>
Total	<u><u>\$ 168,960</u></u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

Year	Rental Revenues
2010	\$ 149,115
2011	142,754
2012	143,630
2013	129,094
2014	108,861
2015 - 2019	362,474
2020 - 2024	139,994
2025 - 2029	88,114
2030 - 2034	45,477
2035 - 2039	13,299
2040 - 2044	10,525
2045 - 2049	6,761
Thereafter through 2072	20,731
Total	<u>\$ 1,360,829</u>

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

Year	Lease Revenues
2010	\$ 346
2011	357
2012	367
2013	378
2014	390
2015 - 2019	2,131
2020 - 2024	2,470
2025 - 2029	2,862
2030 - 2034	3,318
2035 - 2039	3,849
2040 - 2044	4,460
2045 - 2049	5,170
Thereafter through 2054	5,778
Total	<u>\$ 31,876</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(8) PROPERTY HELD FOR RESALE

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

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Property held for resale	\$ 121,735	\$ 8,363	\$ 228	\$ 129,870

The increase in Property Held for Resale represents the purchases of the Telegraph Parking Garage from the City with a carrying value of \$0.78 million, \$1.42 million in the Coliseum project area for the development of the Coliseum Transit Village, \$6.16 million for the development in the Central City East project area, and the property sale for \$0.23 million in the Central City East project area.

(9) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES PAYABLE

Accounts payable and accrued liabilities payable as of June 30, 2009, for the City's individual major funds, non-major funds in the aggregate, business-type activities - enterprise fund and internal service funds, are as follows (in thousands):

	Accounts Payable	Checks Payable	Accrued Payroll/Employee Benefits	Total
Governmental funds:				
General	\$ 20,199	\$ 8,150	\$ 97,462	\$ 125,811
Federal/State grant fund	3,571	-	921	4,492
Oakland Redevelopment Agency	3,534	-	-	3,534
Municipal Capital Improvement Fund	1,743	-	87	1,830
Other governmental funds	5,848	-	-	5,848
TOTAL	34,895	8,150	98,470	141,515
Governmental activities - Internal service funds	1,120	-	-	1,120
TOTAL	\$ 36,015	\$ 8,150	\$ 98,470	\$ 142,635
Business-type activities - Enterprise Funds:				
Sewer Service	\$ 550	-	575	\$ 1,125

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Accounts payable and accrued liabilities for the pension trust funds and private purpose trust funds at June 30, 2009, are as follows (in thousands):

Accounts payable	\$ 12
Investments payable	8,494
Accrued investment management fees	361
Member benefits payable	<u>6,009</u>
Total Pension Trust Funds Accounts Payable and Accrued Liabilities	14,876
Private Purpose Trust Fund Accounts Payable	<u>586</u>
Total Accounts Payable and Accrued Liabilities	<u><u>\$ 15,462</u></u>

(10) DEFERRED REVENUE

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

At June 30, 2009, the various components of deferred revenue and unearned revenue reported were as follows (in thousands):

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
General Fund	\$ 25,181	\$ 5,472
Federal and State Grants Fund	112,226	347
Oakland Redevelopment Agency	162,083	-
Other Governmental Funds	<u>35,231</u>	<u>-</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u><u>\$ 334,721</u></u>	<u><u>\$ 5,819</u></u>
Business-type activities - Enterprise Funds:		
Sewer Service	<u><u>\$ -</u></u>	<u><u>\$ 26</u></u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(11) TAX AND REVENUE ANTICIPATION NOTES PAYABLE

The City issued tax and revenue anticipation notes in advance of property tax collections. The notes were used to satisfy General Fund obligations and carried an approximate effective interest rate of 3.00% for series A notes and 3.75% for series B notes (federally taxable). Principal and interest were paid on June 30, 2009.

The short-term debt activity for the year ended June 30, 2009, is as follows (in thousands):

<u>2008 - 2009 Tax & Revenue Anticipation Notes</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Series A	\$ -	\$ 70,000	\$ (70,000)	\$ -
Series B (Federally Taxable)	-	35,705	(35,705)	-
TOTAL	<u>\$ -</u>	<u>\$ 105,705</u>	<u>\$ (105,705)</u>	<u>\$ -</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(12) LONG-TERM OBLIGATIONS

Long-term Obligations

The following is a summary of long-term obligations as of June 30, 2009 (in thousands):

Governmental Activities			
Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
General obligation bonds (A)	2036	2.50 - 5.00%	\$ 317,188
Tax allocation, Housing and Other Bonds (B)	2037	2.50 - 8.03%	505,765
Certificate of participation (C)	2012	4.00 - 6.55%	10,375
Lease revenue bonds (C)	2026	3.60 - 5.50%	296,985
Pension obligation bonds (D)	2022	6.09 - 7.31%	248,455
Accreted interest (C) and (D)			148,580
City guaranteed special assessment district bonds (D)	2025	4.60 - 6.70%	5,645
Notes payable (C) and (E)	2016	1.70 - 8.27%	17,610
Capital leases (C) and (E)	2022	3.54 - 5.52%	23,235
Accrued vacation and sick leave (C)			36,260
Estimated liability for self-insurance (C)			77,973
Estimated claims payable (C)			49,237
Estimated environmental cost (B) and (C)			8,009
Pledge obligation for Coliseum Authority debt (C)			79,350
Net OPEB obligation (C)			85,758
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS			1,910,425
DEFERRED AMOUNTS:			
Bond issuance premiums			28,691
Bond refunding loss			(30,858)
GOVERNMENTAL ACTIVITIES TOTAL LONG-TERM OBLIGATIONS, NET			\$ 1,908,258

Debt service payments are made from the following sources:

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Business-Type Activities

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Sewer fund - Notes payable	2014	3.00 - 3.50%	\$ 2,540
Sewer fund - Bonds	2029	3.00 - 5.25%	56,090
Unamortized Bond Premium			<u>2,357</u>
BUSINESS-TYPE ACTIVITIES -			
TOTAL LONG-TERM OBLIGATIONS			<u><u>\$ 60,987</u></u>

Component Unit - Port of Oakland

Type of Obligation	Final Maturity Year	Remaining Interest Rates	Amount
Parity bonds	2033	3.00 - 5.875%	\$ 1,434,257
Notes and loans	2030	0.1 - 5.00%	<u>87,573</u>
Total			1,521,830
Self - Insurance liability for workers' compensation			6,137
General liability			2,571
Accrued vacation, sick leave and compensatory time			6,725
Environmental remediation and other liabilities			22,227
Other post employment benefits			<u>5,443</u>
Total			1,564,933
Unamortized bond discounts and premiums, net			19,212
Deferred loss on refunding			<u>(19,192)</u>
COMPONENT UNIT TOTAL LONG-TERM			
OBLIGATIONS			<u><u>\$ 1,564,953</u></u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which are comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, and Series 2006C TE/T, are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately \$3,456,252,933. These revenues have been pledged until the year 2036, the final maturity date of the bonds. Debt service payments for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is \$693,869,724 which is 20.1 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the year ended June 30, 2009 was \$131,536,000, of which \$48,647,152 was used to pay debt service.

Housing Bonds

The Housing Set-Aside TAB, which comprised of Series 2000T, Series 2006A, and Series 2006A-T are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5% for the low and moderate income housing fund. The total projected 20% set-aside and 5% voluntary revenue through the period of the bonds is approximately \$932,571,602 and \$233,142,901, respectively. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is \$155,472,013, which is 13.3 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20% set-aside and 5% voluntary tax increment revenue recognized during the year ended June 30, 2009 was \$32,884,000, of which \$7,512,084 was used to pay debt service.

Debt Compliance

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

Legal Debt Limit and Legal Debt Margin

As of June 30, 2009, the City's debt limit (3.75% of valuation subject to taxation) was \$1,156,818,628. The total amount of debt applicable to the debt limit was \$317,188,697. The resulting legal debt margin was \$839,629,931.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Interest Rate Swap

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

On March 21, 2003, the City amended the swap agreement to change the index on which the Swap is based from the Bond Market Association index to a rate equal to 65% of the 1-month London Interbank Offer Rate ("LIBOR"). This amendment resulted in an additional upfront payment from the Counterparty to the City of \$5.975 million.

On June 21, 2005, all of the outstanding 1998 Lease Revenue Bonds were defeased by the Oakland Joint Powers Financing Authority Refunding Revenue Bonds, 2005 Series A-1, A-2 and B ("Series 2005 A & B Bonds"). \$143,093,669 was deposited with the trustee to defease the 1998 Lease Revenue Bonds. However, the Swap associated with the 1998 Lease Revenue Bonds still remains in effect. This is now a stand-alone swap with no association to any bond. The amortization schedule is as follows:

Calculation period (Jul 31)	Notional Amount	Fixed Rate To Counterparty	65% of LIBOR	Net Rate
2009	\$ 93,200,000	5.6775%	0.2007% ¹	5.4768%
2010	84,900,000	5.6775%	0.2007% ²	5.4768%
2011	76,800,000	5.6775%	0.2007% ²	5.4768%
2012	68,900,000	5.6775%	0.2007% ²	5.4768%
2013	61,200,000	5.6775%	0.2007% ²	5.4768%
2014	53,700,000	5.6775%	0.2007% ²	5.4768%
2015	46,400,000	5.6775%	0.2007% ²	5.4768%
2016	39,300,000	5.6775%	0.2007% ²	5.4768%
2017	32,500,000	5.6775%	0.2007% ²	5.4768%
2018	25,800,000	5.6775%	0.2007% ²	5.4768%
2019	19,300,000	5.6775%	0.2007% ²	5.4768%
2020	12,800,000	5.6775%	0.2007% ²	5.4768%
2021	6,400,000	5.6775%	0.2007% ²	5.4768%

¹ Rate is as of 1-month LIBOR on June 30, 2009

² Rates are projections, LIBOR rate fluctuates daily

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Terms. The swap agreement terminates on July 31, 2021, and has a notional amount as of June 30, 2009 of \$93,200,000. The notional amount of the swap declines through 2021. Under the Swap, the City pays the counterparty a fixed payment of 5.6775% and receives a variable payment computed at 65% of LIBOR rate (total rate not to exceed 12%). The City's payments to the counterparty under the Swap agreement are insured by the third party bond insurer.

Fair Value. Because interest rates have declined since the execution of the Swap, the Swap had a negative fair value of \$18,981,573 as of June 30, 2009. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the Swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the Swap.

Credit Risk. The issuer and the counterparty take a credit risk to each other over the life of the swap agreement. This is the risk that either the issuer or the counterparty will fail to meet its contractual obligations under the swap agreement. The Counterparty was rated Aa1 by Moody's Investors Service, and AAA by Standard and Poor's as of June 30, 2009. To mitigate the potential for credit risk, if the counterparty's credit quality falls below "A3" by Moody's Investors Service or "A-" by Standard and Poor's, the swap agreement provides the counterparty, the City, the bond insurer for the Bonds and a third party collateral agent to execute a collateral agreement within 30 days of such a downgrade.

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

The counterparty may terminate the Swap if the City fails to perform under the terms of the contract. The counterparty also may terminate the Swap if the City falls below "Baa3" by Moody's Investors Service or "BBB-" by Standard and Poor's. If at the time of termination the Swap has a negative fair value, the Authority would be liable to the counterparty for a payment equal to the Swap's fair value.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Changes in Long-term Obligations

The changes in long-term obligations for the year ended June 30, 2009, are as follows (in thousands):

Governmental Activities

	Balance at July 1, 2008	Additional obligations, interest accretion and net increases (decreases)	Current maturities, retirements and net decreases (increases)	Balance at June 30, 2009	Amounts due within one year
Bonds Payable:					
General obligation bonds	\$ 331,528	\$ -	\$ 14,340	\$ 317,188	\$ 15,006
Tax allocation, Housing and Other bonds	496,630	38,755	29,620	505,765	16,865
Certificate of participation	40,495	-	30,120	10,375	3,165
Lease revenue bonds	323,340	-	26,355	296,985	26,315
Pension obligation bonds	282,705	-	34,250	248,455	37,860
City guaranteed special assessment district bonds	6,200	-	555	5,645	300
Accreted interest on appreciation bonds	125,743	22,837	-	148,580	-
Less deferred amounts:					
Bond issuance premiums	32,204	(779)	2,734	28,691	2,777
Bond refunding loss	(34,658)	-	(3,800)	(30,858)	(3,806)
TOTAL BONDS PAYABLE	1,604,187	60,813	134,174	1,530,826	98,482
Notes payable	19,045	-	1,435	17,610	2,015
Capital Leases	26,968	1,473	5,206	23,235	4,752
TOTAL NOTES & LEASES	46,013	1,473	6,641	40,845	6,767
Other Long-Term Liabilities					
Accrued vacation and sick leave	35,646	54,401	53,787	36,260	27,883
Pledge obligation for Coliseum Authority debt	82,450	-	3,100	79,350	3,350
Estimated environmental cost	8,980	852	1,823	8,009	3,103
Estimated liability for self-insurance	80,382	22,044	24,453	77,973	17,774
Estimated claims payable	50,242	12,551	13,556	49,237	16,962
Net OPEB obligation	43,668	54,564	12,474	85,758	-
TOTAL OTHER LONG-TERM LIABILITIES	301,368	144,412	109,193	336,587	69,072
TOTAL GOVERNMENTAL ACTIVITIES - LONG-TERM OBLIGATIONS	\$ 1,951,568	\$ 206,698	\$ 250,008	\$ 1,908,258	\$ 174,321

Internal service funds predominantly serve the governmental funds and therefore, the long-term liabilities of these funds are included as part of the above totals for governmental activities. At June 30, 2009, \$7,812,564 of capital leases related to the internal service funds are included in the above amounts.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Business-Type Activities

	Balance at July 1, 2008	Current maturities, retirements and net decreases	Balance at June 30, 2009	Amounts due within one year
Sewer fund - Notes payable	\$ 3,346	\$ 806	\$ 2,540	\$ 833
Sewer fund - Bonds	57,720	1,630	56,090	1,710
Unamortized bond premium	2,475	118	2,357	118
Total	\$ 63,541	\$ 2,554	\$ 60,987	\$ 2,661

Component Unit - Port of Oakland

	Balance at July 1, 2008	Additional obligations, interest accretion and net increases	Current maturities, retirements and net decreases	Balance at June 30, 2009	Amounts due within one year
Senior & Intermediate bonds	\$ 1,465,912	\$ -	\$ 31,655	\$ 1,434,257	\$ 35,412
Notes and loans	84,847	25,340	22,614	87,573	217
Total	1,550,759	25,340	54,269	1,521,830	35,629
Self - insurance workers'					
compensation	6,000	962	825	6,137	6,137
General liability	3,925	1,131	2,485	2,571	-
Accrued vacation, sick leave and compensatory time	7,497	1,523	2,295	6,725	1,976
Environmental remediation and others	15,324	11,656	4,753	22,227	4,194
Other post employment benefits	7,754	10,019	12,330	5,443	5,443
Unamortized bond discount/ premium, net	21,488	445	2,721	19,212	3,210
Deferred loss on refunding	(19,984)	-	(792)	(19,192)	(2,671)
TOTAL DEBT	\$ 1,592,763	\$ 51,076	\$ 78,886	\$ 1,564,953	\$ 53,918

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Repayment Schedule

The annual repayment schedules for all long-term debt as of June 30, 2009, are as follows (in thousands):

	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	2030-2034	2035-2039	Total
Governmental-type Activities:											
General obligation bonds:											
Principal	\$ 15,006	\$ 15,762	\$ 16,587	\$ 17,451	\$ 18,378	\$ 98,454	\$ 74,734	\$ 30,371	\$ 27,970	\$ 2,475	\$ 317,188
Interest	15,398	14,688	13,936	13,143	12,302	47,860	23,907	12,076	4,028	168	157,506
Certificate of participation:											
Principal	3,165	3,315	3,895	-	-	-	-	-	-	-	10,375
Interest	510	361	195	-	-	-	-	-	-	-	1,066
Lease revenue bonds:											
Principal	26,315	27,870	32,270	33,680	35,295	81,815	34,500	25,240	-	-	296,985
Interest	13,600	12,354	11,095	9,728	8,155	22,660	10,795	1,935	-	-	90,322
Pension obligation bonds:											
Principal	37,860	14,959	20,860	19,923	18,881	82,155	53,817	-	-	-	248,455
Interest	1,321	25,346	17,515	19,632	21,884	140,950	149,773	-	-	-	376,421
Special assessments bonds:											
Principal	300	295	300	275	285	1,650	2,075	465	-	-	5,645
Interest	301	285	269	253	238	935	422	13	-	-	2,716
Tax allocation, Housing and Other bonds:											
Principal	16,865	19,365	20,365	21,645	23,580	130,810	118,055	47,240	61,880	45,960	505,765
Interest	27,422	27,099	26,039	24,929	23,712	97,243	56,052	36,313	21,231	3,726	343,766
Notes payable:											
Principal	2,015	2,180	2,355	2,525	2,705	5,830	-	-	-	-	17,610
Interest	936	871	799	721	457	594	-	-	-	-	4,378
Capital leases											
Principal	4,752	3,915	3,267	1,956	2,049	5,672	1,624	-	-	-	23,235
Interest	1,009	845	667	531	437	1,010	117	-	-	-	4,616
TOTAL PRINCIPAL	\$ 106,278	\$ 87,661	\$ 99,899	\$ 97,455	\$ 101,173	\$ 406,386	\$ 284,805	\$ 103,316	\$ 89,850	\$ 48,435	\$ 1,425,258
TOTAL INTEREST	\$ 60,497	\$ 81,849	\$ 70,515	\$ 68,937	\$ 67,185	\$ 311,252	\$ 241,066	\$ 50,337	\$ 25,259	\$ 3,894	\$ 980,791

For governmental activities the specific year for payment of the pledge obligation, environmental costs, estimated accrued vacation, sick leave, estimated liability for self-insurance, estimated claims, and the net OPEB obligation are not practicable to determine.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(continued)

	2010	2011	2012	2013	2014	2015-2019	2020-2024	2025-2029	Total
Business-type Activities:									
Sewer revenue bonds:									
Principal	\$ 1,710	\$ 1,800	\$ 1,885	\$ 1,985	\$ 2,090	\$ 12,000	\$ 15,205	\$ 19,415	\$ 56,090
Interest	2,771	2,685	2,595	2,499	2,395	10,410	7,209	3,007	33,571
Sewer notes payable:									
Principal	833	860	274	282	291	-	-	-	2,540
Interest	82	54	25	17	9	-	-	-	187
TOTAL PRINCIPAL	\$ 2,543	\$ 2,660	\$ 2,159	\$ 2,267	\$ 2,381	\$ 12,000	\$ 15,205	\$ 19,415	\$ 58,630
TOTAL INTEREST	\$ 2,853	\$ 2,739	\$ 2,620	\$ 2,516	\$ 2,404	\$ 10,410	\$ 7,209	\$ 3,007	\$ 33,758

Component Unit - Port of Oakland

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2009, are as follows (in thousands):

Year Ending June 30	Principal	Interest	Total
2010*	\$ 35,629	\$ 78,930	\$ 114,559
2011*	38,540	71,554	110,094
2012*	46,243	69,642	115,885
2013	74,626	70,836	145,462
2014	77,175	66,972	144,147
2015 - 2019	316,900	283,927	600,827
2020 - 2024	314,707	205,862	520,569
2025 - 2029	386,212	111,715	497,927
2030 - 2034	231,798	20,053	251,851
SUB TOTAL	1,521,830	979,491	2,501,321
Unamortized bond (discount) premium, net	19,212	-	19,212
Self-insurance workers' compensation	6,137	-	6,137
General liability	2,571	-	2,571
Accrued vacation, sick leave and compensatory time	6,725	-	6,725
Other post employment benefits	5,443	-	5,443
Environmental remediation and others	22,227	-	22,227
Deferred loss on refunding	(19,192)	-	(19,192)
TOTAL	\$ 1,564,953	\$ 979,491	\$ 2,544,444

* Commercial paper is excluded from the first three years as there is no set schedule for repayment.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The Port prepaid \$12,105,000 of Series K bonds in March 2009, of which \$2,800,000 represented a return of Series K proceeds and \$9,305,000 represented Series K bonds with maturity dates of November 1 of 2009, 2010, and 2011. As of June 30, 2009, the trustee, U.S. Bank, has in its escrow account \$12,648,000 of market value U.S. Treasury State and Local Government Series Time Deposits to pay for the \$12,105,000 of principal and related interest for certain bonds with maturity dates from November 1, 2009 to November 1, 2030.

Net interest costs of \$2,529,000 were capitalized in fiscal 2009. These amounts represented capitalized interest expense of \$3,446,000, net of interest revenue of \$917,000 for fiscal 2009.

Current Year Long-Term Debt Financings

Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable)

On May 6, 2009, the Agency issued \$38,755,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the "Series 2009T Bonds"). The Series 2009T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central District Redevelopment Project Area. The Series 2009T Bonds are federally taxable with a final maturity of September 1, 2020; the interest rates of these bonds range from 5.30% to 8.50%.

The Series 2009T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central District Redevelopment Project Area.

Master Lease – Sun Microsystems, Inc.

On February 26, 2009, the City of Oakland closed a lease transaction with Sun Microsystems, Inc. in the amount of \$1,472,891 for the purpose of financing certain hardware, equipment and software. The financing is done on a taxable basis for services and tax-exempt basis for equipment with a final maturity of July 1, 2010; the interest rates on this lease transaction are 5.940% and 3.366%, respectively.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Restructuring of Long-Term Debt

Redevelopment Agency of the City of Oakland Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005

On March 23, 2009, the Agency utilized unused proceeds of the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the "Series 2005 Bonds") to purchase \$11,190,000 of the Series 2005 Bonds maturing on September 1, 2022 and \$1,200,000 of the Series 2005 Bonds maturing September 1, 2020 (the "Purchased Series 2005 Bonds"). The Agency tendered the Purchased Series 2005 Bonds for cancellation with the trustee, and the Purchased Series 2005 Bonds have been cancelled and are no longer outstanding. Upon the cancellation of the Purchase Series 2005 Bonds, \$31,970,000 of the Series 2005 Bonds remains outstanding as of June 30, 2009.

City of Oakland Variable Rate Demand Certificate of Participation (Certain Capital Improvement Project)

On June 1, 2009, the City of Oakland (the "City") called full redemption of the outstanding bond issue Variable Rate Demand Certificate of Participation (Certain Capital Improvement Project) totaling \$24,500,000 in outstanding principal amount. These bonds are completely retired.

Prior Year's Debt Defeasance

In prior years, the City has defeased various bond issues by creating separate irrevocable escrow funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the escrow funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from the City's government-wide financial statements. As of June 30, 2009, the amount of defeased debt outstanding but removed from the City's government-wide financial statements amounted to \$56.3 million.

Authorized and Unissued Debt

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Conduit Debt

The following long-term debt has been issued by the City on behalf of named agents of the City. The bonds do not constitute an indebtedness of the City. The bonds are payable solely from revenue sources defined in the individual bond documents, and from other monies held for the benefit of the bond holders pursuant to the bond indentures. In the opinion of City officials, these bonds are not payable from any revenues or assets of the City, and neither the full faith and credit nor the taxing authority of the City, State or any political subdivision thereof is obligated for the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded. The conduit debt issued and outstanding at June 30, 2009, is (in thousands):

	<u>Authorized and Issued</u>	<u>Maturity</u>	<u>Outstanding at June 30, 2009</u>
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999A	\$ 64,425	01/01/29	\$ 63,425
City of Oakland Kaiser Permanente Insured Revenue Bonds 1999B	15,720	01/01/29	15,720
City of Oakland Liquidity Facility Revenue Bonds (Association of Bay Area Governments), Series 1984	3,300	12/01/09	245
Oakland JPFA Revenue Bond 2001 Series A Fruitvale Transit Village (Fruitvale Development Corporation)	19,800	07/01/33	16,995
Oakland JPFA Revenue Bond 2001 Series B Fruitvale Transit Village (La Clinica De La Raza Fruitvale Health Project, Inc)	5,800	07/01/33	5,500
Redevelopment Agency of the City of Oakland, Multifamily Housing Revenue Bonds (Uptown Apartment Project), 2005 Series A	160,000	10/01/50	160,000
TOTAL			<u>\$ 261,885</u>

(13) GENERAL FUND UNRESERVED FUND BALANCE

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

Designations:

Pension obligations - PFRS	\$ 73,726
Carryforward for continuing projects	<u>6,016</u>
Total designations	79,742
Unreserved/undesignated fund balance	<u>40,664</u>
Total General Fund unreserved fund balance	<u>\$ 120,406</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(14) SELF-INSURANCE

Changes in the balances of claims liabilities for all self-insured claims for the years ended June 30, 2009 and 2008 are as follows (in thousands):

Workers' Compensation

	<u>2009</u>	<u>2008</u>
Unpaid claims, beginning of fiscal year	\$ 80,382	\$ 98,381
Current year claims and changes in estimates	22,044	7,785
Claims payments	(24,453)	(25,784)
Unpaid claims, end of fiscal year (Note 12)	<u>\$ 77,973</u>	<u>\$ 80,382</u>

General Liability

	<u>2009</u>	<u>2008</u>
Unpaid claims, beginning of fiscal year	\$ 50,242	\$ 43,598
Current year claims and changes in estimates	12,551	15,877
Claims payments	(13,556)	(9,233)
Unpaid claims, end of fiscal year (Note 12)	<u>\$ 49,237</u>	<u>\$ 50,242</u>

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

Primary Government

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; employee's injuries; natural disasters; unemployment coverage; and providing health benefits to employees, retirees and their dependents. For the past three years, there have been no significant reductions in any of the City's insurance coverage and no settlement amounts have exceeded commercial insurance coverage.

The City is self-insured for its general liability, malpractice liability, public official's errors and omissions, products & completed operations, employment practices liability, and auto liability up to \$2,000,000 retention level and has excess reinsurance with the California State Association of Counties – Excess Insurance Authority as described below. The City is 100 percent self-insured for worker's compensation.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Property Damage

Property damage risks are covered on an occurrence basis by commercial insurance purchased from independent third parties. All properties are insured at full replacement values after a \$25,000 deductible to be paid by the City.

General Liability

Numerous lawsuits are pending or threatened against the City. The City estimates that as of June 30, 2009, the amount of liability determined to be probable of occurrence is approximately \$49,236,516. Of this amount, claims and litigation approximating \$16,961,674 are estimated to be due within one year. The recorded liability is the City's best estimate based on available information and may be revised as further information is obtained and as pending cases are litigated. The City and the Agency are involved in various claims and litigation arising in the ordinary course of its activities. In the opinion of the Agency's in-house counsel, the City Attorney's Office for the City, none of these claims are expected to have a significant impact on the financial condition or changes in financial position of the City and the Agency.

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

Workers' Compensation

The City is self-insured for workers' compensation. Payment of claims is provided through annual appropriations, which are based on claim payment experience and supplemental appropriations. Of the \$77,973,093 in claims liabilities as of June 30, 2009, approximately \$17,773,997 is estimated to be due within one year.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Insurance Coverage

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

<u>Type of Coverage</u>	<u>Self-Insurance Retention</u>	<u>Insurance Authority/Purchase Insurance</u>
General Liability	up to \$2,000,000	\$2,000,000 to \$25,000,000 per occurrence
Automobile Liability	up to \$2,000,000	\$2,000,000 to \$25,000,000 per occurrence
Public Officials Errors and Omissions	up to \$2,000,000	\$2,000,000 to \$25,000,000 per occurrence/annual aggregate
Products and Completed Operations	up to \$2,000,000	\$2,000,000 to \$25,000,000 per occurrence/annual aggregate
Employment Practices Liability	up to \$2,000,000	\$2,000,000 to \$25,000,000 per occurrence/annual aggregate

Discretely Presented Component Unit

Workers' Compensation

The Port is exposed to risk of loss related to injuries of employees. The Port is self-insured and self-administered for workers' compensation up to a maximum of \$750,000 per accident. The Port carries commercial insurance for claims in excess of \$750,000 per accident up to a maximum limit per accident of \$1,000,000. There were no workers' compensation claims paid in fiscal years 2009, 2008, and 2007 above the \$1,000,000 per accident limit. For the past three years, there have been no significant reductions in any of the Port's insurance coverage and no settlement amounts have exceeded commercial insurance coverage. The excess policy provides full statutory limits as established by California law.

Claim expenses and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses are based on an actuarial valuation performed as of June 30, 2009 and include an estimate of claims that have been incurred but not reported. Estimated Reserves can be defined as "actuarial central estimates" which represent the expected range of reasonably possible outcomes. The probability level refers to the probability that actual future payments will not exceed the indicated reserve amount.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The June 30, 2009 Worker's Compensation Loss Reserve amount of \$6,137,000 has been based upon an actuarial study. Total reserve is equal to case reserves plus incurred but not reported (IBNR) reserves. Case reserves are established by individual claims adjusters. The IBNR reserves are estimated by the Actuary and include reserves for late reported claims as well as developments on known claims. The reserve amount is net of excess insurance on an expected value, undiscounted basis. The loss reserve amount represents an estimated reserve amount required to satisfy the Port's retained liability without a contingency provision for unanticipated development. Changes in the reported liability resulted from the following (in thousands):

	<u>2009</u>	<u>2008</u>
Workers' compensation liability at beginning of fiscal year	\$ 6,000	\$ 6,000
Current year claims and changes in estimates	962	869
Claims payments	<u>(825)</u>	<u>(869)</u>
Workers' compensation liability at end of fiscal year	<u>\$ 6,137</u>	<u>\$ 6,000</u>

General Liability

The Port maintains general liability insurance in excess of specified deductibles. For the Airport, coverage is provided in excess of \$200,000 in the aggregate up to a maximum of \$200,000,000. For the harbor area and the Port's real estate holdings, coverage is provided in excess of \$1,000,000 per occurrence up to an aggregate amount of \$150,000,000 per occurrence. Additionally, the Port maintains a Public Officials Errors & Omissions and Employment Practices policy. The policy limits are \$25,000,000 with a \$500,000 per claim deductible. Defense costs are in addition to the policy limits, but are included in the deductible. The Port is uninsured for losses in excess of these amounts. Casualty losses are accrued when it is determined that a loss to the Port is probable and the amount is estimable.

As of June 30, 2009, the Port was a defendant in various lawsuits arising in the normal course of constructing public improvements or construction related claims for unspecified amounts. The ultimate disposition of these suits and claims is not known. The Port's insurance may cover a portion of any losses. For the past three years, there have been no significant reductions in any of the Port's insurance coverage and no settlement amounts have exceeded commercial insurance coverage. For additional information, contact the Port of Oakland, 530 Water Street, Oakland, California 94607. Changes in the reported liabilities, which is included as part of long-term obligations is as follows:

	<u>2009</u>	<u>2008</u>
General liability at beginning of fiscal year	\$ 3,925	\$ 4,747
Current year claims and changes in estimates	1,131	4,287
Vendor payments	<u>(2,485)</u>	<u>(5,109)</u>
General liability at end of fiscal year	<u>\$ 2,571</u>	<u>\$ 3,925</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(15) JOINT VENTURE

Oakland-Alameda County Coliseum

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

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

On May 25, 2000, the Authority issued \$201,300,000 in series 2000 C and D Refunding Bonds to retire \$181,900,000 of the 1995 Variable Rate Lease Revenue Stadium Bonds (\$188,500,000 less \$6,600,000 principal payment). In February 2004, the 1995 Fixed Rate Refunding Lease Revenue Bond was fully repaid from the escrow established in 1995 at the time the Coliseum Authority issued the Stadium Bonds.

The Stadium Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and the County. The source of the Coliseum Authority's revenues relating to football games consists primarily of a portion of club dues, concession and parking payments. In the event that such football revenues and other revenues received in connection with the Stadium are insufficient to make base rental payments, the City and the County are obligated to make up the shortfall in the base rental payments from their respective General Funds. The City and the County each have covenanted to appropriate \$11 million annually to cover such shortfalls in revenue; however, the City and the County are jointly and severally liable to cover such shortfall, which means that the City could have to pay up to \$22 million annually in the event of default by the County.

On August 2, 1996, the Authority issued \$70,000,000 Series A-1 and \$70,000,000 Series A-2 Variable Rate Lease Revenue Bonds (Arena Bonds) to finance the costs of remodeling the Coliseum Arena (Arena) and to satisfy certain obligations of the Authority, the City, the County and Coliseum Inc. in connection with the retention of the Golden State Warriors

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(the Warriors) to play professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. These obligations are evidenced in a series of agreements (the Warriors Agreements) between the Warriors, the City, the County, Coliseum Inc. and the Authority.

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

The Coliseum Authority entered into an agreement with the Oakland Coliseum Joint Venture to manage the entire Coliseum complex beginning July 1, 1998. On January 1, 2001, the Coliseum Authority terminated its agreement with Oakland Coliseum Joint Venture and reinstated its Operating Agreement with Oakland-Alameda County Coliseum, Inc. Oakland-Alameda County Coliseum, Inc. subcontracted all of the operations of the Coliseum Complex to the Oakland Coliseum Joint Venture. The Operating Agreement between the Coliseum Authority and Coliseum Inc. expired, by its terms, on July 31, 2006. The Authority entered into a Termination Agreement whereby, in return for certain consideration, the Authority agreed to perform the duties of Coliseum, Inc. on and after August 1, 2006.

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

For the Period Ending June 30,	Stadium Debt		Arena Debt	
	Principal	Interest	Principal	Interest
2010	\$ 6,700	5,563	3,600	6,944
2011	7,100	5,212	3,950	6,720
2012	7,500	4,951	4,050	6,474
2013	7,900	4,669	4,400	6,221
2014	8,300	4,399	4,750	5,948
2015-2019	47,400	17,340	29,150	24,864
2020-2024	60,000	8,151	40,850	14,459
2025-2026	13,800	321	18,605	1,814
Total	<u>\$ 158,700</u>	<u>\$ 50,606</u>	<u>\$ 109,355</u>	<u>\$ 73,444</u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

Under the joint exercise of power agreement, which formed the Authority, the City is responsible for funding up to 50% of the Authority's operating costs and debt service requirements, to the extent such funding is necessary. During the year ended June 30, 2009, the City made contributions of \$10,925,000 to fund its share of operating deficits and debt service payments of the Authority.

The Coliseum Authority has anticipated a deficit for operating costs and repayment of its Stadium bonds, such that the City and County may have to contribute to base rental payments. Of the \$20,500,000 appropriated in the General Fund as part of the above agreements, it is estimated that the City may have to contribute \$10,063,000 for the 2009-10 fiscal year. There are many uncertainties in the estimation of revenues for the Authority beyond one year into the future; therefore, the City has established a liability to fund the Authority deficit in the statement of net assets in an amount equal to its contingent share (50%) of the outstanding Stadium bonds in the amount of \$79,350,000. The City has not established a contingent liability for the Arena Bonds because management is of the opinion that revenues from the Arena, including payments from the Warriors and revenues from Arena operations, will be sufficient to cover the debt payments.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(16) PENSION PLANS

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

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

	<u>PFRS</u>	<u>OMERS</u>	<u>PERS</u>
Type of plan	Single employer	Single employer	Agent multi-employer
Reporting entity	City	City	State
Last complete actuarial study	July 01, 2008	July 01, 2008	June 30, 2008

Police and Fire Retirement System (PFRS)

PFRS provides death, disability and service retirement benefits to uniformed employees and their beneficiaries. Members who complete at least 25 years of service, or 20 years of service and have reached the age of 55, or have reached the age of 65, are eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1-2/3% of such compensation for each year of service (up to ten) subsequent to: a) qualifying for retirement, and b) July 1, 1951. Early retirees will receive reduced benefits based on the number of years of service. Benefit provisions and all other requirements are established by the City Charter (Charter). The June 30, 2009 stand alone financial statements are available by contacting the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

In accordance with the Charter, active members of PFRS contribute a percentage of earned salaries based upon entry age as determined by the City's consulting actuary. During the year ended June 30, 2009, these contributions ranged from 5.47% to 6.05%. By statute, employee contributions are limited to 13% of earned salaries. Employee contributions are refundable with interest at 4% per annum if an employee elects to withdraw from PFRS upon termination of employment with the City.

The City contributes, at a minimum, such amounts that are necessary, determined on an actuarial basis, to provide assets sufficient to meet benefits to be paid to PFRS members. The City is required to fund all liabilities for future benefits for all members by June 30,

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

2026. In order to do so, the City makes contributions at rates established by consulting actuaries based upon plan valuations using various assumptions as to salary progression, inflation, and rate of return on investments. The City's contributions are based on a level percentage of all uniformed employees' compensation. Significant actuarial assumptions used to compute actuarially determined contribution requirements are the same as those used to compute the pension benefits. The City issued pension obligation bonds in February 1997 to fund PFRS through 2011. Bond proceeds in the amount of \$417,173,300 were contributed in fiscal year 1997 and, as a result, no employer contributions are contractually required through fiscal year 2011. In fiscal year 2005, the City made an advance contribution of \$17,709,888 to PFRS.

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

The City's annual pension cost and prepaid asset, computed in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, for fiscal year ended June 30, 2009, were as follows:

Annual Required Contribution (ARC)	\$ (28,600,000)
Interest on pension asset	22,022,487
Adjustment to the annual required contribution	<u>(24,909,885)</u>
Annual Pension Cost	(31,487,398)
Pension contribution	-
Pension assets, beginning of year	<u>275,281,092</u>
Pension assets, end of year	<u><u>\$ 243,793,694</u></u>

The following table shows the City's annual pension cost and the percentage contributed for the fiscal year 2009 and each of the two preceding years:

Fiscal Year Ended June 30	Annual Pension Cost	Percentage (%) Contributed	Net Pension Asset
2007	\$ 26,542,848	-	\$ 306,832,370
2008	31,551,278	-	275,281,092
2009	31,487,398	-	243,793,694

Subsequent to receipt of pension obligation bond proceeds, the City was not contractually required to pay the actuarial annual required contribution through the year 2011.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Actuarial Assumptions and Funded Status

Information regarding the funded status of the plan as of the most recent valuation date is shown below (in millions).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2007	\$ 888.1	\$ 566.0	\$ 322.1	63.7%	\$ 0.4	80525%

Multiyear trend actuarial information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information immediately following the notes to the basic financial statements. It is expected that investment losses incurred since the last actuarial valuation report will have a significant impact on the Plan's funded status and accordingly will impact future contributions.

A summary of the actuarial methods and significant assumptions used to calculate the funded status of the plan for the current year are as follows:

Valuation Date	7/1/07
Actuarial Cost Method	Entry Age Normal Cost Method
Investment Rate of Return	8.0%
Inflation Rate, US	3.25%
Inflation Rate, Bay Area	3.50%
General Pay increases	4.75%
Post-retirement benefit increases	4.75%
Amortization Method	Level Dollar
Amortization Period	29 Years, Closed as of July 1, 2007 28 Years, Closed as of July 1, 2008
Actuarial Value of Assets	Expected actuarial value plus 20% of the difference from market value, with 110% and 90% market value corridor.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Oakland Municipal Employees Retirement System (OMERS)

OMERS provides death, and service retirement benefits to participants of the plan. Members who complete at least 20 years of service and have reached the age of 52, or who complete at least 5 years of service and reach the age of 60, are eligible for retirement benefits. The retirement allowance is calculated on a basis which takes into account the final three-years' average compensation, age and the number of years of service. Benefit provisions and all other requirements are established by the Charter. The June 30, 2009 stand alone financial statements are available by contacting by the City Administrator's Office, One Frank Ogawa Plaza, Oakland, California 94612.

All active non-uniformed City employees hired prior to September 1970 have transferred to CalPERS as of July 1, 2004. Accordingly, OMERS did not receive any employee contributions during the year ended June 30, 2009, and will not receive any employee contributions in the future. Because of the Retirement System current funding status, the City is currently not required to make contributions to OMERS. The actuarial calculations are computed using the "aggregate cost method" and the asset valuation is on a market value basis. Under this method, the normal cost is the actuarial present value of a member's benefit divided by the member's expected future working lifetime. The funding of the unfunded actuarial accrued liability is based on a level percentage of payroll over a period ending July 1, 2020, as required by the City Charter.

Actuarial Assumptions and Funded Status

Information regarding the funded status of OMERS as of the most recent valuation date is shown below (in thousands).

Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Over funded AAL (a-b)	Funded Ratio (b/a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2007	\$ 7,516	\$ 9,371	\$ (1,855)	124.7%	\$ -	n/a

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been increased using the entry age actuarial cost method for that purpose and that the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan and accordingly will impact future contributions.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The City is not required to make any payments due to its funded status. Multiyear trend actuarial information about whether the actuarial value of Plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time is presented in the Required Supplementary Information immediately following the notes to the financial statements.

A summary of the actuarial methods and assumptions used to calculate the funded status of the plan for the current year is as follows:

Valuation Date	July 1, 2007
Actuarial Cost Method	Entry Age Normal Cost Method
Asset Valuation Method	Market Value
Investment Rate of Return	8.0%
Inflation Rate	3.25%
Cost-of-living Adjustments	3.0%
Amortization Method	NA*
Amortization Period	NA*

*Not Applicable because OMERS is in a surplus position.

California Public Employees Retirement Systems (PERS)

Plan Description

The City of Oakland contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street, Sacramento, CA 95814. A separate report for the City's plan is not available.

Funding Policy

Participants are required to contribute 8% (9% for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 19.553% for non-safety employees and 27.513% for police and fire employees, of annual covered payroll. The contribution requirements of the plan members and the City are established and may be amended by PERS.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Annual Pension Cost

For 2008-09, the City's annual pension cost of \$98,196,641 was equal to the City's required and actual contribution. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service (3.25% to 14.45%), and (c) payroll growth of 3.25%. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over a closed 20 year period.

Three-Year Trend Information for PERS
(in millions)

Fiscal Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	\$ 89.3	100%	\$ -
2008	97.9	100	-
2009	98.2	100	-

Funded Status and Funding Progress for Pension Plans

Safety Plan

As of June 30, 2008, the most recent actuarial valuation date, the Public Safety plan was 76.5% funded. The actuarial accrued liability for benefits was \$1,084,370,034, and the actuarial value assets was \$829,712,579, resulting in an unfunded actuarial accrued liability (UAAL) of \$254,657,455. The annual covered payroll was \$138,606,908, and the ratio of the UAAL to the annual covered payroll was 183.7%.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

A summary of principal assumptions and methods used to determine the funded status is shown below:

<u>Method/Assumptions</u>	<u>Retirement Program</u>
Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	32 Years as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 13.15% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

Miscellaneous Plan

As of June 30, 2008, the most recent actuarial valuation date, the Miscellaneous Plan was 83.6% funded. The actuarial accrued liability for benefits was \$1,727,976,732, and the actuarial value assets was \$1,445,373,281, resulting in an unfunded actuarial accrued liability (UAAL) of \$282,603,451. The annual covered payroll was \$237,455,347, and the ratio of the UAAL to the annual covered payroll was 119.0%.

A summary of principal assumptions and methods used to determine the funded status is shown below:

<u>Method/Assumptions</u>	<u>Retirement Program</u>
Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15 Years Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.75% (net of administrative expenses)
Projected Salary Increases	3.25% to 14.45% depending on Age, Service, and type of employment
Inflation	3.00%
Payroll Growth	3.25%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 3.00% and an annual production growth of 0.25%

The schedule of funding progress for Public Safety and Miscellaneous Plans are presented as RSI following the notes to the financial statements, and presents multi-year trend information about whether the actuarial valuation of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(17) POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

Primary Government

Plan Description

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

Funding Policy

The City pays part of the health insurance premiums for all retirees from City employment receiving a pension annuity earned through City service and participating in a City-sponsored PERS health benefit plan on a pay-as-you-go basis. The City approximately paid \$12,474,203 for retirees under this program for the year ended June 30, 2009.

Annual OPEB Cost and Net OPEB Obligation

The City's annual post employment benefit cost and net OPEB obligation for the plan as of and for the fiscal year ended June 30, 2009 using a 4.00% interest rate scenario, were as follows (in thousands):

Annual Required Contribution (ARC)	\$ 54,635
Interest on net OPEB obligation	1,747
Adjustment to ARC	<u>(1,818)</u>
Annual OPEB cost	54,564
Employer Contribution	<u>(12,474)</u>
Increase in net OPEB obligation	42,090
Net OPEB obligation - beginning of year	<u>43,668</u>
Net OPEB obligation - end of year	<u><u>\$ 85,758</u></u>

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The City's annual OPEB cost, the percentage of annual OPEB cost contributed during the fiscal year, and the net OPEB obligation at the end of the year for the City's single employer healthcare plan were as follows (in thousands).

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	\$ 54,635	20.07%	\$ 43,668
06/30/09	\$ 54,564	22.86%	\$ 85,758

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$591,575,250 and the actuarial value assets was zero, resulting in an unfunded actuarial accrued liabilities (UAAL) of \$591,575,250.

Actuarial Methods and Assumptions for OPEB Plans

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrual liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The more significant actuarial methods and assumptions used in the calculations of the annual OPEB cost, the annual required contribution, and the funded status and funding progress for the fiscal year ended June 30, 2009 are as follows:

<u>Method/Assumptions</u>	<u>Retirement Program</u>
Valuation Date	July 1, 2008
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	30 Years as of the Valuation Date
Asset Valuation Method	5 Years Smoothed Market
Discount rate	4.00%
Salary Increases	2.50% per year growth
Inflation	3.00%
Demographic rate	Retirement benefit @ 3% 50 formula for Safety employees and @ 2.7% 55 formula for Miscellaneous employees
Health Care cost trends rate	8% for fiscal year 2009, graded down to 5.00% for fiscal year 2015 and beyond. The trend rate is determined by the plan sponsor based on historical data and anticipated experience under the plan.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Discretely Presented Component Unit – Port of Oakland OPEB

Plan Description

The Port contributes to the California Employer's Retiree Benefit Trust (CERBT), a single-employer defined benefit postemployment healthcare plan administered by CALPERS. The CERBT is an IRC Section 115 Trust and an investment vehicle that can be used by all California public employers to prefund future retiree health and Other Post Employment Benefit (OPEB) costs.

The Port's Retiree Health plan allows eligible retirees and their dependents to receive employer paid medical insurance benefits through CALPERS. The medical insurance reimbursement is not to exceed the Kaiser-HMO family plan rate. The Retiree Health Plan also includes dental, and vision benefits and reimbursement of Medicare part B monthly insurance premium. The Retiree Health plan does not issue a separate financial report.

Funding Policy

Benefit provisions are established and may be amended through negotiations between the Port and the various bargaining units during each bargaining period.

As of June 30, 2009, there were approximately 450 employees who had retired from the Port and were in the Port's retiree benefit plan. During the fiscal year ended June 30, 2009, the Port contributed \$7,754,000 to CERBT and made payments of \$4,576,000 on behalf of OPEB eligible retirees to third parties outside of CERBT.

Eligible Retirees Defined

Employees must have attained the age of fifty or over at the time of retirement, have five or more years of CALPERS service, and must be eligible to receive PERS retirement benefits in order to be classified as an Eligible Retiree.

Annual OPEB Cost and Net OPEB Obligation

The Port's annual other post employment benefit (OPEB) expense was calculated based on the annual required contribution (ARC) of the Port. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

The following table shows the components of the Port's annual OPEB cost for the year, the amount actually contributed, and changes in the Port's net OPEB obligation:

Annual required contribution	\$ 10,019
Interest on prior year net OPEB obligation	401
Adjustment to annual required contribution	<u>(401)</u>
Annual OPEB cost	10,019
Contribution made	<u>(12,330)</u>
Decrease in net OPEB obligation	<u>(2,311)</u>
Net OPEB obligation - beginning of year	<u>7,754</u>
Net OPEB obligation - end of year	<u><u>\$ 5,443</u></u>

The Port's annual OPEB cost and net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/08	\$ 11,683	34%	\$ 7,754
06/30/09	\$ 10,019	123%	\$ 5,443

Funding Status and Funding Progress

The unfunded actuarial accrued liability is being amortized as level percentage of expected payroll over 30 years. The table below indicated the funded status of the Plan as of January 1, 2009, the most recent actuarial valuation date

Actuarial accrued liability (AAL)	\$ 100,412
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 100,412</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Annual covered payroll (active plan members)	\$ 48,400
UAAL as a percentage of annual covered payroll	207%

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Actuarial Methods and Assumptions

The actuarial cost method used for determining the benefit obligations of the Port is the Entry Age Normal Cost Method. Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of expected salary for each year of employment between entry age (defined as age at hire) and assumed exit.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan in effect and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used included a discount rate of 7.75%, and an annual health cost trend rate of 5% to 6.5% in health premiums. Annual salary increases were assumed at 3.25%. The demographic assumptions regarding turnover and retirement are based on statistics from reports for California PERS under a "2.7% @ 55" benefit schedule.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(18) COMMITMENTS AND CONTINGENT LIABILITIES

Construction Commitments

Primary Government

City has committed to funding in the amount of \$139,601,396 to a number of capital improvement projects for fiscal year 2010 through fiscal year 2012. As of June 30, 2009, the City had construction commitments for the acquisition and construction of assets as follows (in thousands):

Building, facilities and infrastructure	\$ 46,955
Parks and open space	6,652
Sewers and storm drains	25,134
Streets and sidewalks	39,420
Technology Enhancements	3,765
Traffic Improvements	17,675
Total	<u>\$ 139,601</u>

Discretely Presented Component Unit - Port of Oakland

The Port anticipates spending \$227,868,000 commencing fiscal year 2010 through June 2011 for its capital improvement program. The most significant Aviation projects are the Terminal 1 renovation and retrofit; reconstruction of aprons and taxiways; runway safety areas; BART Oakland Airport connector; perimeter like improvements; passenger boarding bridge replacement program; and storm water and utility infrastructure rehabilitation. The most significant Maritime projects are the navigational channel deepening; reconstruction of reefer plugs at Berth 35-37; shore power program; security initiatives; site preparation and redevelopment of the former Oakland Army Base; and Berth 30-32 (TraPac) terminal development.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

As of June 30, 2009, the Port had construction commitments for the acquisition and construction of assets as follows (in thousands):

Maritime	\$ 53,973
Aviation	25,686
Commercial real estate	717
Total	<u>\$ 80,376</u>

The most significant projects for which the Port has contractual commitments are airport terminal expansion of \$4,067,000, shuttle bus acquisitions of \$1,921,000, taxiways and runways projects of \$4,146,000, and modernization of maritime wharves and terminals \$9,895,000, yard and gate improvement projects of \$10,150,000, and safety projects of \$6,742,000.

Power Purchases

The Port purchases electrical power for resale and self-consumption at the Airport, and at Port Maritime facilities located at the former Navy Fleet and Industrial Supply Center Oakland and the former Oakland Army Base. After power requirements are determined, the Port commits and enters into purchase contracts, in advance, with power providers. The price is fixed at the time the Port enters into the contract. At June 30, 2009, the total purchase commitment was approximately \$8,201,000 for 115,520 megawatt-hours.

Other Commitments and Contingencies

Primary Government

As of June 30, 2009, the Agency has entered into contractual commitments of approximately \$57,243,149 for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2009, the Agency was committed to fund \$53,029,688 in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City.

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

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Uptown Project Environmental Remediation

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to the Environmental Hazard Abatement Activities. As of June 30, 2009, the total liability outstanding in connection with the Agency's environmental remediation activities was \$7,000 for ground water monitoring.

Fox Court Environmental Remediation

The Fox Court demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to the Environmental Hazard Abatement Activities. As of June 30, 2009, the property was completely cleaned up and sold to an independent developer.

Oakland Army Base Environmental Remediation

Land held by the Oakland Army Base project area may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, the Agency and the Port are responsible for the first \$13.0 million of environmental remediation costs; including environmental remediation insurance. The Agency has received a federal grant of \$13 million to pay for the above-mentioned environmental remediation costs including a \$3.5 million insurance premium. Of the \$13.0 million grant, \$12.4 million has been spent and reimbursed or invoiced to the grantor as of June 30, 2009. The remaining \$0.6 million of grant expenditures will be shared between the Agency and the Port.

The next \$11.0 million of environmental remediation costs are to be shared equally by the Agency and the Port. As a result, the Agency reports its share of \$5.5 million remediation obligation on the Oakland Army Base project. The next \$9.0 million will be paid from insurance proceeds from the environmental remediation policy. If subsequent environmental remediation is required after the initially-required remediation is complete, then the environmental site liability policy will cover up to \$30 million in additional environmental remediation-related costs. The Agency and the Port have agreed to share equally in any environmental remediation-related costs above \$21 million that are not covered by insurance.

The Agency management believes that none of the estimated environmental remediation costs will cause the recorded amounts of any properties held for resale to exceed their estimated net realizable values.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

Discretely Presented Component Unit - Port of Oakland

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

It is the Port's intent that its environmental compliance programs be compliant with regulatory and legal requirements while effectively managing financial resources.

The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination.

The Port anticipates spending approximately \$2,425,000 annually for environmental compliance and remediation obligations. Environmental monitoring costs relating to legal mandates such as regulatory agency orders, court orders or other affirmative legal obligations are included in the anticipated spending.

By adopting the provisions of GASB 49, the Port recorded remediation liabilities related to its pollution remediation activities. As a result, the Port recorded a reduction of net assets as of June 30, 2008 of \$6,680,000.

A summary of the environmental liability accounts, included within the financial statements at June 30, 2009, is as follows (in thousands):

<u>Obligating Event</u>	<u>Liability</u>	<u>Estimated Recovery</u>
Pollution poses an imminent danger to the public or environment	\$ -	\$ -
Violated a pollution prevention-related permit or license	-	-
Identified as responsible to clean up pollution	15,109	1,319
Named in a lawsuit to compel to clean up	16	-
Begins or legally obligates to clean up or post-clean up activities	2,410	31
Total by Obligating Event	<u>\$ 17,535</u>	<u>\$ 1,350</u>

The environmental liability accounts in the summary tables are listed by the initial obligating event. Due to new information, the obligating event may change from the initial obligating event. Examples of obligating events includes without limitations: 1) the Port is named, or evidence indicates that it will be named, by a regulator such as the Department of Toxic Substances Control or the Regional Water Quality Control Board, as a responsible party or potentially responsible party for remediation; and 2) the Port has commenced, or has legally obligated itself to commence, clean-up activities or monitoring or operation and maintenance of the remediation effort (e.g., by undertaking a soil and groundwater pre-development investigation).

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

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

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

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

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

In FY 2008-09 the Agency loaned an additional \$7,450,000 to FOT and approved an additional loan of \$1,400,000 to Fox Theater Master Tenant LLC to complete the project. The \$7,450,000 FOT loan has a 30 year term and is non-interest bearing. The \$1,400,000 loan will be executed and funded in the FY 2009-10. The Agency also funded a \$1,150,931 loan to Friends of the Oakland Fox and a \$2,276,412 loan to Oakland School for the Arts, both of which are unrelated 501(c)(3) organizations that participated in the development and/or are tenants in the facility. The Agency also gave a \$2,000,000 grant to GASS Entertainment LLC for tenant improvements of the Theater.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(20) DEFICIT FUND BALANCES/NET ASSETS AND EXPENDITURES OVER BUDGET

As of June 30, 2009, the following funds reported deficits in fund balance/net assets (in thousands):

Special Revenue:	
ORA Projects	\$ (2,766)
State Gas Tax	(962)
Landscape & Lighting Assessment District	(5,981)

The ORA projects fund deficit is expected to be cured by reimbursements from the Agency. The State Gas Tax and the Landscape & Lighting Assessment District will be cleared by future revenues.

Internal Service:	
Facilities	\$ (31,280)
Equipment	(1,892)
Central Stores	(4,773)
Purchasing	(1,386)
Radio	(382)

The City's facilities, equipment, central stores and radio funds deficits are expected to be funded through increased user charges for future years. During the 2009-11 Budget, the City revised the repayment plan for the internal service funds to eliminate the funds net assets deficit by 2019. In addition, the City adopted a financial policy that requires half of one-time revenues to be used to eliminate negative internal service fund balances and half be used to pay off other negative funds balances.

As of June 30, 2009, the following funds reported expenditures in excess of budgets (in thousands):

Special Revenue:	
Landscape & Lighting Assessment District	\$ (1,740)

The excess of expenditures over budget in Landscape & Lighting Assessment District is primarily attributed to personnel expenditures during the emergency storm response in the Public Works Agency, Tree Division. The deficit will be reduced by further cuts to services and positions in future years unless an alternative revenue source is found.

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

(21) SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes

On July 13, 2009, the City issued the 2009-2010 Tax and Revenue Anticipation Notes (the "Notes") in the principal amount of \$162,375,000, consisting of two series. The Series A Notes, in the principal amount of \$115,410,000 are tax-exempt with an interest rate of 2.50% and the Series B Notes, in the principal amount of \$46,965,000 are taxable with an interest rate of 2.25%. The Notes were issued to finance General Fund expenditures, including but not limited to, current expenses, capital expenditures and the discharge of other obligations of the City including the prepayment of the City's annual contribution to the California Public Employees Retirement System for fiscal year 2009-2010. Both series of notes will mature on July 16, 2010.

General Obligation Bonds (Series 2009B, Measure DD)

The City of Oakland Trust for Clean Water and Safe Parks (Measure DD) program was implemented by the City in November 2002 upon receiving voter approval authorizing the City to issue \$198,250,000 in general obligation bonds to preserve and acquire open space, renovate parks, provide educational and recreation facilities for children, clean up Lake Merritt and restore Oakland's creeks, waterfront and estuary. In August 2003, the City issued the first series of Measure DD general obligation bonds in the amount of \$71,450,000. On July 22, 2009, the City issued the second series in the amount \$64,545,000 of General Obligation Bonds, Series 2009B, Measure DD (the "2009B Bonds"). The 2009B Bonds have interest rates of 3.00% to 6.25% and will mature in 2039. The proceeds of the 2009B Bonds will fund existing projects as well as execute new projects.

Supplemental Educational Revenue Augmentation Funds (SERAF)

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$41,074,866 in fiscal year 2009-2010 and \$8,497,000 in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency issued a resolution no. 2009-

CITY OF OAKLAND
Notes to Basic Financial Statements, (continued)
Year Ended June 30, 2009

0090 amending the fiscal year 2010-11 biennial budget to revise FY 2009-10 revenue projections and to provide payments to the SERAF and amending resolution no. 01-85 to provide for a portion of the payments to the SERAF to come from the Agency's voluntary five percent contribution to the low and moderate income housing fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA filed a lawsuit on October 20, 2009. The lawsuit will assert that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

Long-term Concession and Lease Agreement

In November 2009, the Port will sign a long-term concession and lease agreement with Ports America Outer Harbor Terminal, LLC. The agreement covers the Port's Outer Harbor berths 20-24 for 50 years beginning in January 2010. The estimated value of the 50-year agreement is about \$700,000,000. The agreement calls for a \$60,000,000 upfront fee due on December 31, 2009 and annual rent of at least \$19,500,000. The Port will use most of the cash to retire certain revenue bonds that financed prior improvements at the terminal.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND
Required Supplementary Information
June 30 2009

PERS ACTUARIAL VALUATION
SCHEDULE OF FUNDING PROGRESS

The schedule of funding progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll. The required contribution was determined as part of the actuarial valuation using the entry age normal actuarial cost method.

Public Safety Retirement Plan (Police and Fire)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2006	\$ 907,421,303	\$ 678,599,629	\$ 228,821,674	74.8%	\$ 124,174,590	184.3%
7/1/2007	989,095,209	757,340,889	231,754,320	76.6%	127,434,797	181.9%
7/1/2008	1,084,370,034	829,712,579	254,657,455	76.5%	138,606,908	183.7%

Miscellaneous Retirement Plan

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2006	\$ 1,507,980,747	\$ 1,250,681,091	\$ 257,299,656	82.9%	\$ 217,024,554	118.6%
7/1/2007	1,617,214,275	1,353,435,664	263,778,611	83.7%	225,726,055	116.9%
7/1/2008	1,727,976,732	1,445,373,281	282,603,451	83.6%	237,455,347	119.0%

City Other Post Employment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
7/1/2008	\$ 591,575,250	-	\$ 591,575,250	0.0%	\$ 304,875,561	194.0%

Port of Oakland Post Employment Benefits (OPEB)

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
			(Overfunded) AAL (UAAL) (a-b)			
1/1/2007	\$ 143,594,000	-	\$ 143,594,000	0.0%	\$ 49,400,000	291%
1/1/2009	\$ 100,412,000	-	\$ 100,412,000	0.0%	\$ 48,400,000	207%

CITY OF OAKLAND
Required Supplementary Information
June 30 2009

PERS ACTUARIAL VALUATION
SCHEDULE OF FUNDING PROGRESS

Oakland Municipal Employees' Retirement System - Pension

Valuation Date	Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
7/1/2003	\$ 6,714,000	\$ 11,668,000	\$ (4,954,000)	173.8%	-	N/A
7/1/2005	5,277,000	10,595,000	(5,318,000)	200.8%	-	N/A
7/1/2007 *	7,516,000	9,371,000	(1,855,000)	124.7%	-	N/A

Oakland Police and Fire Retirement System - Pension

Actuarial Accrued Liability (AAL) (a)	Actuarial Value of Assets (b)	Unfunded (Overfunded) AAL (UAAL) (a-b)	Funded Ratio (b)/(a)	Covered Payroll (c)	UAAL as a percent of Covered Payroll ((a-b) / c)
\$ 875,500,000	\$ 674,700,000	\$ 200,800,000	77.1%	\$ 2,600,000	7723%
890,600,000	615,100,000	275,500,000	69.1%	400,000	68875%
890,200,000	621,600,000	268,600,000	69.8%	300,000	89533%
883,500,000	614,900,000	268,600,000	69.6%	300,000	89533%
888,100,000	566,000,000	322,100,000	63.7%	400,000	80525%

* The plans used the aggregate actuarial cost method to determine annual required contributions in prior fiscal years. Beginning with the July 1, 2007 actuarial valuation, the entry age normal cost method was used as a surrogate method to meet the disclosure requirements of GASB Statement No. 50.

CITY OF OAKLAND
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
REVENUES				
Taxes:				
Property	\$190,893	\$ 189,085	\$ 198,848	\$ 9,763
State:				
Sales and use	51,804	46,590	46,122	(468)
Motor vehicle in-lieu	1,951	1,091	1,282	191
Local:				
Business license	53,764	53,000	54,291	1,291
Utility consumption	54,004	54,000	52,701	(1,299)
Real estate transfer	44,863	32,590	34,267	1,677
Transient occupancy	13,419	10,320	10,599	279
Parking	9,748	7,124	7,655	531
Franchise	14,155	13,983	14,221	238
Licenses and permits	1,478	1,318	1,282	(36)
Fines and penalties	26,241	24,044	25,838	1,794
Interest and investment income	2,000	2,000	4,828	2,828
Charges for services	63,493	62,794	57,447	(5,347)
Federal and state grants and subventions	1,500	4,458	4,505	47
Annuity income	12,840	12,840	5,348	(7,492)
Other	10,653	13,293	13,346	53
TOTAL REVENUES	<u>552,806</u>	<u>528,530</u>	<u>532,580</u>	<u>4,050</u>
EXPENDITURES				
Current:				
<i>Elected and Appointed Officials-</i>				
Mayor	3,093	2,538	2,910	(372)
Council	3,761	3,867	3,396	471
City Administrator	11,296	9,128	9,030	98
City Attorney	9,850	8,815	9,084	(269)
City Auditor	1,464	1,971	1,656	315
City Clerk	2,293	2,635	1,873	762
<i>Agencies/Departments:</i>				
Human Resource Management	6,228	4,920	5,945	(1,025)
Information Technology	10,790	10,604	11,029	(425)
Financial Services	26,345	27,856	26,618	1,238
Contracting and Purchasing	2,560	2,026	1,959	67
Police Services	198,026	207,208	210,292	(3,084)
Fire Services	110,189	109,121	106,469	2,652
<i>Life Enrichment:</i>				
Parks and Recreation	16,977	16,670	15,868	802
Library	12,398	10,580	10,595	(15)
Cultural Arts and Museum	6,066	5,841	6,121	(280)
Aging & Health and Human Services	6,749	7,169	5,723	1,446
Community and Economic Development	9,961	10,365	7,555	2,810
Public Works	32,153	31,323	31,300	23
Other	247	4,895	2,703	2,192
Capital outlay	-	684	415	269
Debt service:				
Principal repayment	2,315	1,675	1,433	242
Bond issuance costs	-	-	263	(263)
Interest charges	544	707	746	(39)
TOTAL EXPENDITURES	<u>473,305</u>	<u>480,598</u>	<u>472,983</u>	<u>7,615</u>
EXCESS OF REVENUES OVER EXPENDITURES	79,501	47,932	59,597	11,665
OTHER FINANCING SOURCES (USES)				
Property sale proceeds	307	8,097	8,723	626
Transfers in	50,914	58,132	17,041	(41,091)
Transfers out	(115,282)	(118,697)	(96,579)	22,118
TOTAL OTHER FINANCING USES, NET	<u>(64,061)</u>	<u>(52,468)</u>	<u>(70,815)</u>	<u>(18,347)</u>
NET CHANGE IN FUND BALANCE	15,440	(4,536)	(11,218)	(6,682)
Fund balances - beginning	253,638	253,638	253,638	-
FUND BALANCES - ENDING	<u>\$269,078</u>	<u>\$ 249,102</u>	<u>\$ 242,420</u>	<u>\$ (6,682)</u>

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

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2009

(1) BUDGETARY DATA

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

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

In June 2007, the City Council approved the City's two-year budget for fiscal years 2008 and 2009. Although appropriations are adopted for a 24-month period, they are divided into two one-year spending plans. Agencies/departments ending the first year with budgetary non-project surplus, according to Council policy, will be allowed to carry-forward 1/3 for their operating budget, 1/3 for their capital spending, and 1/3 for reverting to the General Fund balance.

The final budgetary data presented in the required supplementary information reflects approved changes to the original 2008-09 budget. Certain projects are appropriated on a multi-year rather than annual basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations are carried forward to the following year with the approval of the City Administrator.

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

Transfers of appropriations between projects within the same fund must be approved by the City Administrator. Final budget amounts reported in the required supplementary information reflect both the appropriation changes approved by the City Council and the transfers approved by the City Administrator.

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2009

Budgetary Basis of Accounting

The City adopts budgets each fiscal year on a basis of accounting which is substantially the same as GAAP except for certain investment earnings.

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

Major Funds

- Federal and State Grants
- Oakland Redevelopment Agency
- Municipal Capital Improvement

Nonmajor Funds

- Special Revenue Funds
 - ORA Projects
 - Parks, Recreation and Cultural

While the City adopts budgets for all funds, the budget to actual comparisons for proprietary and fiduciary funds are not presented because some projects and programs are adopted on a multi-year basis.

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2009

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

The governmental fund financial statements have been prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The "Budgetary Comparison Schedule – General Fund" has been prepared on a budgetary basis, which is different from GAAP.

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

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

In October 2001, the City entered into a debt service deposit agreement with a third party whereby the City received approximately \$9.6 million in exchange for forgoing its right to receive investment earnings on the amounts deposited with the trustee in advance of the date that the related debt was due to the bondholders. The compensation to the City was recorded as revenue in fiscal year 2002 when received on a budgetary basis. On a GAAP basis, the revenue was deferred and is being recognized over the 21-year life of the agreement. Amortization for the year ended June 30, 2009, was \$482,831.

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

	General Fund
Net change in fund balance - GAAP basis	\$ (10,735)
Amortization of debt service deposit agreement	(483)
Net change in fund balance - Budgetary basis	<u>\$ (11,218)</u>

CITY OF OAKLAND
Notes to Required Supplementary Information
June 30, 2009

The General Fund's fund balance on a GAAP Basis is reconciled to a Budgetary Basis as of June 30, 2009, which is as follows (in thousands):

	General Fund
Fund balance as of June 30, 2009 - GAAP basis	\$ 236,949
Unamortized debt service deposit agreement	5,471
Fund balance as of June 30, 2009 - Budgetary basis	<u>\$ 242,420</u>

COMBINING NONMAJOR GOVERNMENTAL FUNDS

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 33,773	\$ 6,612	\$ -	\$ 40,385
Receivables, net:				
Accrued interest and dividends	70	41	-	111
Property taxes	5,923	1,520	-	7,443
Accounts receivable	12,867	-	-	12,867
Grants receivable	1,185	-	-	1,185
Due from other funds	3,069	-	-	3,069
Notes and loans receivable, net	28,539	-	-	28,539
Restricted cash and investments	-	123,888	5,807	129,695
TOTAL ASSETS	\$ 85,426	\$ 132,061	\$ 5,807	\$ 223,294
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable and accrued liabilities	\$ 5,620	\$ 4	\$ 224	\$ 5,848
Due to other funds	13,727	-	315	14,042
Deferred revenue	34,249	982	-	35,231
Other	5,565	-	-	5,565
TOTAL LIABILITIES	\$ 59,161	\$ 986	\$ 539	\$ 60,686
Fund Balances				
Reserved:				
Encumbrances	17,671	-	802	18,473
Debt service	-	131,075	-	131,075
Unreserved/designated:				
Special revenue funds	8,594	-	-	8,594
Capital project funds	-	-	4,466	4,466
TOTAL FUND BALANCES	\$ 26,265	\$ 131,075	\$ 5,268	\$ 162,608
TOTAL LIABILITIES AND FUND BALANCES	\$ 85,426	\$ 132,061	\$ 5,807	\$ 223,294

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2009
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Nonmajor Governmental Total
REVENUES				
Taxes:				
Property	\$ 14,847	\$ 14,468	\$ -	\$ 29,315
State:				
Sales and use	9,968	-	-	9,968
Gas	6,184	-	-	6,184
Licenses and permits	13,185	-	-	13,185
Parking	6,541	-	-	6,541
Voter approved special tax	21,356	-	-	21,356
Fines and penalties	2,578	69	-	2,647
Interest and investment income	1,068	7,516	186	8,770
Charges for services	13,060	-	-	13,060
Other intergovernmental revenues	35,588	-	-	35,588
Federal and state grants and subventions	2,710	-	-	2,710
Other	3,077	753	300	4,130
TOTAL REVENUES	<u>130,162</u>	<u>22,806</u>	<u>486</u>	<u>153,454</u>
EXPENDITURES				
Current:				
Elected and Appointed Officials:				
Mayor	721	-	-	721
Council	1,382	-	-	1,382
City Administrator	4,234	-	-	4,234
City Attorney	5,290	-	-	5,290
City Auditor	52	-	-	52
City Clerk	67	-	-	67
Agencies/Departments:				
Human Resource Management	601	-	-	601
Information Technology	1,486	-	-	1,486
Financial Services	1,414	20	-	1,434
Police Services	17,256	-	-	17,256
Fire Services	9,353	-	-	9,353
Life Enrichment:				
Parks and Recreation	4,210	-	-	4,210
Library	230	-	-	230
Cultural Arts/Museum	363	-	-	363
Aging & Health and Human Services	26,133	-	-	26,133
Community and Economic Development	53,814	-	1,361	55,175
Public Works	28,598	1	355	28,954
Other	27	109	-	136
Capital outlay	11,062	-	1,108	12,170
Debt service:				
Principal repayment	-	105,620	-	105,620
Interest charges	-	37,098	-	37,098
TOTAL EXPENDITURES	<u>166,293</u>	<u>142,848</u>	<u>2,824</u>	<u>311,965</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(36,131)</u>	<u>(120,042)</u>	<u>(2,338)</u>	<u>(158,511)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,408	101,146	-	112,554
Transfers out	(2,634)	(12,556)	(1,151)	(16,341)
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,774</u>	<u>88,590</u>	<u>(1,151)</u>	<u>96,213</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	<u>(27,357)</u>	<u>(31,452)</u>	<u>(3,489)</u>	<u>(62,298)</u>
Fund balances - beginning	53,622	162,527	8,757	224,906
FUND BALANCES - ENDING	<u>\$ 26,265</u>	<u>\$ 131,075</u>	<u>\$ 5,268</u>	<u>\$ 162,608</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Special Revenue Funds
June 30, 2009
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks, Recreation, and Cultural	Total
ASSETS								
Cash and Investments	\$ 16,208	\$ -	\$ -	\$ 2,097	\$ 11,172	\$ 2	\$ 4,294	\$ 33,773
Receivable, net:								
Accrued interest and dividends	32	-	-	4	24	2	8	70
Property taxes	-	-	2,931	183	2,594	-	215	5,923
Accounts receivable	1,560	529	115	30	10,633	-	-	12,867
Grants receivable	-	-	-	-	1,185	-	-	1,185
Due from other funds	-	-	-	-	-	3,069	-	3,069
Notes and loans receivable, net	-	-	-	-	28,539	-	-	28,539
TOTAL ASSETS	\$ 17,800	\$ 529	\$ 3,046	\$ 2,314	\$ 54,147	\$ 3,073	\$ 4,517	\$ 85,426
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable and accrued liabilities	\$ 367	\$ 81	\$ 203	\$ 37	\$ 3,831	\$ 1,068	\$ 33	\$ 5,620
Due to other funds	-	889	6,285	-	1,797	4,756	-	13,727
Deferred revenues	-	521	2,539	152	30,843	-	194	34,249
Other	-	-	-	-	5,032	15	518	5,565
TOTAL LIABILITIES	367	1,491	9,027	189	41,503	5,839	745	59,161
Fund Balances (deficit)								
Reserved:								
Encumbrance	1,512	57	59	13	5,067	10,807	156	17,671
Unreserved/designated:								
Unreserved (deficit)	15,921	(1,019)	(6,040)	2,112	7,577	(13,573)	3,616	8,594
TOTAL FUND BALANCES (DEFICIT)	17,433	(962)	(5,981)	2,125	12,644	(2,766)	3,772	26,265
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 17,800	\$ 529	\$ 3,046	\$ 2,314	\$ 54,147	\$ 3,073	\$ 4,517	\$ 85,426

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds-Special Revenue Funds
For the Year Ended June 30, 2009
(In Thousands)

	Traffic Safety & Control	State Gas Tax	Landscape and Lighting Assessment District	Assessment Districts	Other Special Revenue	ORA Projects	Parks, Recreation, and Cultural	Total
REVENUES								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ 1,712	\$ 13,135	\$ -	\$ -	\$ 14,847
State:								
Sales and use	9,968	-	-	-	-	-	-	9,968
Gas	-	6,184	-	-	-	-	-	6,184
Licenses and permits	-	-	16	-	13,169	-	-	13,185
Parking	-	-	-	-	6,541	-	-	6,541
Voter approved special tax	-	-	18,281	-	3,075	-	-	21,356
Fines and penalties	1,448	-	-	-	1,130	-	-	2,578
Interest and investment income	402	-	-	33	453	82	98	1,068
Charges for services	111	19	148	-	12,780	2	-	13,060
Other intergovernmental revenues	-	-	-	-	-	35,588	-	35,588
Federal and state grants and subventions	613	138	-	-	1,871	-	88	2,710
Other	79	-	-	-	2,312	-	686	3,077
TOTAL REVENUES	12,621	6,341	18,445	1,745	54,466	35,672	872	130,162
EXPENDITURES								
Current:								
Elected and Appointed Officials:								
Mayor	-	-	-	-	116	572	33	721
Council	-	3	-	-	-	1,379	-	1,382
City Administrator	86	-	105	2	1,271	2,770	-	4,234
City Attorney	-	-	163	-	1,318	3,809	-	5,290
City Auditor	-	-	-	-	-	52	-	52
City Clerk	-	-	-	-	-	67	-	67
Agencies/Departments:								
Human Resource Management	-	-	-	-	309	292	-	601
Information Technology	-	-	9	-	488	989	-	1,486
Financial Services	-	137	374	-	21	882	-	1,414
Police Services	701	-	-	-	12,984	3,571	-	17,256
Fire Services	-	-	-	1,530	7,823	-	-	9,353
Life Enrichment:								
Parks and Recreation	3	-	3,415	-	790	-	2	4,210
Library	-	-	-	-	-	-	230	230
Cultural Arts and Museum	-	-	348	-	-	-	15	363
Aging & Health and Human Services	1,169	-	-	-	24,451	513	-	26,133
Community and Economic Development	6,209	704	10	19	31,837	14,662	373	53,814
Public Works	5,628	6,340	15,969	-	340	321	-	28,598
Other	-	-	-	-	27	-	-	27
Capital outlay	3,781	106	-	-	1,974	4,929	272	11,062
TOTAL EXPENDITURES	17,577	7,290	20,393	1,551	83,749	34,808	925	166,293
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,956)	(949)	(1,948)	194	(29,283)	864	(53)	(36,131)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	148	11,260	-	-	11,408
Transfers out	-	-	-	-	(2,634)	-	-	(2,634)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	148	8,626	-	-	8,774
NET CHANGE IN FUND BALANCES (DEFICIT)	(4,956)	(949)	(1,948)	342	(20,657)	864	(53)	(27,357)
Fund balances (deficit) - beginning	22,389	(13)	(4,033)	1,783	33,301	(3,630)	3,825	53,622
FUND BALANCES (DEFICIT) - ENDING	\$ 17,433	\$ (962)	\$ (5,981)	\$ 2,125	\$ 12,644	\$ (2,766)	\$ 3,772	\$ 26,265

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2009
(In Thousands)

	Traffic Safety and Control				State Gas Tax				Landscape and Lighting District			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Taxes:												
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State:												
Sales and use	12,052	12,052	9,968	(2,084)	-	-	-	-	-	-	-	-
Gas	-	-	-	-	8,071	8,071	6,184	(1,887)	-	-	-	-
Voter approved special tax	-	-	-	-	-	-	-	-	29,616	17,832	18,281	449
Licenses and permits	-	-	-	-	-	-	-	-	13	13	16	3
Fines and penalties	1,302	1,302	1,448	146	-	-	-	-	-	-	-	-
Interest and investment income	-	-	402	402	-	-	-	-	-	-	-	-
Charges for services	697	742	111	(631)	-	-	19	19	58	237	148	(89)
Federal and state grants and subventions	-	219	613	394	141	141	138	(3)	-	-	-	-
Other	-	-	79	79	-	-	-	-	-	-	-	-
TOTAL REVENUES	14,051	14,315	12,621	(1,694)	8,212	8,212	6,341	(1,871)	29,687	18,082	18,445	363
EXPENDITURES												
Current:												
Elected and Appointed Officials-												
Council	-	490	-	490	-	853	3	850	-	-	-	-
City Administrator	63	80	86	(6)	-	-	-	-	110	105	105	-
City Attorney	-	-	-	-	-	-	-	-	171	163	163	-
Information Technology	-	-	-	-	-	-	-	-	36	8	9	(1)
Financial Services	-	-	-	-	125	119	157	(18)	149	20	374	(354)
Contracting and purchasing	-	62	-	62	-	-	-	-	-	-	-	-
Police Services	-	1,367	701	666	-	-	-	-	-	-	-	-
Life Enrichment:												
Parks and Recreation	-	-	3	(3)	-	-	-	-	3,337	3,317	3,415	(98)
Museum	-	-	-	-	-	-	-	-	357	309	348	(39)
Aging & Health and Human Services	1,130	1,458	1,169	289	-	-	-	-	-	-	-	-
Community and Economic Development	7,522	17,716	6,209	11,507	891	1,298	704	594	227	(3)	10	(13)
Public Works	6,408	8,607	5,628	2,979	6,981	7,031	6,340	691	19,289	14,721	15,969	(1,248)
Capital outlay	2,339	11,140	3,781	7,359	-	326	106	220	-	13	-	13
TOTAL EXPENDITURES	17,462	40,920	17,577	23,343	7,997	9,627	7,290	2,337	23,676	18,653	20,393	(1,740)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,411)	(26,605)	(4,956)	21,649	215	(1,415)	(949)	466	6,011	(571)	(1,948)	(1,377)
OTHER FINANCING SOURCES												
Transfers in	3,432	3,432	-	3,432	-	-	-	-	4,618	-	-	-
TOTAL OTHER FINANCING SOURCES	3,432	3,432	-	3,432	-	-	-	-	4,618	-	-	-
NET CHANGE IN FUND BALANCES (DEFICIT)	21	(23,173)	(4,956)	25,081	215	(1,415)	(949)	466	10,629	(571)	(1,948)	(1,377)
Fund balances -beginning	22,389	22,389	22,389	-	(13)	(13)	(13)	-	(4,033)	(4,033)	(4,033)	-
FUND BALANCES (DEFICIT) - ENDING	\$ 22,410	\$ (784)	\$ 17,433	\$ 25,081	\$ 202	\$ (1,428)	\$ (962)	\$ 466	\$ 6,596	\$ (4,604)	\$ (5,981)	\$ (1,377)

(Continued)

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Special Revenue Funds
For the Year Ended June 30, 2009
(In Thousands)

(Continued)	Assessment Districts				Other Special Revenue			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Taxes:								
Property	\$ 1,836	\$ 1,687	\$ 1,712	\$ 25	\$ 13,651	\$ 13,651	13,135	\$ (516)
State:								
Voter approved special tax	-	-	-	-	3,017	3,017	3,075	58
Parking	-	-	-	-	7,948	7,948	6,541	(1,407)
Licenses and permits	-	-	-	-	25,102	25,451	13,169	(12,282)
Fines and penalties	-	-	-	-	21	21	1,130	1,109
Interest and investment income	-	-	33	33	-	-	453	453
Charges for services	-	-	-	-	13,560	13,743	12,780	(963)
Federal and state grants and subventions	-	-	-	-	4,323	4,323	1,871	(2,452)
Other	2	2	-	(2)	85	110	2,312	2,202
TOTAL REVENUES	1,838	1,689	1,745	56	67,707	68,264	54,466	(13,798)
EXPENDITURES								
Current:								
Elected and Appointed Officials-								
Mayor	-	-	-	-	116	178	116	62
City Administrator	3	3	2	1	903	1,573	1,271	302
City Attorney	-	-	-	-	1,365	1,318	1,318	-
City Auditor	-	-	-	-	-	34	-	34
Agencies/Departments:								
Human Resource Management	-	-	-	-	-	633	309	324
Information Technology	-	-	-	-	455	433	488	(55)
Financial Services	-	-	-	-	143	51	21	30
Police Services	-	-	-	-	10,750	15,516	12,984	2,532
Fire Services	1,703	1,704	1,530	174	7,689	12,724	7,823	4,901
Life Enrichment:								
Parks and Recreation	-	-	-	-	-	710	790	(80)
Library	-	-	-	-	18	-	-	-
Aging, Health and Human Services	-	-	-	-	18,328	30,350	24,451	5,899
Community and Economic Development	-	495	19	476	35,730	41,033	31,837	9,196
Public Works	-	-	-	-	225	2,023	340	1,683
Other	-	-	-	-	-	55	27	28
Capital outlay	-	-	-	-	140	2,669	1,974	695
TOTAL EXPENDITURES	1,706	2,202	1,551	651	75,862	109,300	83,749	25,551
EXCESS (DEFICIENCY) OF REVENUES	132	(513)	194	707	(8,155)	(41,036)	(29,283)	11,753
OVER (UNDER) EXPENDITURES								
OTHER FINANCING SOURCES (USES)								
Transfers in	-	148	148	-	11,672	12,321	11,260	(1,061)
Transfers out	-	-	-	-	(2,284)	(2,634)	(2,634)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	148	148	-	9,388	9,687	8,626	(1,061)
NET CHANGE IN FUND BALANCES (DEFICIT)	132	(365)	342	707	1,233	(31,349)	(20,657)	10,692
Fund balances - beginning	1,783	1,783	1,783	-	33,301	33,301	33,301	-
FUND BALANCES - ENDING	\$ 1,915	\$ 1,418	\$ 2,125	\$ 707	\$ 34,534	\$ 1,952	\$ 12,644	\$ 10,692

NONMAJOR DEBT SERVICE FUNDS

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

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

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

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

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

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

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

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Debt Service Funds
June 30, 2009
(In Thousands)

	General Obligation Bonds	Lease Financing	Civic Improvement	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
ASSETS							
Cash and investments	\$ 1,294	\$ 37	\$ 915	\$ 1,054	\$ 3,182	\$ 130	\$ 6,612
Receivables, net:							
Accrued interest and dividends	9	-	24	2	6	-	41
Property taxes	1,453	-	-	-	67	-	1,520
Restricted cash and investments	-	-	-	109,891	929	13,068	123,888
TOTAL ASSETS	<u>\$ 2,756</u>	<u>\$ 37</u>	<u>\$ 939</u>	<u>\$ 110,947</u>	<u>\$ 4,184</u>	<u>\$ 13,198</u>	<u>\$ 132,061</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 4
Deferred revenue	929	-	-	-	53	-	982
TOTAL LIABILITIES	<u>929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>	<u>986</u>
Fund Balances (Deficit)							
Reserved:							
Reserved for debt service	1,827	37	939	110,947	4,127	13,198	131,075
TOTAL FUND BALANCES (DEFICIT)	<u>1,827</u>	<u>37</u>	<u>939</u>	<u>110,947</u>	<u>4,127</u>	<u>13,198</u>	<u>131,075</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 2,756</u>	<u>\$ 37</u>	<u>\$ 939</u>	<u>\$ 110,947</u>	<u>\$ 4,184</u>	<u>\$ 13,198</u>	<u>\$ 132,061</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds-Debt Service Funds
For the Year Ended June 30, 2009
(In Thousands)

	General Obligation Bonds	Lease Financing	Civic Improvement	JPFA Fund	Other Assessment Bonds	Special Revenue Bonds	Total
REVENUES							
Property taxes	\$ 14,468	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,468
Fines and penalties	69	-	-	-	-	-	69
Interest and investment income	87	-	1,804	5,310	95	220	7,516
Other	-	-	-	-	706	47	753
TOTAL REVENUES	<u>14,624</u>	<u>-</u>	<u>1,804</u>	<u>5,310</u>	<u>801</u>	<u>267</u>	<u>22,806</u>
EXPENDITURES							
Agencies/Departments:							
Financial services	-	-	-	-	20	-	20
Public works	-	-	-	-	1	-	1
Other	8	11	-	1	83	6	109
Debt Service:							
Principal repayment	8,505	12,840	27,100	9,580	555	47,040	105,620
Interest charges	10,808	4,780	413	8,860	335	11,902	37,098
TOTAL EXPENDITURES	<u>19,321</u>	<u>17,631</u>	<u>27,513</u>	<u>18,441</u>	<u>994</u>	<u>58,948</u>	<u>142,848</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(4,697)</u>	<u>(17,631)</u>	<u>(25,709)</u>	<u>(13,131)</u>	<u>(193)</u>	<u>(58,681)</u>	<u>(120,042)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	-	18,172	15,975	8,068	-	58,931	101,146
Transfers out	(33)	-	(12,500)	-	-	(23)	(12,556)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(33)</u>	<u>18,172</u>	<u>3,475</u>	<u>8,068</u>	<u>-</u>	<u>58,908</u>	<u>88,590</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	<u>(4,730)</u>	<u>541</u>	<u>(22,234)</u>	<u>(5,063)</u>	<u>(193)</u>	<u>227</u>	<u>(31,452)</u>
Fund balances (deficit) - beginning	6,557	(504)	23,173	116,010	4,320	12,971	162,527
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 1,827</u>	<u>\$ 37</u>	<u>\$ 939</u>	<u>\$ 110,947</u>	<u>\$ 4,127</u>	<u>\$ 13,198</u>	<u>\$ 131,075</u>

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2009
(In Thousands)

	General Obligation Bonds				Lease Financing				Civic Improvement			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Taxes:												
Property	\$ 19,346	\$ 19,346	\$ 14,468	\$ (4,878)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and penalties	-	-	69	69	-	-	-	-	-	-	-	-
Interest and investment income	-	-	87	87	7	7	-	(7)	3,762	3,762	1,804	(1,958)
Other	-	-	-	-	21,500	21,500	-	(21,500)	-	-	-	-
TOTAL REVENUES	<u>19,346</u>	<u>19,346</u>	<u>14,624</u>	<u>(4,722)</u>	<u>21,507</u>	<u>21,507</u>	<u>-</u>	<u>(21,507)</u>	<u>3,762</u>	<u>3,762</u>	<u>1,804</u>	<u>(1,958)</u>
EXPENDITURES												
Current:												
Other	33	33	8	25	12	19	11	8	12	12	-	12
Debt service:												
Principal repayment	8,505	8,505	8,505	-	34,340	34,340	12,840	21,500	2,600	27,100	27,100	-
Interest charges	10,808	10,808	10,808	-	4,780	5,353	4,780	573	1,150	1,150	413	737
TOTAL EXPENDITURES	<u>19,346</u>	<u>19,346</u>	<u>19,321</u>	<u>25</u>	<u>39,132</u>	<u>39,712</u>	<u>17,631</u>	<u>22,081</u>	<u>3,762</u>	<u>28,262</u>	<u>27,513</u>	<u>749</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(4,697)</u>	<u>(4,697)</u>	<u>(17,625)</u>	<u>(18,205)</u>	<u>(17,631)</u>	<u>574</u>	<u>-</u>	<u>(24,500)</u>	<u>(25,709)</u>	<u>(1,209)</u>
OTHER FINANCING SOURCES (USES)												
Transfers in	-	800	-	(800)	17,626	18,206	18,172	(34)	-	5,826	15,975	10,149
Transfers out	-	(833)	(33)	800	-	-	-	-	-	(18,326)	(12,500)	5,826
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(33)</u>	<u>(33)</u>	<u>-</u>	<u>17,626</u>	<u>18,206</u>	<u>18,172</u>	<u>(34)</u>	<u>-</u>	<u>(12,500)</u>	<u>3,475</u>	<u>15,975</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	<u>-</u>	<u>(33)</u>	<u>(4,730)</u>	<u>(4,697)</u>	<u>1</u>	<u>1</u>	<u>541</u>	<u>540</u>	<u>-</u>	<u>(37,000)</u>	<u>(22,234)</u>	<u>14,766</u>
Fund balances (deficit) - beginning	6,557	6,557	6,557	-	(504)	(504)	(504)	-	23,173	23,173	23,173	-
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 6,557</u>	<u>\$ 6,524</u>	<u>\$ 1,827</u>	<u>\$ (4,697)</u>	<u>\$ (503)</u>	<u>\$ (503)</u>	<u>\$ 37</u>	<u>\$ 540</u>	<u>\$ 23,173</u>	<u>\$ (13,827)</u>	<u>\$ 939</u>	<u>\$ 14,766</u>

(Continued)

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended June 30, 2009
(In Thousands)

(Continued)

	JPFA Fund				Other Assessment Bonds				Special Revenue Bonds			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES												
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest and investment income	5,184	5,184	5,310	126	-	-	95	95	-	-	220	220
Other	-	-	-	-	660	660	706	46	-	-	47	47
TOTAL REVENUES	<u>5,184</u>	<u>5,184</u>	<u>5,310</u>	<u>126</u>	<u>660</u>	<u>660</u>	<u>801</u>	<u>141</u>	<u>-</u>	<u>-</u>	<u>267</u>	<u>267</u>
EXPENDITURES												
Current:												
Agencies/Departments:												
Financial Services	-	-	-	-	32	31	20	11	-	-	-	-
Public work	-	-	-	-	-	20	1	19	-	-	-	-
Other	6	16	1	15	21	82	83	(1)	22	24	6	18
Debt service:												
Principal repayment	9,585	9,580	9,580	-	275	555	555	-	43,650	47,040	47,040	-
Interest charges	9,052	9,591	8,860	731	332	336	335	1	10,911	11,904	11,902	2
TOTAL EXPENDITURES	<u>18,643</u>	<u>19,187</u>	<u>18,441</u>	<u>746</u>	<u>660</u>	<u>1,024</u>	<u>994</u>	<u>30</u>	<u>54,583</u>	<u>58,968</u>	<u>58,948</u>	<u>20</u>
EXCESS (DEFICIENCY) OF REVENUES	<u>(13,459)</u>	<u>(14,003)</u>	<u>(13,131)</u>	<u>872</u>	<u>-</u>	<u>(364)</u>	<u>(193)</u>	<u>171</u>	<u>(54,583)</u>	<u>(58,968)</u>	<u>(58,681)</u>	<u>287</u>
OVER (UNDER) EXPENDITURES												
OTHER FINANCING SOURCES (USES)												
Transfers in	13,459	14,004	8,068	(5,936)	607	652	-	(652)	54,582	58,968	58,931	(37)
Transfers out	-	-	-	-	(607)	(652)	-	652	-	(23)	(23)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>13,459</u>	<u>14,004</u>	<u>8,068</u>	<u>(5,936)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,582</u>	<u>58,945</u>	<u>58,908</u>	<u>(37)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>1</u>	<u>(5,063)</u>	<u>(5,064)</u>	<u>-</u>	<u>(364)</u>	<u>(193)</u>	<u>171</u>	<u>(1)</u>	<u>(23)</u>	<u>227</u>	<u>250</u>
Fund balances - beginning	116,010	116,010	116,010	-	4,320	4,320	4,320	-	12,971	12,971	12,971	-
FUND BALANCES - ENDING	<u>\$ 116,010</u>	<u>\$ 116,011</u>	<u>\$ 110,947</u>	<u>\$ (5,064)</u>	<u>\$ 4,320</u>	<u>\$ 3,956</u>	<u>\$ 4,127</u>	<u>\$ 171</u>	<u>\$ 12,970</u>	<u>\$ 12,948</u>	<u>\$ 13,198</u>	<u>\$ 250</u>

NONMAJOR CAPITAL PROJECTS FUNDS

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

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

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

CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds-Capital Projects Funds
June 30, 2009
(In Thousands)

	<u>Parks and Recreation</u>	<u>Emergency Services</u>	<u>Total</u>
ASSETS			
Restricted cash and investments	\$ 2,462	\$ 3,345	\$ 5,807
TOTAL ASSETS	<u>\$ 2,462</u>	<u>\$ 3,345</u>	<u>\$ 5,807</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable and accrued liabilities	\$ 96	\$ 128	\$ 224
Due to other funds	<u>105</u>	<u>210</u>	<u>315</u>
TOTAL LIABILITIES	<u>201</u>	<u>338</u>	<u>539</u>
Fund balances			
Reserved:			
Encumbrances	120	682	802
Unreserved/designated:			
Projects	<u>2,141</u>	<u>2,325</u>	<u>4,466</u>
TOTAL FUND BALANCES	<u>2,261</u>	<u>3,007</u>	<u>5,268</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,462</u>	<u>\$ 3,345</u>	<u>\$ 5,807</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds-Capital Projects Funds
For the Year Ended June 30, 2009
(In Thousands)

	Parks and Recreation	Emergency Services	Total
REVENUES			
Interest and investment income	\$ 92	\$ 94	\$ 186
Other	-	300	300
TOTAL REVENUES	<u>92</u>	<u>394</u>	<u>486</u>
EXPENDITURES			
Current:			
Agencies/departments:			
Community and Economic Development	364	997	1,361
Public Works	-	355	355
Capital outlay	11	1,097	1,108
TOTAL EXPENDITURES	<u>375</u>	<u>2,449</u>	<u>2,824</u>
DEFICIENCY OF REVENUES			
UNDER EXPENDITURES	<u>(283)</u>	<u>(2,055)</u>	<u>(2,338)</u>
OTHER FINANCING USES			
Transfers out	(1,151)	-	(1,151)
TOTAL OTHER FINANCING USES	<u>(1,151)</u>	<u>-</u>	<u>(1,151)</u>
NET CHANGE IN FUND BALANCES	(1,434)	(2,055)	(3,489)
Fund balances - beginning	3,695	5,062	8,757
FUND BALANCES - ENDING	<u>\$ 2,261</u>	<u>\$ 3,007</u>	<u>\$ 5,268</u>

CITY OF OAKLAND
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Capital Project Funds
For the Year Ended June 30, 2009
(In Thousands)

	Parks and Recreation				Emergency Services			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES								
Interest and investment income	\$ -	\$ -	\$ 92	\$ 92	\$ -	\$ -	\$ 94	\$ 94
Other	-	-	-	-	-	-	300	300
TOTAL REVENUES	-	-	92	92	-	-	394	394
EXPENDITURES								
Police Services	-	-	-	-	-	3	-	3
Community and Economic Development	-	1,209	364	845	-	1,851	997	854
Public Works	-	158	-	158	-	379	355	24
Capital outlay	-	861	11	850	-	3,542	1,097	2,445
TOTAL EXPENDITURES	-	2,228	375	1,853	-	5,775	2,449	3,326
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,228)	(283)	1,945	-	(5,775)	(2,055)	3,720
OTHER FINANCING SOURCES (USES)								
Transfers out	-	(1,151)	(1,151)	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(1,151)	(1,151)	-	-	-	-	-
NET CHANGE IN FUND BALANCES (DEFICIT)	-	(3,379)	(1,434)	1,945	-	(5,775)	(2,055)	3,720
Fund balances - beginning	3,695	3,695	3,695	-	5,062	5,062	5,062	-
FUND BALANCES (DEFICIT) - ENDING	\$ 3,695	\$ 316	\$ 2,261	\$ 1,945	\$ 5,062	\$ (713)	\$ 3,007	\$ 3,720

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

The **Purchasing Fund** accounts for procurement of materials, equipments and services essential to providing governmental services for the City.

CITY OF OAKLAND
Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2009
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
ASSETS							
Current assets:							
Cash and Investments	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 4
Accounts receivable	1	22	52	2	60	3	140
Due from other funds	-	-	-	-	-	64	64
Inventories	219	-	-	-	712	-	931
Restricted cash and investments	740	398	-	-	-	-	1,138
Total Current assets	<u>960</u>	<u>424</u>	<u>52</u>	<u>2</u>	<u>772</u>	<u>67</u>	<u>2,277</u>
Non-current assets:							
Capital assets:							
Land and other assets not being depreciated	-	-	310	-	-	-	310
Facilities and equipment, net of depreciation	16,604	417	343	176	-	-	17,540
Total Non-current Assets	<u>16,604</u>	<u>417</u>	<u>653</u>	<u>176</u>	<u>-</u>	<u>-</u>	<u>17,850</u>
TOTAL ASSETS	<u>17,564</u>	<u>841</u>	<u>705</u>	<u>178</u>	<u>772</u>	<u>67</u>	<u>20,127</u>
LIABILITIES							
Current liabilities:							
Accounts payable and accrued liabilities	340	26	745	9	-	-	1,120
Accrued interest payable	15	13	50	-	-	-	78
Due to other funds	15,569	1	28,093	124	5,545	1,453	50,785
Notes payable	1,788	377	346	-	-	-	2,511
Total Current Liabilities	<u>17,712</u>	<u>417</u>	<u>29,234</u>	<u>133</u>	<u>5,545</u>	<u>1,453</u>	<u>54,494</u>
Non-current liabilities:							
Notes payable	1,744	806	2,751	-	-	-	5,301
Total Non-current Liabilities	<u>1,744</u>	<u>806</u>	<u>2,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,301</u>
TOTAL LIABILITIES	<u>19,456</u>	<u>1,223</u>	<u>31,985</u>	<u>133</u>	<u>5,545</u>	<u>1,453</u>	<u>59,795</u>
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	13,072	-	-	176	-	-	13,248
Unrestricted (deficit)	(14,964)	(382)	(31,280)	(131)	(4,773)	(1,386)	(52,916)
TOTAL NET ASSETS (DEFICIT)	<u>\$ (1,892)</u>	<u>\$ (382)</u>	<u>\$ (31,280)</u>	<u>\$ 45</u>	<u>\$ (4,773)</u>	<u>\$ (1,386)</u>	<u>\$ (39,668)</u>

CITY OF OAKLAND
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2009
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Central Stores</u>	<u>Purchasing</u>	<u>Total</u>
OPERATING REVENUES							
Charges for services	\$ 20,932	\$ 2,458	\$ 18,569	\$ 1,188	\$ 1,201	\$ 835	\$ 45,183
Other	<u>70</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70</u>
TOTAL OPERATING REVENUES	<u>21,002</u>	<u>2,458</u>	<u>18,569</u>	<u>1,188</u>	<u>1,201</u>	<u>835</u>	<u>45,253</u>
OPERATING EXPENSES							
Personnel	5,777	1,471	10,529	454	1,069	591	19,891
Supplies	4,870	340	807	92	4	9	6,122
Depreciation and amortization	3,875	178	38	49	-	-	4,140
Contractual services and supplies	-	-	561	-	7	-	568
Repairs and maintenance	465	120	2,024	32	-	1	2,642
General and administrative	1,777	59	3,120	185	78	48	5,267
Rental	1,051	158	378	471	56	-	2,114
Other	<u>60</u>	<u>19</u>	<u>5,139</u>	<u>4</u>	<u>1,000</u>	<u>57</u>	<u>6,279</u>
TOTAL OPERATING EXPENSES	<u>17,875</u>	<u>2,345</u>	<u>22,596</u>	<u>1,287</u>	<u>2,214</u>	<u>706</u>	<u>47,023</u>
OPERATING INCOME (LOSS)	3,127	113	(4,027)	(99)	(1,013)	129	(1,770)
NON-OPERATING REVENUES (EXPENSES)							
Interest and investment income (loss)	(374)	6	(599)	(4)	(110)	(39)	(1,120)
Interest expense	(219)	(61)	(147)	-	-	-	(427)
Other, net	<u>131</u>	<u>-</u>	<u>103</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>235</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(462)</u>	<u>(55)</u>	<u>(643)</u>	<u>(4)</u>	<u>(110)</u>	<u>(38)</u>	<u>(1,312)</u>
Changes in net assets (deficit)	2,665	58	(4,670)	(103)	(1,123)	91	(3,082)
Total net assets (deficit) - beginning	<u>(4,557)</u>	<u>(440)</u>	<u>(26,610)</u>	<u>148</u>	<u>(3,650)</u>	<u>(1,477)</u>	<u>(36,586)</u>
TOTAL NET ASSETS (DEFICIT) - ENDING	<u>\$ (1,892)</u>	<u>\$ (382)</u>	<u>\$ (31,280)</u>	<u>\$ 45</u>	<u>\$ (4,773)</u>	<u>\$ (1,386)</u>	<u>\$ (39,668)</u>

CITY OF OAKLAND
Combining Statement of Cash Flows
Internal Service Funds
June 30, 2009
(In Thousands)

	<u>Equipment</u>	<u>Radio</u>	<u>Facilities</u>	<u>Reproduction</u>	<u>Stores</u>	<u>Purchasing</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers and users	\$ 21,023	\$ 2,444	\$ 18,568	\$ 1,186	\$ 1,141	\$ 845	\$ 45,207
Cash from other sources	70	-	-	-	-	-	70
Cash paid to employees	(5,777)	(1,471)	(10,529)	(454)	(1,069)	(591)	(19,891)
Cash paid to suppliers	(8,440)	(688)	(12,224)	(846)	(944)	(119)	(23,261)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>6,876</u>	<u>285</u>	<u>(4,185)</u>	<u>(114)</u>	<u>(872)</u>	<u>135</u>	<u>2,125</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Proceeds of interfund loans	-	1	5,287	118	982	-	6,388
Repayment of interfund loans	(4,613)	-	-	-	-	(97)	(4,710)
Other, net	131	-	103	-	-	1	235
NET CASH PROVIDED BY (USED IN) NONCAPITAL FINANCING ACTIVITIES	<u>(4,482)</u>	<u>1</u>	<u>5,390</u>	<u>118</u>	<u>982</u>	<u>(96)</u>	<u>1,913</u>
CASH FLOWS FROM CAPITAL AND RELATING FINANCING ACTIVITIES							
Acquisition of capital assets	(2,951)	(9)	(31)	-	-	-	(2,991)
Repayment of long-term debt	(2,343)	(361)	(325)	-	-	-	(3,029)
Interest paid on long-term debt	(219)	(61)	(250)	-	-	-	(530)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(5,513)</u>	<u>(431)</u>	<u>(606)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,550)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Interest income (loss)	(374)	6	(599)	(4)	(110)	(39)	(1,120)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(374)</u>	<u>6</u>	<u>(599)</u>	<u>(4)</u>	<u>(110)</u>	<u>(39)</u>	<u>(1,120)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,493)	(139)	-	-	-	-	(3,632)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,233	541	-	-	-	-	4,774
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 740</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Operating income (loss)	\$ 3,127	\$ 113	\$ (4,027)	\$ (99)	\$ (1,013)	\$ 129	\$ (1,770)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS)							
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES							
Depreciation	3,875	178	38	49	-	-	4,140
Retirement of capital assets	2	-	103	-	-	-	105
Changes in assets and liabilities:							
Receivables	91	(14)	(1)	(2)	(60)	-	14
Due from other funds	-	-	-	-	-	10	10
Inventories	4	-	-	-	201	-	205
Accounts payable and accrued liabilities	(223)	8	(298)	(62)	-	(4)	(579)
Total Adjustments	3,749	172	(158)	(15)	141	6	3,895
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 6,876</u>	<u>\$ 285</u>	<u>\$ (4,185)</u>	<u>\$ (114)</u>	<u>\$ (872)</u>	<u>\$ 135</u>	<u>\$ 2,125</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS							
Cash and investments	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ 4
Restricted cash and investment	740	398	-	-	-	-	1,138
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 740</u>	<u>\$ 402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,142</u>

FIDUCIARY FUNDS

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

PENSION TRUST FUNDS

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

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

OTHER TRUST FUNDS

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

CITY OF OAKLAND
Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2009
(In Thousands)

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 125	\$ 2,798	\$ 2,923
Receivables:			
Interest and dividends	1	1,088	1,089
Investments and contributions	3	8,425	8,428
Restricted cash and investments:			
Short-term investments	28	17,264	17,292
U.S. government bonds	-	29,599	29,599
U.S. corporate bonds and mutual funds	1,496	62,931	64,427
Domestic equities and mutual funds	3,389	157,345	160,734
International equities and mutual funds	-	50,938	50,938
Real estate mortgage loans	-	47	47
	<u>4,913</u>	<u>318,124</u>	<u>323,037</u>
Securities lending collateral	-	<u>105,215</u>	<u>105,215</u>
TOTAL ASSETS	<u>5,042</u>	<u>435,650</u>	<u>440,692</u>
LIABILITIES			
Accounts payable and accrued liabilities	61	14,815	14,876
Securities lending liability	-	<u>105,215</u>	<u>105,215</u>
TOTAL LIABILITIES	<u>61</u>	<u>120,030</u>	<u>120,091</u>
NET ASSETS			
HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 4,981</u>	<u>\$ 315,620</u>	<u>\$ 320,601</u>

CITY OF OAKLAND
Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2009
(In Thousands)

	<u>OMERS</u>	<u>PFRS</u>	<u>TOTAL</u>
ADDITIONS:			
Contributions:			
Members	\$ -	\$ 7	\$ 7
Investment Income:			
Net depreciation			
in fair value of investments	(1,615)	(102,706)	(104,321)
Interest	6	7,522	7,528
Dividends	200	4,739	4,939
Securities lending income	-	959	959
Total investment income, net	(1,409)	(89,486)	(90,895)
Less investment expense	(20)	(1,665)	(1,685)
Borrowers' rebates and other agent fees and securities lending transactions	-	(640)	(640)
Net investment loss	(1,429)	(91,791)	(93,220)
Other income	-	97	97
TOTAL ADDITIONS	<u>(1,429)</u>	<u>(91,687)</u>	<u>(93,116)</u>
DEDUCTIONS:			
Disbursements to members and beneficiaries:			
Retirement	591	43,734	44,325
Disability	91	26,597	26,688
Death	3	2,327	2,330
TOTAL BENEFITS TO MEMBERS AND BENEFICIARIES	685	72,658	73,343
Administrative expenses	358	877	1,235
TOTAL DEDUCTIONS	<u>1,043</u>	<u>73,535</u>	<u>74,578</u>
Change in net assets	(2,472)	(165,222)	(167,694)
Net assets - beginning	7,453	480,842	488,295
Net assets - ending	<u>\$ 4,981</u>	<u>\$ 315,620</u>	<u>\$ 320,601</u>

CITY OF OAKLAND
Statement of Fiduciary Net Assets
Private Purpose Trust Funds
June 30, 2009
(In Thousands)

	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ASSETS			
Cash and investments	\$ 8,333	\$ 344	\$ 8,677
Receivables:			
Accrued interest and dividends	9	1	10
TOTAL ASSETS	8,342	345	8,687
LIABILITIES			
Accounts payable and accrued liabilities	580	6	586
TOTAL LIABILITIES	580	6	586
NET ASSETS			
Net assets held in trust	\$ 7,762	\$ 339	\$ 8,101

CITY OF OAKLAND
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the Year Ended June 30, 2009
(In Thousands)

	Private Purpose Trust Fund	Private Pension Trust Fund	Total
ADDITIONS:			
Trust receipts	\$ 943	\$ 167	\$ 1,110
Investment income	115	8	123
Other income	2,187	-	2,187
TOTAL ADDITIONS	<u>3,245</u>	<u>175</u>	<u>3,420</u>
DEDUCTIONS:			
Administrative expenses	-	199	199
CEDA	107	-	107
Other	1,105	-	1,105
Police services	468	-	468
TOTAL DEDUCTIONS	<u>1,680</u>	<u>199</u>	<u>1,879</u>
Change in net assets	1,565	(24)	1,541
NET ASSETS - BEGINNING	<u>6,197</u>	<u>363</u>	<u>6,560</u>
NET ASSETS - ENDING	<u>\$ 7,762</u>	<u>\$ 339</u>	<u>\$ 8,101</u>

STATISTICAL SECTION

CITY OF OAKLAND STATISTICS

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Pledged Revenue Coverage

Schedule seventeen contains pledge revenue coverage for the City and the Port of Oakland, a component unit of the City. This schedule assists in understanding the revenues pledged for repayment of debt service.

Demographic and Economic Information

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

Operating Information

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

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

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 1

NET ASSETS BY COMPONENT

(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities								
Invested in capital assets, net of related debt	\$ 395,311	\$ 385,354	\$ 389,345	\$ 310,633	\$ 319,932	\$ 353,715	\$ 401,881	\$ 442,793
Restricted	246,923	429,353	316,026	292,415	267,824	317,558	336,908	338,514
Unrestricted	(634,634)	(400,886)	(260,074)	(55,983)	(8,522)	37,704	(117,971)	(156,331)
Total governmental activities net assets	\$ 7,600	\$ 413,821	\$ 445,297	\$ 547,065	\$ 579,234	\$ 708,977	\$ 620,818	\$ 624,976
Business-type activities								
Invested in capital assets, net of related debt	\$ 103,197	\$ 109,682	\$ 113,610	\$ 107,396	\$ 110,279	\$ 109,886	\$ 111,881	\$ 113,961
Unrestricted	(4,287)	(3,643)	(6,185)	3,114	989	2,173	7,731	15,037
Total business-type activities net assets	\$ 98,910	\$ 106,039	\$ 107,425	\$ 110,510	\$ 111,268	\$ 112,059	\$ 119,612	\$ 128,998
Primary government								
Invested in capital assets, net of related debt	\$ 498,508	\$ 495,036	\$ 502,955	\$ 418,029	\$ 430,211	\$ 463,601	\$ 513,762	\$ 556,754
Restricted	246,923	429,353	316,026	292,415	267,824	317,558	336,908	338,514
Unrestricted	(638,921)	(404,529)	(266,259)	(52,869)	(7,533)	39,877	(110,240)	(141,294)
Total primary government net assets	\$ 106,510	\$ 519,860	\$ 552,722	\$ 657,575	\$ 690,502	\$ 821,036	\$ 740,430	\$ 753,974

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

Source: City of Oakland Statement of Net Assets

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 2

CHANGES IN NET ASSETS

(in thousands)

	2002	2003	2004	2005	2006	2007	2008	2009
Expenses								
Governmental Activities:								
General government	\$ 80,170	\$ 95,671	\$ 67,069	\$ 65,865	\$ 71,471	\$ 91,119	\$ 102,218	\$ 94,957
Public safety	250,503	302,273	297,869	319,908	335,171	348,436	412,050	424,435
Life enrichment	99,223	105,133	102,314	96,649	101,902	105,728	115,315	119,659
Community and economic development	108,101	110,400	121,160	117,689	140,351	183,968	203,406	182,327
Public works	72,639	83,548	70,369	107,457	100,448	101,075	79,348	74,081
Interest on long-term debt	72,924	56,072	58,820	62,238	73,224	79,864	74,545	71,552
Total governmental activities expenses	\$ 683,560	\$ 753,097	\$ 717,601	\$ 769,806	\$ 822,567	\$ 910,190	\$ 986,882	\$ 967,011
Business-type activities:								
Sewer	\$ 15,848	\$ 17,960	\$ 20,597	\$ 21,337	\$ 24,841	\$ 29,365	\$ 30,502	\$ 25,530
Parks and recreation	94	68	159	160	734	1,087	384	652
Total business-type activities	\$ 15,942	\$ 18,028	\$ 20,756	\$ 21,497	\$ 25,575	\$ 30,452	\$ 30,886	\$ 26,182
Total primary government expenses	\$ 699,502	\$ 771,125	\$ 738,357	\$ 791,303	\$ 848,142	\$ 940,642	\$ 1,017,768	\$ 993,193
Program Revenues (see schedule 3)								
Governmental activities:								
Charges for services:								
General government	\$ 25,131	\$ 27,946	\$ 14,913	\$ 25,641	\$ 16,266	\$ 13,741	\$ 22,276	\$ 21,128
Public safety	14,715	15,489	38,959	66,983	42,492	9,803	10,331	15,733
Life enrichment	5,123	4,355	73	125	79	3,992	5,110	11,084
Community and economic development	21,553	21,599	7,287	12,528	7,947	16,437	45,466	47,223
Public works	21,872	26,898	3,600	6,190	3,927	31,269	27,113	30,887
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154	106,903	91,278	94,353
Capital grants and contributions	10,553	9,262	10,366	-	-	-	-	-
Total governmental activities program revenues	\$ 162,182	\$ 185,333	\$ 154,163	\$ 186,161	\$ 147,865	\$ 182,145	\$ 201,574	\$ 220,408
Business-type activities:								
Charges for services:								
Sewer	\$ 19,153	\$ 19,364	\$ 22,590	\$ 24,252	\$ 24,678	\$ 29,838	\$ 33,264	\$ 35,382
Parks and recreation	100	122	58	244	197	237	487	796
Operating grants and contributions	19	19	-	-	-	21	-	-
Total business-type activities program revenues	\$ 19,272	\$ 19,505	\$ 22,648	\$ 24,496	\$ 24,875	\$ 30,096	\$ 33,751	\$ 36,178
Total primary government program revenues	\$ 181,454	\$ 204,838	\$ 176,811	\$ 210,657	\$ 172,740	\$ 212,241	\$ 235,325	\$ 256,586
Net (Expense)/Revenue								
Governmental activities	\$ (521,378)	\$ (567,764)	\$ (563,438)	\$ (583,645)	\$ (674,702)	\$ (735,868)	\$ (785,308)	\$ (746,603)
Business-type activities	3,330	1,477	1,892	2,999	(700)	(356)	2,865	9,996
Total primary government net expense	\$ (518,048)	\$ (566,287)	\$ (561,546)	\$ (580,646)	\$ (675,402)	\$ (736,224)	\$ (782,443)	\$ (736,607)
General Revenues and Other Changes in Net Assets								
Governmental activities:								
Taxes								
Property taxes	\$ 172,029	\$ 202,297	\$ 200,731	\$ 234,127	\$ 268,693	\$ 317,666	\$ 358,338	\$ 359,851
State taxes	68,603	79,444	72,906	68,451	67,304	67,723	73,928	67,642
Local taxes	160,729	199,720	197,873	251,301	261,815	256,658	235,470	214,266
Other	66,883	64,414	117,238	84,850	30,406	108,048	50,153	81,885
Interest and investment income	36,463	40,043	5,566	46,063	78,053	48,073	47,852	25,917
Transfers	659	629	600	621	600	600	600	1,200
Special Items	-	-	-	-	-	59,020	-	-
Total governmental activities	\$ 505,366	\$ 586,547	\$ 594,914	\$ 685,413	\$ 706,871	\$ 857,788	\$ 766,341	\$ 750,761
Business-type activities:								
Interest and investment income	\$ 10	\$ 199	\$ 94	\$ 707	\$ 1,996	\$ 1,745	\$ 1,434	\$ 590
Other	1,891	6,082	-	-	62	2	-	-
Transfers	(659)	(629)	(600)	(621)	(600)	(600)	(600)	(1,200)
Total business-type activities	\$ 1,242	\$ 5,652	\$ (506)	\$ 86	\$ 1,458	\$ 1,147	\$ 834	\$ (610)
Total primary government	\$ 506,608	\$ 592,199	\$ 594,408	\$ 685,499	\$ 708,329	\$ 858,935	\$ 767,175	\$ 750,151
Change in Net Assets								
Governmental activities	\$ (16,012)	\$ 18,783	\$ 31,476	\$ 101,768	\$ 32,169	\$ 129,743	\$ (18,967)	\$ 4,158
Business-type activities	4,572	7,129	1,386	3,085	758	791	3,699	9,386
Total primary government	\$ (11,440)	\$ 25,912	\$ 32,862	\$ 104,853	\$ 32,927	\$ 130,534	\$ (15,268)	\$ 13,544

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

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 3

PROGRAM REVENUES BY FUNCTION/PROGRAM

(in thousands)

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009
Governmental activities:								
Charges for services:								
General government	\$ 25,131	\$ 27,946	\$ 14,913	\$ 25,641	\$ 16,266	\$ 13,741	\$ 22,276	\$ 21,128
Public safety	14,715	15,489	38,959	66,983	42,492	9,803	10,331	15,733
Life enrichment	5,123	4,355	73	125	79	3,992	5,110	11,084
Community and economic development	21,553	21,599	7,287	12,528	7,947	16,437	45,466	47,223
Public works	21,872	26,898	3,600	6,190	3,927	31,269	27,113	30,887
Operating grants and contributions	63,235	79,784	78,965	74,694	77,154	106,903	91,278	94,353
Capital grants and contributions	10,553	9,262	10,366	-	-	-	-	-
Subtotal governmental activities	<u>\$ 162,182</u>	<u>\$ 185,333</u>	<u>\$ 154,163</u>	<u>\$ 186,161</u>	<u>\$ 147,865</u>	<u>\$ 182,145</u>	<u>\$ 201,574</u>	<u>\$ 220,408</u>
Business-type activities:								
Charges for services:								
Sewer	\$ 19,153	\$ 19,364	\$ 22,590	\$ 24,252	\$ 24,678	\$ 29,838	\$ 33,264	\$ 35,382
Parks and recreation	100	122	58	244	197	237	487	796
Operating grants and contributions	19	19	-	-	-	21	-	-
Subtotal business-type activities	<u>\$ 19,272</u>	<u>\$ 19,505</u>	<u>\$ 22,648</u>	<u>\$ 24,496</u>	<u>\$ 24,875</u>	<u>\$ 30,096</u>	<u>\$ 33,751</u>	<u>\$ 36,178</u>
Total primary government	<u>\$ 181,454</u>	<u>\$ 204,838</u>	<u>\$ 176,811</u>	<u>\$ 210,657</u>	<u>\$ 172,740</u>	<u>\$ 212,241</u>	<u>\$ 235,325</u>	<u>\$ 256,586</u>

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

Source: City of Oakland Statement of Activities

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 4

FUND BALANCES, GOVERNMENTAL FUNDS

(in thousands)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund								
Reserved	\$ 196,067	\$ 214,317	\$ 10,779	\$ 151,494	\$ 134,151	\$ 138,891	\$ 126,575	\$ 116,543
Unreserved	29,666	38,801	222,529	140,343	152,368	143,016	121,109	120,406
Total general fund	\$ 225,733	\$ 253,118	\$ 233,308	\$ 291,837	\$ 286,519	\$ 281,907	\$ 247,684	\$ 236,949
All Other Governmental Funds								
Reserved	\$ 327,871	\$ 475,385	\$ 284,475	\$ 445,531	\$ 496,474	\$ 797,702	\$ 828,314	\$ 788,476
Unreserved, reported in:								
Special revenue funds	(11,809)	(108,238)	4,704	19,785	42,102	32,444	8,129	9,553
Capital projects funds	4,222	6,599	164,788	143,456	130,221	98,912	73,147	41,322
Total all other governmental funds	\$ 320,284	\$ 373,746	\$ 453,967	\$ 608,772	\$ 668,797	\$ 929,058	\$ 909,590	\$ 839,351

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

Source: City of Oakland Balance Sheet, Governmental Funds

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 5

**CHANGES IN FUND BALANCES,
GOVERNMENTAL FUNDS**

(in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Taxes (see Schedule 6)	\$ 368,764	\$ 403,226	\$ 402,435	\$ 439,159	\$ 457,949	\$ 535,706	\$ 578,474	\$ 616,754	\$ 648,153	\$ 641,086
Licenses and permits	9,098	11,442	11,758	13,098	13,476	15,676	19,006	20,390	19,319	14,467
Fines and penalties	15,625	17,111	17,806	20,645	28,189	26,325	25,467	26,859	23,497	29,348
Interest/investment net income	35,449	37,116	35,481	40,619	7,672	38,495	30,721	49,141	49,894	27,520
Charges for services	41,181	50,310	60,840	65,324	67,176	73,133	70,711	75,242	76,735	77,285
Other intergovernmental revenues	-	-	-	-	-	-	-	-	33,561	35,588
Federal and State grants and subventions	83,759	75,701	48,234	72,483	79,918	97,009	73,778	97,382	94,428	87,971
Other revenues	17,159	22,001	61,391	70,027	48,608	53,711	47,558	74,758	24,200	40,587
Total revenues	\$ 571,035	\$ 616,907	\$ 637,945	\$ 721,355	\$ 702,988	\$ 840,055	\$ 845,715	\$ 960,526	\$ 969,787	\$ 953,852
Expenditures										
General government	\$ 31,689	\$ 35,338	\$ 41,389	\$ 39,365	\$ 42,225	\$ 45,466	\$ 49,411	\$ 67,194	\$ 45,600	\$ 40,838
Financial and Personnel Services	15,978	15,327	16,637	17,025	22,339	22,197	24,181	26,018	35,761	34,863
Information Technology	-	-	-	-	-	-	-	-	13,666	12,975
Contracting and Purchasing	-	-	-	-	-	-	-	-	2,280	1,959
Police services	130,662	145,521	151,791	166,266	166,175	178,813	187,968	206,561	225,893	231,789
Fire services	72,237	77,129	84,239	88,154	91,542	98,029	111,162	112,699	118,429	119,711
Life enrichment										
Administration	-	1,693	561	660	1	7	-	-	-	-
Parks & Recreation	41,818	38,180	32,481	28,556	29,445	16,740	17,296	19,148	20,872	20,308
Library	13,871	15,178	16,540	17,096	18,460	20,547	22,942	24,631	23,833	21,824
Museum	5,512	5,707	7,278	7,561	8,327	7,383	267	6,976	6,883	6,584
Marketing	-	-	-	-	2,367	-	-	-	-	-
Aging, Health & Human Services	19,856	21,347	24,568	27,740	33,238	35,609	46,581	53,228	56,239	62,382
Cultural Arts	1,717	1,972	1,382	1,753	41	-	6,832	-	-	-
Community & Economic Development	84,394	73,745	118,234	122,715	92,788	101,031	135,561	169,233	206,908	197,285
Public Works	48,504	60,835	52,841	51,458	60,328	73,338	79,816	91,490	71,971	64,288
Other	48,313	46,773	41,471	36,652	30,372	38,327	23,048	10,641	10,597	20,099
Capital outlay	18,606	14,397	22,055	27,056	24,779	36,219	25,014	49,895	46,312	44,418
Debt service										
Bond issuance costs	-	-	3,711	4,212	12,874	4,478	2,496	4,467	4,210	864
Other refunding cost	-	-	-	-	-	-	-	-	5,674	-
Principal	36,144	50,351	39,686	50,356	61,831	88,506	72,583	79,964	92,940	138,854
Interest	73,743	75,649	58,558	55,020	62,897	60,656	69,027	69,682	71,528	65,157
Total expenditures	\$ 643,044	\$ 679,142	\$ 713,422	\$ 741,645	\$ 760,029	\$ 827,346	\$ 874,185	\$ 991,827	\$ 1,059,596	\$ 1,084,198
Excess of revenues over(under) expenditures	\$ (72,009)	\$ (62,235)	\$ (75,477)	\$ (20,290)	\$ (57,041)	\$ 12,709	\$ (28,470)	\$ (31,301)	\$ (89,809)	\$ (130,346)
Other Financing Sources (Uses)										
Issuance of debt	\$ 1,166	\$ 1,573	\$ -	\$ -	\$ 3,927	\$ 433,956	\$ 105,840	\$ 143,988	\$ -	\$ 40,228
Issuance of refunding bonds	-	-	213,655	202,765	188,650	-	-	102,590	241,410	-
Premiums/discounts on issuance of bonds	-	-	788	-	587	13,535	328	1,963	11,313	(779)
Payment to refunding bond escrow agent	-	-	(208,907)	(110,826)	(96,395)	(247,860)	(27,853)	(22,729)	(221,250)	-
Property sale proceeds	79	104	16,094	8,569	1,497	394	4,262	618	4,045	8,723
Transfers in	116,700	8,514	142,816	79,144	95,404	109,911	101,643	97,397	98,691	130,095
Transfers out	(164,902)	(59,261)	(142,157)	(78,515)	(94,804)	(109,311)	(101,043)	(95,897)	(98,091)	(128,895)
Total other financing sources (uses)	\$ (46,957)	\$ (49,070)	\$ 22,289	\$ 101,137	\$ 98,866	\$ 200,625	\$ 83,177	\$ 227,930	\$ 36,118	\$ 49,372
Special item	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,020	\$ -	\$ -
Change in fund balances										
Net change in fund balances	\$ (10,638)	\$ (9,438)	\$ (53,188)	\$ 80,847	\$ 41,825	\$ 213,334	\$ 54,707	\$ 255,649	\$ (53,691)	\$ (80,974)
Total fund balance - beginning	42,872	32,234	599,205	546,017	645,450	687,275	900,609	955,316	1,210,965	1,157,274
Total fund balance - ending	\$ 32,234	\$ 22,796	\$ 546,017	\$ 626,864	\$ 687,275	\$ 900,609	\$ 955,316	\$ 1,210,965	\$ 1,157,274	\$ 1,076,300
Debt service as a percentage of noncapital expenditures	17.60%	18.95%	14.75%	15.34%	18.71%	19.42%	16.97%	16.36%	18.02%	20.42%

Note: Debt ratio was calculated by dividing debt service by total government expenditures excluding capital outlay \$80,799 for fiscal year 2009.

General government include Mayor, Council, City Administrator, City Attorney, City Auditor and City Clerk

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

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 6

**TAX REVENUES BY SOURCE,
GOVERNMENTAL FUNDS**

(in thousands)

Fiscal Year	Property	Sales & Use	Motor Vehicle in-lieu	Gas	Business License	Utility Consumption	Real Estate Transfer	Transient Occupancy	Parking	Voter Approved	Franchise	Total
2000	\$ 155,941	\$ 46,791	\$ 19,314	\$ 8,052	\$ 35,845	\$ 41,592	\$ 34,359	\$ 12,100	\$ 5,686	\$ -	\$ 9,084	\$ 368,764
2001	162,895	52,877	21,361	10,419	38,738	48,703	38,309	12,766	6,762	-	10,396	403,226
2002	163,130	45,749	22,854	7,705	42,094	49,547	37,272	10,530	7,525	5,085	10,944	402,435
2003	193,738	48,798	24,259	6,387	42,020	46,581	42,088	10,863	8,242	5,359	10,824	439,159
2004	200,646	47,760	18,178	6,968	44,223	48,056	55,665	9,857	9,799	5,205	11,592	457,949
2005	232,061	51,148	9,656	7,647	43,902	49,781	77,722	10,926	11,580	30,155	11,128	535,706
2006	268,361	56,844	2,984	7,476	43,790	48,770	79,483	11,690	15,196	31,728	12,152	578,474
2007	314,468	58,006	2,268	7,449	50,339	51,426	61,505	12,303	16,202	29,778	13,010	616,754
2008	358,074	64,812	1,811	7,305	52,542	52,524	36,205	12,400	15,747	32,942	13,791	648,153
2009	359,699	56,090	1,282	9,749	54,291	52,701	34,267	10,599	14,196	33,772	14,440	641,086
Change 2000-2009	130.7%	19.9%	-93.4%	21.1%	51.5%	26.7%	-0.3%	-12.4%	149.7%	n/a	59.0%	73.8%

Note: Reflects revenues of the General, Special Revenue, Debt Service and Capital Projects Funds, and Oakland Redevelopment Agency

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

CITY OF OAKLAND
STATISTICS

SCHEDULE 7

ASSESSED VALUE AND ESTIMATED
VALUE OF TAXABLE PROPERTY

(in thousands)

<u>Fiscal Year</u>	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Less: Redevelopment Tax Increments</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Taxable Assessed Value</u>	<u>Taxable Assessed Value as a Percentage of Estimated Taxable Value</u>
2000	\$ 6,293,257	\$ 12,756,685	\$ 1,860,397	\$ 20,910,339	\$ 1,700,240	\$ 2,193,715	\$ 17,016,384	5.816	\$ 98,967,289	17.19%
2001	6,645,913	13,862,254	2,004,626	22,512,793	1,791,760	2,452,166	18,268,867	5.451	99,583,594	18.35%
2002	7,200,754	15,231,115	2,165,091	24,596,960	1,666,969	3,057,178	19,872,813	5.613	111,546,099	17.82%
2003	7,725,624	16,906,517	1,997,630	26,629,771	1,828,260	3,524,500	21,277,011	5.392	114,725,643	18.55%
2004	8,374,188	18,571,148	1,964,460	28,909,796	1,863,890	4,090,609	22,955,297	5.811	133,393,231	17.21%
2005	9,157,808	20,308,258	1,878,079	31,344,145	2,067,228	5,186,441	24,090,476	5.534	133,316,694	18.07%
2006	10,206,973	22,383,882	1,962,917	34,553,772	2,310,189	7,750,010	24,493,573	5.519	135,180,029	18.12%
2007	11,410,672	24,862,440	1,894,048	38,167,160	2,347,281	9,552,758	26,267,121	5.667	148,855,775	17.65%
2008	12,472,317	27,192,312	2,132,949	41,797,578	2,478,761	9,552,758	29,766,059	5.508	163,951,453	18.16%
2009	13,222,782	28,429,996	2,205,480	43,858,258	2,584,624	10,425,138	30,848,496	5.414	167,013,757	18.47%

Note: Total Direct Tax Rate is "per \$10,000 assessed value".

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 8

DIRECT AND OVERLAPPING
PROPERTY TAX RATES

Fiscal Year	<u>City Direct Rates</u>				<u>Overlapping Rates</u>								
	Basic Rate	Debt Service Fund	1981 Pension Liability	Total Direct Rate	Alameda County	Education	Education Debt	BART and AC Transit	BART Debt	Other	East Bay Municipal Utility Debt	East Bay Regional Parks District	East Bay Reg. Parks District Debt
2000	0.3485	0.0756	0.1575	0.5816	0.3086	0.2165	0.0274	0.0517	-	0.0505	0.0087	0.0242	0.0088
2001	0.3485	0.0391	0.1575	0.5451	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0085	0.0242	0.0065
2002	0.3485	0.0553	0.1575	0.5613	0.3086	0.2165	0.0959	0.0517	-	0.0505	0.0084	0.0242	0.0072
2003	0.3485	0.0332	0.1575	0.5392	0.3086	0.2165	0.0994	0.0517	-	0.0505	0.0084	0.0242	0.0065
2004	0.3485	0.0751	0.1575	0.5811	0.3086	0.2165	0.0923	0.0517	-	0.0505	0.0079	0.0242	0.0057
2005	0.3485	0.0474	0.1575	0.5534	0.3086	0.2165	0.0875	0.0517	-	0.0505	0.0076	0.0242	0.0057
2006	0.3485	0.0459	0.1575	0.5519	0.3086	0.2165	0.1018	0.0517	-	0.0505	0.0072	0.0242	0.0057
2007	0.3485	0.0607	0.1575	0.5667	0.3086	0.2165	0.1074	0.0517	-	0.0505	0.0068	0.0242	0.0085
2008	0.3485	0.0448	0.1575	0.5508	0.3086	0.2165	0.1030	0.0517	-	0.0505	0.0065	0.0242	0.0080
2009	0.3485	0.0354	0.1575	0.5414	0.3086	0.2165	0.1197	0.0517	-	0.0505	0.0064	0.0242	0.0100

Note: Rates per \$1,000 assessed value

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 9

PRINCIPAL PROPERTY TAX PAYERS

<u>Taxpayer</u>	<u>2000</u>			<u>2009</u>		
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Rank</u>	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Rank</u>
Oakland City Center Venture LLC	\$ 189,277,179	1.034%	1	\$ 203,098,379	0.492%	1
Deutsche Bank National Trust Co TR	N/A			158,005,115	0.383%	2
SIC Lakeside Drive LLC	N/A			203,415,697	0.493%	3
Oakland Property LLC	N/A			162,302,400	0.393%	4
Kaiser Foundation Health Plan Inc	N/A			152,096,392	0.369%	5
1800 Harrison Foundation	102,162,894	0.558%	4	119,541,603	0.290%	6
US Bank National Association TR	N/A			87,480,378	0.212%	7
Brandywine Ordway LLC	N/A			106,120,799	0.257%	8
Brandywine Webster LP	N/A			104,244,589	0.253%	9
Suncal Oak Knoll LLC	N/A			106,698,599	0.259%	10
Prentiss Properties Acquisition Partners LP	115,478,070	0.631%	2	N/A		
Kaiser Foundation Hospitals	113,678,377	0.621%	3	N/A		
Clorox Company	90,236,918	0.493%	5	N/A		
Kaiser Center, Inc.	99,064,709	0.541%	6	N/A		
Lake Merritt Plaza	82,113,550	0.448%	7	N/A		
Owens Illinois Glass Container, Inc.	62,894,332	0.343%	8	N/A		
Webster Street Partners, Ltd.	61,675,200	0.337%	9	N/A		
KSL Claremont Resort, Inc.	58,658,060	0.320%	10	N/A		
Total	\$ 975,239,289	5.326%		\$ 1,403,003,951	3.401%	

(1) 2009 based on total assessed value of \$41,273,634,394

(2) 2000 based on total assessed value of \$18,312,807,466

Source: County of Alameda

CITY OF OAKLAND
STATISTICS

SCHEDULE 10

PROPERTY TAX LEVIES
AND COLLECTIONS

(in thousands)

1% TAX ROLL							
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date		
		Amount	Percent of Levy		Amount	Percent of Levy	
2000	\$ 49,855	\$ 47,921	96.12%	0	\$ 47,921	96.12%	
2001	53,376	51,120	95.77%	0	51,120	95.77%	
2002	56,947	55,270	97.06%	0	55,270	97.06%	
2003	61,164	59,276	96.91%	0	59,276	96.91%	
2004	65,248	63,546	97.39%	0	63,546	97.39%	
2005	68,095	66,301	97.37%	0	66,301	97.37%	
2006	73,331	71,198	97.09%	0	71,198	97.09%	
2007	79,357	75,654	95.33%	0	75,654	95.33%	
2008	86,220	81,048	94.00%	0	81,048	94.00%	
2009	89,482	84,063	93.94%	0	84,063	93.94%	

Voter-Approved Debt Tax Roll							
Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Year	Total Collections to Date		
		Amount	Percent of Levy		Amount	Percent of Levy	
2000	\$ 45,245	\$ 43,475	96.09%	0	\$ 43,475	96.09%	
2001	42,225	40,748	96.50%	0	40,748	96.50%	
2002	49,024	46,849	95.56%	0	46,849	95.56%	
2003	48,441	46,001	94.96%	0	46,001	94.96%	
2004	61,760	59,602	96.51%	0	59,602	96.51%	
2005	59,673	57,558	96.46%	0	57,558	96.46%	
2006	63,369	60,887	96.08%	0	60,887	96.08%	
2007	75,071	70,586	94.03%	0	70,586	94.03%	
2008	76,453	70,621	92.37%	0	70,621	92.37%	
2009	75,753	70,494	93.06%	0	70,494	93.06%	

Note: Collections in subsequent year data not available

Source: County of Alameda

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 11

TAXABLE SALES BY CATEGORY

(in thousands)

	Fiscal Year									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Auto & Transportation	n/a	\$ 922,018	\$ 895,331	\$ 929,517	\$ 871,710	\$ 817,924	\$ 860,194	\$ 912,876	\$ 840,330	\$ 695,919
Business & Industry	n/a	688,074	588,871	715,740	700,079	622,816	667,630	613,457	691,322	574,628
General Consumer Goods	n/a	501,218	504,084	480,747	453,363	461,085	554,136	549,394	536,955	505,460
Restaurants and Hotels	n/a	439,638	442,948	430,058	406,565	441,158	496,814	483,765	527,276	515,602
Building & Construction	n/a	319,187	348,829	393,261	369,886	491,196	488,972	495,607	465,797	416,701
Food & Drugs	n/a	372,774	342,013	341,625	308,529	316,990	321,467	330,643	341,677	342,922
Fuel & Service Stations	n/a	290,612	317,736	342,098	593,926	869,866	1,058,122	1,186,535	1,236,876	638,147
Total	\$ -	\$ 3,533,521	\$ 3,439,812	\$ 3,633,046	\$ 3,704,058	\$ 4,021,035	\$ 4,447,335	\$ 4,572,277	\$ 4,640,233	\$ 3,689,379
City direct sales tax rate							1.5%	1.5%	1.5%	1.5%

Source: HdL Companies

Note: FY2009 data included first 9 months of actual and last 3 months of estimate.

CITY OF OAKLAND
STATISTICS

SCHEDULE 12

DIRECT AND OVERLAPPING
SALES TAX RATES

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>State of California</u>
2000	n/a	n/a
2001	n/a	n/a
2002	n/a	n/a
2003	n/a	n/a
2004	n/a	n/a
2005	n/a	n/a
2006	1.50%	7.25%
2007	1.50%	7.25%
2008	1.50%	7.25%
2009	1.50%	8.25%

Source: California State Board of Equalization

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 13

RATIOS OF OUTSTANDING DEBT BY TYPE

(in thousands)

Fiscal Year	<u>Governmental Activities</u>										<u>Business-type Activities</u>				
	General Obligation Bonds	Tax Allocation Bonds	Certificates of Participation	Lease Revenue Bonds	Pension Obligation Bonds	Accreted Interest	Special Assessment Bonds	Notes Payable	Capital Leases	Pledge Oblig. For Authority Debt	Sewer Fund Notes Payable	Sewer Fund Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita
2000	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ n/a
2001	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
2002	133,295	214,295	67,346	399,675	435,686	-	8,870	52,283	-	99,048	7,663	-	1,418,161	12.12%	4
2003	167,350	246,660	63,631	382,645	442,592	-	8,463	49,448	-	96,590	7,045	-	1,464,424	12.52%	4
2004	232,045	235,555	59,594	386,200	436,873	-	7,940	46,153	-	93,950	6,362	-	1,504,672	12.86%	4
2005	227,010	270,085	50,195	488,721	366,405	70,811	7,370	18,440	26,769	91,150	5,655	62,330	1,684,941	14.40%	4
2006	358,124	319,115	49,154	346,110	341,475	85,884	7,085	17,940	20,218	88,100	4,925	60,840	1,698,970	14.52%	4
2007	345,214	514,475	45,795	325,105	313,625	104,356	6,800	17,090	31,809	85,350	4,126	59,305	1,853,050	20.33%	4
2008	331,528	496,630	40,495	323,340	282,705	125,743	6,200	19,045	26,968	82,450	3,346	57,720	1,796,170	17.02%	4
2009	317,188	505,765	10,375	296,985	248,455	148,580	5,645	17,610	23,235	79,350	2,540	56,090	1,711,818	15.31%	4

Source: Notes to Basic Financial Statements, Note (12) - Long-term Obligations
 (1) Per capita income \$26,308 multiplied by population 425,068 gives personal income \$11,182,688,944

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 14

**RATIOS OF GENERAL BONDED
DEBT OUTSTANDING**

(in thousands)

General Bonded Debt Outstanding

<u>Fiscal Year</u>	<u>Net Bonded Debt (1)</u>	<u>Assessed Value (2)</u>	<u>Percentage of Actual Taxable Value of Property (%)</u>	<u>Per Capita (3) <i>(in dollars)</i></u>
2000	\$129,665	\$19,210,000	0.6750	\$322.47
2001	137,080	20,721,000	0.6616	336.81
2002	133,295	22,930,000	0.5813	326.06
2003	167,350	24,802,000	0.6747	405.99
2004	232,045	27,046,000	0.8580	563.76
2005	227,010	29,277,000	0.7754	550.59
2006	358,124	32,244,000	1.1107	869.75
2007	345,214	35,820,000	0.9637	830.86
2008	331,528	39,319,000	0.8432	789.01
2009	317,188	41,274,000	0.7685	746.21

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2009

(2) Source: County of Alameda.

(3) Population 425,068 as of 1/1/09 per State of California Demographic Information by City.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 15

**DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT**

<u>Governmental Unit</u>	<u>Estimated Percentage Applicable</u>	<u>City Share of Debt</u>
Direct Bonded Debt		
City of Oakland (1)	100	\$ 317,188,697
City of Oakland and Coliseum Authority General Fund Obligations	100	466,960,000
City of Oakland 1915 Act Bond Obligations	100	5,670,000
City of Oakland Pension Obligations	100	248,454,842
Total Direct Bonded Debt:		\$ 1,038,273,539
Overlapping Bonded Debt		
Alameda-Contra Costa Transit District Certificates of Participation	21.547	\$ 9,214,575
Alameda County and Coliseum Authority General Fund Obligation	17.861	79,553,251
Alameda County Pension Obligations	17.861	36,261,531
Bay Area Rapid Transit District	7.086	31,274,770
East Bay Municipal Utility District, Special District #1	51.550	15,354,168
East Bay Regional Park District	10.447	13,147,550
Chabot-Las Positas Community College District	1.238	5,820,757
Chabot-Las Positas Community College District General Fund Obligations	1.238	59,795
Peralta Community College District	54.195	192,297,409
Peralta Community College District Pension Obligation	54.195	84,202,278
Berkeley & Castro Valley Unified School District	0.003 & 0.127	118,823
Oakland Unified School District	99.997	551,408,457
Oakland Unified School District Certificates of Participation	99.997	67,672,970
San Leandro Unified School District	12.249	12,889,010
San Leandro Unified School District Certificates of Participation	12.249	172,098
Castro Valley Unified School District Certificates of Participation	0.127	832
City of Emeryville 1915 Act Bonds	4.183	401,359
Total Overlapping Bonded Debt:		\$ 1,099,849,633
Total Direct and Overlapping Debt		\$ 2,138,123,172
Less: East Bay M.U.D. Special District #1 (100% self-supporting)		15,354,168
Total Net Direct and Overlapping Bonded Debt		\$ 2,122,769,004

(1) Source: City of Oakland Annual Debt Service Roll Forward, General Obligation Debt Total as of June 30, 2009

Source: City of Oakland Treasury Division

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 16

LEGAL DEBT MARGIN INFORMATION

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 638,114,414	\$ 685,082,511	\$ 745,230,478	\$ 798,115,131	\$ 860,823,608	\$ 903,392,821	\$ 918,508,985	\$ 985,017,038	\$ 1,116,227,253	\$ 1,156,818,628
Total net debt applicable to limit	129,665,000	137,080,000	133,295,000	167,350,000	232,045,000	227,010,000	358,124,189	345,214,363	331,528,315	317,188,697
Legal debt margin	\$ 508,449,414	\$ 548,002,511	\$ 611,935,478	\$ 630,765,131	\$ 628,778,608	\$ 676,382,821	\$ 560,384,796	\$ 639,802,675	\$ 784,698,938	\$ 839,629,931
Total net debt applicable to the limit as a percentage of debt limit (%)	20.32%	20.01%	17.89%	20.97%	26.96%	25.13%	38.99%	35.05%	29.70%	27.42%

Source: County of Alameda and City of Oakland Annual Debt Service Roll Forward (General Obligation Debt Total as of June 30, 2009).

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 17

**PLEGGED-REVENUE COVERAGE,
PORT OF OAKLAND AND
REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND**

(thousands of dollars)

Fiscal Year	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
<u>PORT OF OAKLAND</u>					
2000	\$ 83,655	\$ 12,180	\$ 25,496	\$ 37,676	222.04%
2001	98,605	18,920	18,757	37,677	261.71%
2002	85,485	13,810	39,380	53,190	160.72%
2003	94,610	10,638	46,323	56,961	166.10%
2004	110,797	9,241	50,124	59,365	186.64%
2005	126,636	8,155	53,633	61,788	204.95%
2006	136,566	14,968	56,806	71,774	190.27%
2007	138,458	19,892	62,756	82,648	167.53%
2008	144,931	25,076	76,958	102,034	142.04%
2009	130,173	19,724	75,578	95,302	136.59%
<u>REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND</u>					
2009	3,456,253	505,595	343,747	849,342	406.93%

Source: Port of Oakland and Redevelopment Agency of the City of Oakland

Note: FY2000 to FY2008 pledged-revenue coverage data for Redevelopment Agency is not available.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 18

DEMOGRAPHIC AND ECONOMIC STATISTICS

Calendar Year	Population	Personal Income <i>(thousands of dollars)</i>	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate (%)
2000	402,100	\$ 12,919,473	\$ 32,130	33.3	54,867	2.8
2001	407,000	13,730,552	33,736	33.3	55,525	2.9
2002	408,800	16,192,977	39,611	33.3	53,108	6.7
2003	412,200	17,979,340	43,618	33.3	52,629	6.8
2004	411,600	18,163,496	44,129	33.3	49,334	6.1
2005	412,300	9,044,213	21,936	33.3	49,334	5.3
2006	411,755	11,697,548	28,409	33.3	41,467	7.1
2007	415,492	9,114,233	21,936	33.3	39,802	7.4
2008	420,183	10,554,157	25,118	36.1	39,705	9.6
2009	425,068	11,182,689	26,308	36.7	38,826	17.1

Note: In FY 2000 - 2004 median family income was used as per capital personal income

Source: Population - State of California Department of Finance, Per Capita Income and Median Age - DemographicsNow.com,
School Enrollment - Oakland Unified School District, Unemployment Rate - State of California Employment Development Department

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 19

PRINCIPAL EMPLOYERS

<u>Employer</u>	<u>2009</u>			<u>2006</u>		
	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>	<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total Employment</u>
Alameda County	7,734	1	4.40%	9,740	1	5.55%
Kaiser Permanente	6,606	2	3.76%	5,450	3	3.10%
Oakland Unified School District	5,689	3	3.24%	8,000	2	4.56%
City of Oakland	4,630	4	2.64%	4,290	5	2.44%
United States Postal Service	3,961	5	2.26%	N/A		
Internal Revenue Service	2,500	6	1.42%	N/A		
Southwest Airlines Co.	2,313	7	1.32%	N/A		
Federal Express	2,241	8	1.28%	2,790	7	1.59%
Peralta Community College Dist	2,020	9	1.15%	N/A		
Oakland Children's Hospital	1,970	10	1.12%	N/A		
Kaiser Foundation Hospitals	N/A			4,340	4	2.47%
Bay Area Rapid Transit	N/A			2,800	6	1.59%
Alta-Bates Medical Center	N/A			2,620	8	1.49%
Kaiser Foundation Health Plan	N/A			2,590	9	1.48%
Summit Medical Center	N/A			2,230	10	1.27%
Total	39,664			44,850		

Note: Data pertaining to principal employers for the past 10 years is not readily available. As such, we used 2006 data as our base year which is the earliest information available.

Source: Fiscal Year 2006 - Economic Development Alliance for Business, Alameda County Largest Employers.
 Fiscal Year 2009 - Economic Development Alliance for Business, Alameda County Largest Employers.
 Total employment of 175,586 (2008 estimate) from DemographicsNow.com is used to calculate the percentage of employment

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 20

**FULL-TIME-EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Aging, Health & Human Services	N/A	N/A	N/A	N/A	224	219	210	213	208	204
Community & Economic										
Development Agency	N/A	N/A	N/A	N/A	285	266	258	262	419	380
Fire										
Firefighters and officers	492	492	492	506	481	464	445	456	462	448
Civilians	66	66	74	81	78	72	77	81	82	77
General Government										
Management services	N/A	N/A	N/A	N/A	214	207	199	222	211	204
Finance	N/A	N/A	N/A	N/A	184	175	201	210	209	196
Retirement Services	N/A	N/A	N/A	N/A	8	6	7	7	5	5
Personnel Resource Mgmt	N/A	N/A	N/A	N/A	36	35	38	41	53	47
Contracts and Purchasing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	22	22
Information Technology Division	N/A	N/A	N/A	N/A	73	72	76	76	92	88
Library	N/A	N/A	N/A	N/A	181	172	173	160	150	140
Marketing - CAM	N/A	N/A	N/A	N/A	22	22	22	22	21	20
Museum	N/A	N/A	N/A	N/A	67	61	56	58	55	51
Parks and Recreation	N/A	N/A	N/A	N/A	216	81	88	81	76	92
Police										
Officers	751	747	839	763	759	714	701	725	746	791
Civilians	462	494	443	443	385	370	354	335	432	303
Public Works	N/A	N/A	N/A	N/A	609	698	709	727	561	546
Total	4,218	4,218	4,556	3,858	3,822	3,634	3,614	3,676	3,804	3,614

Note: FTE's not broken down by function/program prior to FY04.

Source: City of Oakland Personnel Resource Mgmt.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 21

**OPERATING INDICATORS BY
FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government							
Building permits issued	15,910	16,424	15,942	15,674	16,488	14,957	13,055
Building inspections conducted	N/A	N/A	N/A	78,306	89,388	95,064	77,845
Authorized new dwelling units	930	857	1,350	1,377	2,035	704	395
Commercial value (in thousands)	260,000	156,669	173,292	173,908	171,157	213,696	117,876
Residential value (in thousands)	170,527	268,600	356,256	646,214	611,036	258,617	196,362
Police							
Dispatched calls	N/A	N/A	N/A	317,323	299,283	289,032	315,522
Field Contacts	N/A	N/A	N/A	8,270	7,221	9,641	8,393
Physical arrests	N/A	N/A	N/A	10,958	14,908	16,866	18,183
Parking violations	N/A	548,922	539,115	512,376	470,008	459,459	496,655
Traffic violations	N/A	N/A	N/A	36,233	39,098	44,897	51,019
Fire							
Emergency responses	60,819	41,999	34,806	58,736	61,470	49,784	51,255
Fires extinguished	N/A	N/A	N/A	3,095	2,021	3,800	2,601
Inspections	1,070	1,070	2,310	2,515	2,631	3,062	3,258
Port of Oakland							
Imports (in tonnage)	9,905,575	10,759,090	12,434,675	15,223,082	16,081,289	16,203,404	14,664,473
Exports (in tonnage)	<u>13,071,935</u>	<u>14,170,929</u>	<u>14,510,634</u>	<u>14,837,250</u>	<u>14,710,407</u>	<u>16,191,383</u>	<u>16,258,547</u>
Total tonnage	22,977,510	24,930,019	26,945,309	30,060,332	30,791,696	32,394,787	30,923,020
Containers	1,079,479	N/A	1,160,270	1,292,277	1,369,123	1,363,367	1,273,805
Other public works							
Street resurfacing (miles)	N/A	N/A	N/A	2.44	14.58	13.83	18.63
Potholes repaired	N/A	N/A	N/A	5,020	12,574	11,758	8,515
Parks and recreation							
Athletic field permits issued	N/A	N/A	N/A	465	543	330	340
Community center admissions	N/A	N/A	N/A	909,303	1,436,682	1,423,577	1,342,657
Library							
Volumes in collection	1,291,097	1,292,980	1,357,589	1,300,023	1,956,249	1,242,415	1,316,849
Total volumes borrowed	1,950,437	1,779,358	2,062,891	2,316,772	2,270,755	2,328,712	2,436,806
Water							
New connections	N/A	N/A	N/A	890	389	474	297
Water main breaks	N/A	N/A	N/A	269	261	251	410
Average daily consumption (gallons/family)	213	213	203	203	203	N/A	N/A
Peak daily consumption (thousands of gallons)	385,000	385,000	385,000	385,000	385,000	N/A	N/A
Wastewater							
Average daily sewage treatment (thousands of gallons)	72,000	72,000	76,000	77,000	75,500	75,000	66,000

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
Note: Port of Oakland data based on prior calendar year; fiscal year data unavailable.

**CITY OF OAKLAND
STATISTICS**

SCHEDULE 22

**CAPITAL ASSET STATISTICS
BY FUNCTION/PROGRAM**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Aviation facilities										
Airports operated	N/A	N/A	N/A	N/A	N/A	1	1	1	1	1
Paved airport runways	N/A	N/A	N/A	N/A	N/A	4	4	4	4	4
Total length of runways (in feet)	N/A	N/A	N/A	N/A	N/A	24,520	25,038	25,038	25,038	25,038
Area of airport (in acres)	N/A	N/A	N/A	N/A	N/A	2,500	2,600	2,600	2,600	2,600
Police										
Stations	N/A	N/A	N/A	N/A	N/A	N/A	2	7	8	8
Patrol units	N/A	N/A	N/A	N/A	N/A	N/A	611	630	622	633
Fire stations	N/A	N/A	N/A	N/A	N/A	25	25	25	25	25
Harbor facilities										
Miles at waterfront	N/A	N/A	N/A	N/A	N/A	N/A	19	19	19	19
Berthing length at wharves (in feet)	N/A	N/A	N/A	N/A	N/A	N/A	23,063	23,063	23,063	23,233
Harbor area (in acres)	N/A	N/A	N/A	N/A	N/A	N/A	786	786	786	786
Hospitals	N/A	N/A	N/A	N/A	N/A	N/A	2	2	4	4
Library branches	N/A	N/A	N/A	N/A	N/A	16	16	16	15	15
Museums	N/A	N/A	N/A	N/A	N/A	2	2	2	1	1
Other public works										
Streets (in lane miles)	N/A	N/A	N/A	N/A	N/A	N/A	2,294	2,287	2,288	2,323
Streetlights	N/A	N/A	N/A	N/A	N/A	N/A	36,219	33,952	36,219	36,219
Traffic signals	N/A	N/A	N/A	N/A	N/A	N/A	671	680	671	688
Parks and recreation										
Acreage	N/A	N/A	N/A	N/A	N/A	2,500	2,500	2,500	2,500	2,500
Swimming pools	N/A	N/A	N/A	N/A	N/A	7	7	5	7	5
Tennis courts	N/A	N/A	N/A	N/A	N/A	44	44	36	44	44
Playgrounds	N/A	N/A	N/A	N/A	N/A	13	13	89	106	106
Baseball/softball diamonds	N/A	N/A	N/A	N/A	N/A	64	46	46	40	40
Soccer/football fields	N/A	N/A	N/A	N/A	N/A	13	13	15	15	15
Community centers	N/A	N/A	N/A	N/A	N/A	29	29	29	34	34
Water										
Water mains (miles)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fire hydrants	N/A	N/A	N/A	N/A	N/A	N/A	6,700	6,705	6,719	6,733
Storage capacity (thousands of gallons)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wastewater										
Sanitary sewers (miles)	N/A	N/A	N/A	N/A	N/A	N/A	29	29	29	29
Treatment capacity (million gallons per day)	N/A	N/A	N/A	N/A	N/A	N/A	120	120	320	320

Source: City of Oakland, Port of Oakland, and East Bay Municipal Utility District
Note: Harbor Facilities data based on prior calendar year; fiscal year data unavailable.

CITY OF OAKLAND STATISTICS

GENERAL INFORMATION

The City of Oakland is located on the eastern side of the Oakland/San Francisco Bay in the County of Alameda. Its western border offers 19 miles of coastline, while the rolling hills to the east present views of the Bay and the Pacific Ocean. In between are traditional, well-kept neighborhoods, a progressive downtown and superior cultural and recreational amenities. It is the administrative site for the County of Alameda, the regional seat for the federal government, the district location of primary state offices, and the *transportation hub and center of commerce* for the Bay Area.

With an estimated population of over 425,068, ranking the eighth largest city in the State of California, Oakland is a city of contrasts. It has a thriving industrial port located near restored historic buildings. Major corporate headquarters are in close proximity to traditional businesses and small shops. Historic structures continue to be preserved and revitalized while new buildings are built.

Oakland has grown rapidly since World War II. It has striven to balance this growth by preserving its abundant natural beauty and resources. The City has 106 parks within its borders and several recreational areas along its perimeter. The downtown area includes Lake Merritt, the largest saltwater lake within a U.S. city. Its shoreline is a favorite retreat for joggers, office workers and picnickers. At dusk, the area sparkles as the lake is lit with the "Necklace of Lights." Lake Merritt is the oldest officially declared wildlife sanctuary in the United States, dating back to 1870.

ALL-AMERICAN CITY

According to U.S. Census figures, Oakland is the most culturally and ethnically diverse city in America. This diversity is reflected in a dynamic, multicultural arts, culture and dining scene. Less obvious to people passing through Oakland is the extraordinary number of individuals and groups of all ethnic backgrounds who work quietly, often voluntarily, usually with little public notice, to improve living conditions for everyone. There are about 150 neighborhood, community, and merchant organizations in Oakland, an unusually large number for any city.

In recognition of these activities, the City and its residents were awarded the National Civic League's prestigious All-American City designation. Ten cities out of 151 applicants were selected. Each had to demonstrate broad-based citizen involvement reflecting the community's demographics, the shared decision-making among its public and private sectors, the creative mobilization of community resources, and the willingness to confront critical local issues and results that have a lasting impact.

GOVERNMENT

In November 1998, the citizens of Oakland passed Measure X to change the form of government from Council/Manager to Mayor/Council through a charter amendment. The legislative authority is vested in the City Council. The executive authority is vested in the Mayor with administrative authority resting with the City Manager under the direction of the Mayor. The City Auditor and the City

CITY OF OAKLAND STATISTICS

Attorney are both elected officials and serve four-year terms.

The Mayor and City Council is the governing body of the City and is comprised of eight elected officials. One Council member is elected "at large", while the other seven Council members represent specific districts. The Mayor and City Council are elected to serve four-year terms. The City Manager, appointed by the Mayor, is responsible for day-to-day administrative and fiscal operations of the City.

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

The City provides a full range of services contemplated by statute or charter, including those functions delegated to cities under state law. These services include public safety (police and fire), sanitation and environmental health enforcement, recreational and cultural activities, public improvements, planning, zoning, and general administrative services. Oakland is also the seat of Alameda County, which is one of California's largest counties.

COMMERCIAL SECTORS

Oakland has made significant gains in diversifying its economic base. While manufacturing jobs have decreased, the economy now offers a healthy mix of trade, transshipment, government, high tech, financial, real estate, medical, publishing, and service-oriented occupations. It also has growing skilled-crafts and re-emerging food production sectors. Because it is considered the transportation hub of Northern California, the growth in its port and international airport activities have been unprecedented in the last five years driven by agricultural and high tech products shipped to and from the far east economies. In a March 18, 2004 press release, the Port moved \$1.2 billion in agricultural goods in 2003 and is the primary seaport for more than 70% of California wine, dried fruits, and other edible exports.

Oakland is abundant in resources that are available to its businesses and residents. State-of-the-art transportation, communications, and utility facilities keep the City running smoothly. Waterfront restaurants, shops, live performance venues, and a nine-screen movie theater makes Jack London Square a lively nighttime attraction. In addition, new office and retail buildings, public facilities, hotels, a convention center, park enhancements, seven farmer's markets, outdoor cinema, 32 art galleries and scores of public art installations and the annual Art & Soul festival have created a cosmopolitan environment in the downtown. The City's 40 increasingly robust neighborhood retail areas are expanding and being revitalized. Abandoned warehouses, foundries and long silent cigar, macaroni, and tent factories are being converted into live/work studios for crafts people.

City departments and processes are being streamlined, restructured, and customer focused to better

CITY OF OAKLAND STATISTICS

serve the needs of the businesses and the community. A variety of incentives are available to companies located in its Enterprise, Foreign Trade, and Recycling Market Development Zones. The East Bay Entrepreneur Center, located in downtown Oakland, links businesses with the many services available to them throughout the area and serves as an ombudsman for companies dealing with the City. Neighborhood Commercial Revitalization Specialists work with merchants in each commercial district to promote the district, obtain loans, expedite permits, and arrange for City services.

Oakland is a city of rich history, impressive growth, and a promising future. Located within the **nation's largest metropolitan area**, California's eighth largest city is strategically positioned as the economic heart of the East Bay. Oakland is ready for the twenty-first century with a diverse business base and opportunities for expansion in business services, retail, and the cutting-edge advanced technology industries. Downtown Oakland offers competitively priced office space, a fiber optic infrastructure, and the amenities for both traditional and emerging enterprises.

As the economic, transportation, and civic hub of the East Bay, Oakland offers tremendous opportunity for retailers. The City's approximately 425,068 residents per capita income in 2009 averaged \$26,308. Portions of Oakland are among the wealthiest consumer markets in California; nearly one-quarter of the City's households report household income in excess of \$77,500. Estimated annual taxable sales were \$3.7 billion in 2009. Compared to other East Bay cities, Oakland sees a significant number of auto-related purchases, with opportunities available in consumer goods, building materials, and office products.

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

- "...4th Best commercial real estate market in the country." (Moody's Investors 2003);
- "...6th Best City to live in the U.S." (Money, Dec. 2002);
- "...7th Most Creative City in America." (Carnegie Mellon);
- "...8th Best Place for Business in the U.S." (Forbes 2002 Annual Survey);
- "...uniquely positioned as an excellent point for international business." (Mickey Kanter, former U.S. Secretary of Commerce);
- "...ranked 8th in the nation in the percentage of women-owned businesses." (*Center for Women's Business Research, September 2004, based on U.S. Census Bureau data*);
- "...projected to have the highest average household income growth rate (3.67%) in the U.S. for the period 2004-2009." (NPA Data Services, 2005);
- "...ranked 4th best potential retail market in the nation." (Marcus & Millichap, 2007);
- "...ranked 2nd in technology intensity and 4th highest percentage of U.S. households with computer users." (MetaFacts, April 2003);
- "...ranked the top commercial real estate market in the nation, projected to have the largest increase in rents of all U.S. cities through 2007." (*Cushman & Wakefield, 2006*);
- "...among the top ten in 2008 US Cities Sustainability Ranking." (Sustainlane.com 2008);
- "...ranked 5th greenest economic cities." (Communitywalk.com 2008); and
- "...ranked 2nd in top 10 large cities recycling program." (Natural Resources Defense Council)

CITY OF OAKLAND STATISTICS

These pronouncements are testimony to the City's vibrancy, its business-friendly public policies, its well educated (ranked 8th as most educated in the nation) and skilled labor force, its incentive-driven environment within which to do business, and a City administration under Mayor Ronald Dellum's leadership that enthusiastically supports and embraces sustainable economic development.

DEMOGRAPHICS

Oakland is a Mecca of culture, a community of people from all over the world working together to build a progressive City. At the same time, it has maintained a rich heritage of ethnic backgrounds and traditions.

The well-maintained four freeways (I-880, I-580, Hwy 13, and Hwy 24), mass transit systems, and ferry service make getting to and from downtown Oakland a relatively quick and easy process—travel times to San Francisco, San Jose and other area cities are surprisingly short.

In July 2009, the Mayor announced the City's receipt of \$19.747 million from the U. S. Department of Justice's Community Oriented Policing Services (COPS) program as part of the American Recovery and Reinvestment Act. The grant award will fund 41 police officers for the next three years and constitutes the largest grant award given in the nation. The Mayor served as Oakland's champion to the White House and federal agency officials in articulating our collective efforts to reduce crime through holistic and comprehensive public safety strategies. Oakland's community policing model is a key centerpiece of our approach.

Some noteworthy data points about the City's COPS grant include the following:

- The City of Oakland's grant of \$19,747,117 was the largest awarded in the nation. California has 109 applications awarded;
- The grant scoring was based upon three factors: fiscal health, crime statistics, and community policing model. The City received a score of 100% on our grant application;
- The Department of Justice received 7,272 applications from law enforcement agencies requesting \$8.3 billion to fund more than 39,000 officer positions. With \$1 billion available, the Department funded 1,046 applications that will pay for 4,699 officers. They anticipated funding 24% of applications from large cities, the category that Oakland falls under; and
- In light of the oversubscription for the COPS program, the Department of Justice decided to place a funding cap for the jurisdictions selected for an award which capped all funded agencies at no more than 5% of their current actual sworn force strength as reported in their application, up to a maximum of 50 officers. Oakland's sworn workforce at the time of our COPS' application was 814 officers, which gave us a funding cap of 41 officers.

CITY OF OAKLAND STATISTICS

In 1999, the City launched “Downtown 10K Initiative”: the 10K Downtown Housing Initiative, has realized its goal of attracting 10,000 new residents to downtown Oakland by encouraging the development of 6,000 market-rate housing units. A near perfect climate, California’s best mass transit system, a central Bay Area location and a growing downtown workforce all contribute to make downtown Oakland a great place to live.

As of September 2007, the 10K Downtown Housing Initiative has resulted in the start of 84 residential projects with 10,468 units. Of these, twenty-five projects (2,274 units) have been completed, eighteen projects (2,187 units) are in construction, twenty-one projects (2,316 units) have received planning approvals, and sixteen projects (3,691 units) are in the planning process. The Initiative has literally altered Oakland’s skyline with the construction of the Essex on Lake Merritt, the first high-rise residential construction in downtown Oakland in a decade. Once these projects are completed, the 10K Initiative will have exceeded its goal by 4,468 units or almost double.

To enhance the downtown for retail, the City/Redevelopment Agency is (1) constructing \$7 million of sidewalk improvements and pedestrian and transit amenities, (2) providing Façade Improvement and Tenant Improvement matching grants; and (3) encouraging the development of public parking.

Both Oakland’s Maritime and International Airport operations are undergoing major capital improvements. The Maritime Division has added 12 new giant cranes to its cargo handling capacity, reflecting an investment of over \$50 million to connect with the new Joint Intermodal Terminal, and over \$38 million investment in federal transportation and private funds. This new 85-acre Intermodal Terminal affords Oakland two viable dock-to-rail alternatives to offer shipping customers. This facility will also benefit the community by taking more than 20,000 truck moves a year off the Interstate 80 freeway.

The Oakland Airport served more than 14 million passengers annually from 2004 to 2007. FAA forecasts show that by 2012, nearly 20 million passengers will travel through Oakland each year. To accommodate passenger growth, the Port is moving forward with its \$1.6 billion Airport Development Program (ADP) to enhance the airport improvements at its two terminals. The Airport is scheduled to add 17 new passenger gates, including new and expanded cargo facilities, a new two-level roadway system, parking structure, and streamlined rental car facilities. The expansion plans have been designed to accommodate the proposed Bay Area Rapid Transit (BART) rail connector between the airport and Coliseum BART station.

The Mayor and City Council have achieved considerable success in their active recruitment of and support for new and existing companies in five major target industries: telecommunications, software/multimedia, biotechnology, transportation, and food processing. The Oakland metro region is now home to more than 2,145 high-tech companies employing more than 52,000 people. As the Bay Area’s economic boom spreads to Oakland, the City is also focusing its efforts on ensuring that more of its residents are able to enjoy the benefits of that boom. In conjunction with Bank of America, the City has launched an aggressive \$1 billion First-time Homebuyer Program targeted at helping Oakland residents buy their own home.

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HISTORY

Oakland's first inhabitants, the Ohlone Indians, arrived about 1200 B.C. and lived in small tribal groups on the edge of the hills surrounding the Bay. The Ohlone Indians were a stocky hunting and gathering group who lived in such harmony with nature that they left no permanent mark on the landscape. They maintained such a peaceful attitude with each other that they had no word for war.

Spanish explorers first entered the area that is now Oakland by land in 1772. They reported the natural geography as possibly the most perfect on earth. Near the shore were magnificent oaks; on the hills stood acres of giant redwoods. In the spring, wildflowers filled the valley with golden poppies and purple iris. Deer, rabbits, bears and wildcats roamed the woods. Creeks tumbled into a Bay filled with salmon, crabs, sturgeons, smelts, lobsters, clams, and mussels. The marsh that would become Lake Merritt was alive with wildfowls.

Spain established a Presidio and a Mission on the west side of the Bay in 1776, and Mission San Jose (south of Oakland) is now Fremont. Mission San Jose had jurisdiction over Oakland, the area the Spaniards called Encinal, "grove of evergreen oaks." European diseases and settler hostility obliterated the Ohlones and most of their culture within a few years.

Development as a commercial and transportation center began with the California Gold Rush of 1849, when Oakland became the mainland staging point for passengers and cargo traveling between the Bay and the Sierra foothills.

Oakland was incorporated as a city in 1852, and construction of shipping wharfs began immediately. Ferry service between Oakland and San Francisco had existed for years, but by building large wharfs and dredging a shipping channel, Oakland became an independent destination. Oakland grew steadily through the 19th century. After the devastating earthquake in 1906, many people and businesses chose to relocate from San Francisco to Oakland. Oakland's population more than doubled between 1900 and 1910.

Oakland benefited from the general prosperity of the area through the 1920s. California farms expanded their markets, contributing to canning, processing, and shipping companies based in Oakland. Auto makers and steel companies led the industrial expansion throughout the East Bay. Construction businesses had plenty of work as homes went up south and east of the inner city, and new high-rise office buildings were built in downtown Oakland.

World War II brought tremendous changes to Oakland. Huge numbers of workers moved to the Bay Area to work in local shipyards, and many of these people, as well as large numbers of military personnel who mustered out at Treasure Island and the Oakland Army Base, chose to remain in the Bay Area. The population grew by almost one third between 1940 and 1950.

Oakland has a rich literary and cultural heritage. Such historical notables as writers Bret Harte, Jack London, Joaquin Miller, Ina Donna Coolbrith, Jessica Mitford, Narman Jayo, Ishmael Reed, and Gertrude Stein; architect Julia Morgan; and dancer Isadora Duncan are just a few who have left their cultural mark on the City. It is also the birthplace of the West Coast Blues.

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TRANSPORTATION

Located in the geographical center of the Bay Area, Oakland has been recognized as an important transportation hub for more than 100 years. The combination of train, bus, ferry, marine, aviation, freeways (I-880, I-580, Hwy 13, and Hwy 24), and the Bay Area Rapid Transit (BART) system guarantees ease of travel for local residents and efficient channels of commerce for businesses relying on the City's easy access. Oakland's Port is a primary sea terminal for transporting cargo between the Western United States and the Pacific Rim, Latin America, and Europe. Air cargo service is minutes away at the Oakland International Airport.

The Port of Oakland

The Port of Oakland is located on the east (or mainland) side of San Francisco Bay, one of the most beautiful natural harbors in the world. The Port is the third largest container port on the Pacific Coast, fourth largest in the United States and among the top 30 in the world. It is served by two railroad companies: the Burlington Northern Santa Fe (BNSF) and the Union Pacific.

The Port handles over 98 percent of Northern California's container traffic, which includes service by over 30 container lines. It has technically advanced facilities available not only for containers but for break-bulk, heavy-lift, and other specialized cargo. The Port has approximately 1,000 acres of developed terminal facilities and container storage and handling areas with 35 ship-to-shore container cranes in operation at these facilities. All Vision 2000 terminal facilities are open and operating. They consist of the 120 acre Hanjin container terminal, the 150 acre Stevedoring Services of America container terminal, and the 85 acre intermodal rail terminal operated by the BNSF. The recently renovated and expanded Union Pacific Railroad intermodal facility is located adjacent to the BNSF facility. As part of the Port's Vision 2000 expansion, a new harbor roadway has been constructed along with other harbor area roadway improvements. In addition, the Middle Harbor Shoreline Park and Wildlife Habitat have been completed in 2003.

Oakland International Airport

Oakland International is San Francisco Bay Area's most convenient airport and is a leader in on-time performance with 72.6% of its flights out on time. Strategically located at the center of the region, Oakland International handled 11.4 million passengers in 2008 and almost 700,000 metric tons of air cargo annually. It is the 31st largest airport in the United States by passenger traffic, and the second largest airport in the Bay Area. The airport is comprised of two airfields: South Field (the main commercial airfield) and North Field (primarily used by general and corporate aviation and some cargo companies). Between the two airfields, Oakland International handles more than a half million operations annually, making it the 8th busiest airport in the world. From South Field, there are more than 200 departures daily to domestic and international destinations. The passenger terminal complex consists of two terminals with 29 gates, including an international arrivals building for Oakland's growing international service to such destinations as Guadalajara, Morelia, Leon, Mexico, Paris, and

CITY OF OAKLAND STATISTICS

Papeete, Tahiti and the Azores Islands. Service between Oakland and Hawaii was inaugurated in February 2000 and direct flights to New York, JFK and Newark, New Jersey were started. The \$110 million Terminal 2 Expansion Project will add five gates and a food court, plus new baggage-screening facilities. The airport employs approximately 15,900 people. United Airlines and Alaska Airlines operate maintenance facilities at Oakland International.

Air Cargo at Oakland International Airport

Oakland International handles nearly 700,000 metric tons of cargo annually, it is among the top 30 airports in the world in the amount of cargo handled. Five all-cargo carriers currently serve Oakland International. Additionally, air cargo is on the domestic and international passenger carriers that serve the airport. About one in every four employees works in a job related to cargo. FedEx, which currently doubled its operations in Oakland by opening a new 13-acre, 191,000 square foot complex, operates a regional sorting and international import clearance facility at Oakland, where nearly 2,100 people are employed. UPS employs 450 people in its airport sort facility and operates a regional distribution center at the nearby Oakland Airport Business Park.

Mass Transit

Local bus service is provided by AC Transit, the public bus system serving 13 cities (and adjacent unincorporated communities) in 364 square miles along the east shore of San Francisco Bay. Serving a population of 1.5 million, AC Transit operates a network of 105 transbay and local East Bay bus routes, 98% of which make transfer connections with the Bay Area Rapid Transit (BART) system. AC Transit buses also serve the new Amtrak Station and ferry terminal at Jack London Square, the Oakland International Airport, and many other Bay Area attractions including downtown San Francisco.

BART is a 104-mile, automated rapid transit system serving over 3 million people in the three BART counties of Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. Trains traveling up to 80 mph connect 17 Bay Area cities and 43 stations. Travel between Oakland and San Francisco averages only 20 minutes on BART.

Other modes of transportation include the Alameda/Oakland Ferry Service that also links Oakland with San Francisco. Nine major U.S. and California highways pass through Oakland. Daily service to rail destinations throughout the U.S. is offered at the Oakland Amtrak Station. Greyhound Bus Lines likewise offers daily bus service to cities throughout the United States.

EDUCATION

The Oakland Unified School District is governed by the Board of Education consisting of seven elected members and three mayoral appointees. The day-to-day operations are managed by the Superintendent of Schools.

The District operates 65 elementary, 20 middle, and 24 high schools. They also operate 36 child

CITY OF OAKLAND STATISTICS

development centers and 6 adult education schools. The pupil to teacher ratio is 20:1 for K-3, 31:1 for grades 4-5, and 32:1 for 6-12 graders. Current implementation of 20:1 ratio for 9th graders is ongoing.

There are two community colleges and four four-year institutions inside the city limits, with the world-renowned U.C. Berkeley campus located nearby. In addition, a variety of evening extension courses is offered in Oakland by nine other Bay Area colleges, including U.C. Berkeley. A wide array of non-profit, county and City-sponsored skills enhancement training programs are provided to Oakland residents, and career development is successfully encouraged at area high school academies.

HEALTH CARE

Oakland's medical facilities are among the best in the nation. The medical community provides the latest and most sophisticated medical technology for the diagnosis and treatment of disease. Over 1,500 physicians, 250 dentists, and four major hospitals are located within the City. Overall, the health care industry in Oakland employs approximately 14,000 people.

PUBLIC SAFETY

The Oakland Police Department is striving to use successful and innovative techniques to reduce crime in the City. The Department continues to strengthen its commitment to Community Policing by employing a new patrol reorganization plan. This plan emphasizes each officer's ability to utilize the Problem Oriented Policing and Problem Solving Teams approach in an effort to reduce Part 1 crimes in the coming years.

PARKS AND RECREATION

Sports, performing arts, boating, camping, gardens, and many other leisure activities are available at more than 140 parks, playgrounds, community centers, and other recreational facilities operated by the City. There are two public golf courses and a third driving range. Seven outdoor pools offer seasonal lap and recreational swimming, instruction, and showers. The Parks and Recreation Department operates more than 40 tennis courts. Oakland's Feather River Camp, a family camp located in the Plumas National Forest, is operated by the nonprofit group Camps in Common and offers both tent and cabin sites for overnight camping. Families and groups enjoy the rustic amenities, swimming, a variety of activities, and theme weeks offered at the camp throughout the summer months. Instruction in sailing, wind surfing, and kayaking are available at Lake Merritt. Boats are available for rent, including paddleboats, kayaks, rowboats, canoes, and sailboats. The City provides public boat launches at its seven-acre, waterfront park on the estuary and at Lake Merritt. The Port of Oakland owns and operates three marinas with berths.

There are over 79,000 acres of wilderness and parklands in the nearby East Bay Regional Park District, including 53 parks and 20 regional trails in Alameda and Contra Costa counties.

CULTURAL ARTS

Oakland is home to one of the most vibrant visual, performing and cultural arts communities in the West Coast. It is experiencing a dynamic cultural renaissance and economic revitalization throughout

CITY OF OAKLAND STATISTICS

downtown, the waterfront, and neighborhoods. There are more than 5,000 professional artists living and working in Oakland; 25 dance companies; 36 music groups and organizations; 12 theater companies; 40 visual arts galleries and 15 historic and museum sites.

The Mayor and City Council have established a priority to “Celebrate Arts and Culture to express the creativity and diversity of Oakland.” The Cultural Arts & Marketing Division, Office of the City Administrator, is the City’s local arts agency which provides services to the arts community and sponsors culturally enriching programs, exhibitions, and events to celebrate Oakland’s creative and cultural diversity. Through its three program areas, the Cultural Funding Program, Public Art Program, and Special Projects, the Cultural Arts & Marketing Division seeks to broaden and strengthen community participation in the development, support, and promotion of Oakland’s rich artistic and cultural heritage at the local, regional, and national level.

Cultural Funding Program—The City of Oakland, through a competitive application process, awards over \$1.1 million in contracts each year to Oakland-based nonprofit organizations and individual artists that collectively provide more than 5,000 arts and cultural activities to Oakland residents and visitors.

Public Art Program—The City commissions works of art for public buildings, parks, and open spaces to beautify neighborhoods, enrich civic spaces, and help create a unified vision for the entire City. Current projects include: creating a series of mosaic insets for the seatwalls at the newly renovated Willow Park in West Oakland, creating a series of interpretive sculptures along the Greenbelt, stretching from Hardy Park to Redondo park, off Claremont Avenue, installing artworks in the Raimondi Park and Sports Fields in West Oakland, implementing the Adopt-A-Sculpture Program, and several Measure DD-funded projects along Lake Merritt and the Oakland Estuary.

Special Projects—The City collaborates with other community organizations, businesses, public institutions, and City agencies to produce programs, events, festivals, and celebrations that promote Oakland’s art and culture. Current projects include: Oakland Artisan Marketplace, Art & Soul Oakland Festival, and support for 20 major festivals citywide.

Galleries—Three new exhibition spaces downtown showcase high quality art by Oakland Bay Area visual artists in a variety of expressive mediums. They include the Craft and Cultural Arts City of Oakland/State of California Gallery, established through a ‘partnership in the arts’ collaboration, the Oakland Art Gallery, and the Galleries of Oakland space in City Hall. The Third Thursday Oakland Art Night, through which art patrons can tour downtown galleries until 8pm on the third Thursdays, is a newly created program.

Oakland Museum of California—One of the world’s finest regional museums, the Oakland Museum of California hosts traveling exhibitions each year and maintains three permanent exhibitions featuring California’s artistic heritage, history and natural resources. The Museum’s permanent and special exhibitions, tours, educational programs and public festivals celebrate the state’s far-reaching diversity, attracting over 200,000 visitors and serving more than 60,000 school children annually.

CITY OF OAKLAND STATISTICS

Paramount Theater—This 1931 movie place, authentically restored in 1973, is Oakland's premiere live performance facility. The Oakland East Bay Symphony, led by maestro Michael Morgan, showcases a fine classical repertoire and works of California composers. The internationally recognized Oakland Ballet is expanding its definition of Ballet under Artistic Director Karen Brown. Both the Symphony and the Ballet perform at the Paramount Theater, which also hosts Broadway shows, R&B concerts, gospel musicals, comedy performances and many special engagements.

Malonga Casquelourd Center for the Arts — This is a multi-cultural performing arts complex that is home to the Citicentre Dance Theater, Dimensions Dance Theater and the Oakland Ensemble Theater, all founding resident companies. In addition to hosting local, regional and national theater, dance and music productions, rental space for arts events are available.

The Oakland School for the Arts—This new Charter School provides students with intensive pre-professional training in the arts, within a college-preparatory curriculum for grades 8-12, and will be located on the ground floor of the soon-to-be restored Fox Theater in the Uptown district. It is among the highest performing public schools in the State.

SPORTS

Oakland is a magnet for sports fans of all types. Whatever the season, Oakland pro and amateur games often garner broad national media coverage. In the last two decades, Oakland's professional sports teams have won six world championships in three major sports. Of those, the Oakland Athletics have won six American League Championships and four baseball World Series titles. The Oakland Coliseum complex is home to the Athletics, the Golden State Warriors, and the Oakland Raiders. The city's fine sports reputation has made it a natural home for key events such as the 1987 All Star Game, the 1988, 1989 and 1990 World Series, 1989 Masters Rowing Regatta, the 1991 Summer Police Games, the World Figure Skating Championships in 1992, the Olympic Boxing Team Trials of 1996, the NBA All Star game in 2000, and the AFC Championship game between the Oakland Raiders and the Tennessee Titans in 2002. The Oakland Ice Rink, located in downtown City Center area, is one of the most technologically advanced ice rinks in the nation.

In March 23 and 25, 2006, the University of San Francisco and the Oakland Arena hosted the 2006 NCAA Men's Basketball Division I Regional Finals. It was the first time the University of San Francisco hosted this prestigious event and the first time since 1995 that the Oakland Arena served as the host venue. The City of Oakland drew considerable praise from the NCAA for its hosting of this exciting run-up to the Final Four while attracting more than 50,000 visitors and generating extensive regional media coverage.

MEDIA

Oakland has its own daily and weekly regional newspapers, radio stations and a television station with daily award-winning newscasts. Its neighborhoods distribute 50 newsletters. In addition to media and cable companies located in Oakland, the City is served by other major Bay Area newspapers, seven television stations (including the three major networks) and the Public Broadcasting System. Over 30 other Bay Area radio stations are easily received in Oakland.

CITY OF OAKLAND

**Required Communications
and Recommendations**

**Fiscal Year Ended
June 30, 2009**

CITY OF OAKLAND

**Required Communications and Recommendations
Fiscal Year Ended June 30, 2009**

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SACRAMENTO

WALNUT CREEK

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Oakland (the City) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 25, 2009. Our opinions on the financial statements, insofar as they relate to the Oakland Redevelopment Agency (ORA), are based solely on the report of other auditors. This report does not include communications related to the audit of the ORA. Additionally, although we performed the audit of the Port of Oakland (the Port), the City's discretely presented component unit, this report does not include the communications related to that audit because separate communication is made to the Port's Board of Port Commissioners. In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as comment 2009-1 to be a material weakness.

The City's written response to the finding identified in our audit is described in the Schedule of Recommendations and Responses. We did not audit the City's response and, accordingly, we express no opinion on it. In addition, we have already discussed our comment and recommendation with various City personnel, and we would be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

Additionally, we have included in this letter a report on communications with the City Council as required by auditing standards generally accepted in the United States of America.

This communication is intended solely for the information and use of management, City Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

MACIAS GINI & O'CONNELL LLP

Macias Gini & O'Connell LLP

Certified Public Accountants
Oakland, California

November 25, 2009

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS

Professional standards require that we provide you with the following information related to our audit.

I. The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated February 26, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, we will examine, on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the City's compliance with those requirements. Our reports required under OMB A-133 are in process and those reports will be provided to you when they have been issued.

II. Other Information in Documents Containing Audited Financial Statements

During the year, the City included audited financial statements for the year ended June 30, 2008 in various debt offering documents (e.g., Official Statements.) We do not have an obligation to perform any procedures to corroborate other information contained in such debt offering documents. We were not associated with and did not have any involvement with such documents. Accordingly, we did not perform any procedures on these documents and provide no assurance as to the other information contained in the debt offering documents.

Our responsibility for other information in documents containing the City's financial statements and our report thereon does not extend beyond financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in these documents. We have, however, read the other information included in the City's comprehensive annual financial report; and no matters came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or its manner of presentation, appearing in the financial statements.

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS (Continued)

III. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 22, 2009.

IV. Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 2 to the basic financial statements. As described in Note 12 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, effective July 1, 2008.

In addition, the City presents the Port of Oakland (Port) in a unique manner as compared to other local governmental entities with port operations. All local government entities we sampled reflect their ports as departments of the organization rather than as a discretely presented component unit. Some of these ports have similar management structures with a Board of Commissioners appointed by the sponsoring city's mayor/city council to oversee the operations of the port. Management's representation to us was that the Port operates with a separate legal standing (i.e. using its own corporate powers) under the Charter, which would allow for this presentation. In addition, the City Attorney's Office has represented that the Port operates very similar to a corporation with the Charter acting as its Articles of Incorporation and By-Laws. Ultimately, the City's presentation of the Port makes it less comparable to other cities that have port operations, thus, being a unique presentation.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- *Fair value of investments.* The City's investments are generally carried at fair value, which is defined as the amount that the City could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.
- *Estimated unbilled sewer service revenue.* The estimates for unbilled sewer service revenue are based on an evaluation of the EBMUD reports, cash flows, monthly billing cycles and historical billings.
- *Estimated allowance for losses on accounts receivable.* The allowance for losses on accounts receivable was based on management's estimate regarding the likelihood of collectibility.

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS (Continued)

- *Estimated allowance for losses on loans receivable.* The allowance for losses on loans receivable was based on the types of loan (e.g., forgivable, deferred, grant or amortizing) and management's estimate regarding the likelihood of collectibility based on loan provisions and collateral.
- *Useful life estimates for capital assets.* The estimated useful lives of capital assets were based on management's estimate of the economic life of the assets.
- *Valuation of the net pension asset.* The net pension asset is the amount that exceeded the City's actuarially determined annual required contribution, which is based upon certain approved actuarial assumptions. This amount is then amortized over the amortization period used by the actuary to recognize the excess contribution as pension costs over time.
- *Estimated claims liabilities.* Reserves for estimated claims liabilities were based on actuarial evaluations using historical loss, other data and attorney judgment about the ultimate outcome of the claims.
- *Annual required contributions to pension and other postemployment benefit plans.* The City is required to contribute to its pension plans at an actuarially determined rate and to measure other postemployment benefit costs based upon certain approved actuarial assumptions.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial reporting units that collectively comprise the City's basic financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 25, 2009.

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

REQUIRED COMMUNICATIONS (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

SCHEDULE OF RECOMMENDATIONS AND RESPONSES

Comment No. 2009-1 – Material Weakness
Internal Service Fund Deficits

Governments often use internal service funds to centralize certain services and then allocate the costs of those services within the government. U.S. generally accepted accounting principles (GAAP) permit the use of internal service funds to report any activity that provides goods or services to the government on a cost-reimbursement basis. That is, the goal of an internal service fund should be to measure the full cost (including cost of capital assets) of providing goods or services for the purpose of fully recovering that cost through fees or charges. Accumulating significant deficits or excess net assets are indicative of the internal service activity not being operated on a cost-reimbursement basis. Under such circumstances, it may no longer be appropriate to report the activity in an internal service fund under GAAP.

The City has not set user fees to recover the full cost of services. Due to the deficiency in charges for services, the internal service funds have essentially borrowed monies from the General Fund in order to maintain operations. While the City made an improvement in the Equipment Fund, reducing its deficit by more than half, the deficit increased in the Facilities and Central Stores Funds. The overall net assets deficit of internal service funds grew by \$3.1 million and the overall borrowings from the General Fund grew by \$1.7 million.

The City has acknowledged this matter as significant and has made an effort to take corrective measures. The City prepared a “rebalancing plan” for its internal service funds, which was first adopted for the fiscal year 2005-07 policy budget, which attempted to cure the internal service fund deficit by fiscal year 2014-15. However, the rebalancing plans put in place in fiscal years 2006 and 2007 were not followed correctly due to the lack of general fund resources to make the required annual payments. As such, the City restructured its rebalancing plan as part of the recently adopted fiscal year 2009-11 budget. This newly restructured rebalancing plan has been modified to cure the net assets deficit of internal service funds by fiscal year 2018-19. In addition, the City adopted a financial policy that requires one-half of any one-time revenues received to be used specifically to reduce the net assets deficit of internal service funds.

The need for the City to restructure its initial rebalancing plan, and in light of current economic pressures affecting the City, brings into question its ability to manage its internal service funds on a cost-reimbursement basis, as its accumulated borrowings have reached \$50.8 million as of June 30, 2009. We recommend that the City monitor the progress of its restructured rebalancing plan very closely to ensure its feasibility. If it is determined that the plan is not feasible and that the City does not intend to or cannot recover the full cost of providing goods or services within a reasonable period of time, then the use of internal service funds is no longer appropriate under GAAP and should not be used for financial reporting purposes.

Management Response:

During the 2009-11 budget, the City revised the repayment plan for the internal service funds to eliminate the funds net asset deficit by 2018-19. In addition, the City adopted a financial policy during the 2009-11 budget that requires half of one-time revenues received to be used specifically to reduce the net assets deficits of internal service funds. Receipt of such one-time assets – and their subsequent deposit into the internal service funds, as required by the financial policies and barring any fiscal emergencies – will, in essence, expedite the “repayment” of the negative internal service balances.

It is management’s intent to take every step possible to ensure such an expedited repayment, in advance of FY 2018-19. Currently, the City is reviewing all of its surplus real estate assets to determine the feasibility of sale in the next one to three years.

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEARS' RECOMMENDATIONS

2007-2 Comment:

Internal Service Funds

Condition/Effect/
Recommendation:

The City reports five internal service funds, Equipment, Radio, Facilities, Reproduction and Central Stores. Governments often use internal service funds to centralize certain services and then allocate the costs of those services within the government. U.S. generally accepted accounting principles permit the use of internal service funds to be used to report any activity that provides goods or services to the government on a cost reimbursement basis. That is, the goal of an internal service fund should be to measure the full cost (including cost of capital assets) of providing goods or services for the purpose of fully recovering that cost through fees or charges. Therefore, if the City does not intend to recover the full cost of providing goods or services, then the use of internal service funds would not be appropriate.

As discussed the last two years, we are becoming increasingly concerned with the growth in both the deficits of certain internal service funds and the interfund loans used to support those services. The City has attempted to cure the internal service fund deficits by increasing the charges to the departments; however, those increases have not kept up with the increases in actual costs. Therefore, we recommended the City review its current budget repayment plan and revise it to cure the deficit over a reasonable period of time, such as three to five years.

The City's response was to maintain the current rebalancing plan for internal service funds in its adopted the FY 2007-09 policy budget, which cures the deficits by FY 2014-15.

Status:

The position of the City's internal service funds continued to worsen, and the rebalancing plan has been restructured. See current year finding at 2009-01.

2008-1 Comment:

Accounting for the City's Sewer Service Revenues

Condition/Effect/
Recommendation:

We were unable to complete our documentation of internal controls over sewer service revenues, as we were unable to meet with Community and Economic Development Agency (CEDA) staff. While we were able to document certain controls, such as the development of user rates and recording of receipts from East Bay Municipal Utility District (EBMUD), we were not able to determine whether the City has adequate controls over the monitoring of EBMUD services. Due to a lack of cooperation by CEDA, we assumed that controls and control documentation did not exist. Therefore, internal controls over the collection of sewer service revenues was considered a material weakness, as we were unable to determine the adequacy of internal controls and whether or not they were operating effectively. We were able to mitigate this audit risk by conducting substantive procedures, which included confirming cash receipts with EBMUD and application of analytical procedures.

CITY OF OAKLAND

Required Communications and Recommendations
Fiscal Year Ended June 30, 2009

STATUS OF PRIOR YEARS' RECOMMENDATIONS (Continued)

During our substantive procedures, we determined that the City did not have an adequate understanding of the EBMUD collection process and the timing of remittances to the City.

We recommended that the City document its internal controls over sewer service revenues, which included (1) performing risk assessments; (2) establishing controls, such as monitoring the billing and collecting activities performed by EBMUD; (3) establishing proper communication within the City Departments; and (4) establishing accrual procedures at year-end that capture all billed receivables and a basis for estimating the unbilled receivables.

Status: Management held a meeting among CEDA, the Public Works Agency, and the Finance and Management Agency to identify the most appropriate way to monitor the sewer system revenues collected by EBMUD on behalf of the City. The inter-agency meeting resulted in a monitoring process that was implemented during fiscal year 2008-09.

This has been fully implemented.

2008-2 Comment:

Accounting for the City's Net Pension Asset

Condition/Effect/
Recommendation:

During our review of the Oakland Police and Fire Retirement System (PFRS) financial statements for the year ended June 30, 2008, we noticed a change in reporting of actuarial information. The FY2008 PFRS report disclosed a six-year trend of actuarial required contribution (ARC) requirements in its required supplementary information, which had previously been reported as zero in past PFRS reports.

Upon further investigation, it was determined that the past PFRS reports were incorrect and that there has been past ARC requirements for the City which were not communicated or considered in its calculation of the net pension asset on the statement of net assets of its governmental activities. The net pension asset is the result of City contribution to PFRS that exceeded the actuarially determined annual required contribution, which originated from the bond proceeds of the 1997 Pension Obligation Bonds. This amount should then be amortized along with impact of subsequent annual ARC requirements to recognize the effects of excess/deficient contributions as pension costs over time.

We recommended going forward that the City's Finance and Management Agency accounting and retirement staff work with the PFRS actuary to calculate the annual pension cost and changes to net pension assets.

Status:

This has been fully implemented.

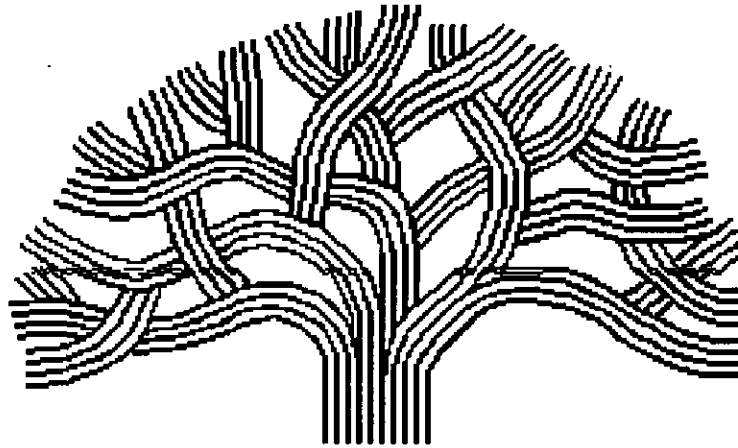
REDEVELOPMENT AGENCY

of the

CITY OF OAKLAND

CALIFORNIA

(A BLENDED COMPONENT UNIT OF THE CITY OF OAKLAND)



**Basic Financial Statements
and
Supplemental Information**

Fiscal Year Ended June 30, 2009

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
FINANCIAL REPORT

PROJECT TEAM

Joseph T. Yew, Jr.
Finance Director / City Treasurer

Osborn K. Solitei
Acting Controller

AUDIT/FINANCIAL STATEMENT COORDINATOR

Osborn K. Solitei, *Acting Controller*

FINANCIAL STATEMENT PREPARATION

Financial Statement Leaders

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Andy Wang

CLERICAL SUPPORT

Deborah Griffin, *Administrative Assistant*

SPECIAL ASSISTANCE

Katano Kasaine

Dawn Hort

Donna Treglown

SPECIAL ASSISTANCE – DEPARTMENTS & OFFICES

City Administrator's Office

City Attorney's Office

FMA-Treasury Division

Community & Economic Development Agency

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
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June 30, 2009

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WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants / Management Consultants

Independent Auditors' Report

The Members of the Council
of the Redevelopment Agency of the
City of Oakland

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Agency as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2009 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants
Management Consultants

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

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

Williams, Adley & Company, LLP

Oakland, California
November 19, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

This section of the Redevelopment Agency of the City of Oakland ("Agency") Annual Financial Report presents a narrative overview and analysis of the financial activities of the Agency for the year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the additional information contained in the Agency's financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The Agency's total assets exceeded its total liabilities by \$253.4 million compared to \$200.4 million for the previous fiscal year. This represents a net increase of \$53.0 million or 26.5 percent compared to last year. The net growth was driven primarily by increased property tax receipts of \$131.7 versus \$122.0 million for the previous fiscal year, as well as an \$8.1 million net increase in property held for resale and a \$27.4 million increase in notes and loans receivables. Conversely, liabilities decreased \$14.7 or 2.5 percent compared to the prior fiscal year primarily as a result of principal debt payment, restructuring and retirement of certain long-term debt.
- For the year ended June 30, 2009, the Agency's governmental fund balances were \$616.4 million compared to \$599.2 million in the previous fiscal year, an increase of 2.9 percent or \$17.2 million. The change in fund balance is primarily attributable to a \$9.8 million increase in tax increment and a \$38.0 million bond proceeds from issuance of Central District Tax Allocation Bonds, Series 2009T. These increases were offset by defeasance of the 2005 Tax Allocation Bonds for \$12.4 million and repayment of \$15.95 million to the primary government on City Center Garage West advances. The \$616.4 million fund balance is distributed by redevelopment project area as follows: 24.0 percent or \$147.9 million for the Central District; 20.0 percent or \$123.5 million for the Coliseum; 16.7 percent or \$102.8 million for Central East; 16.7 percent or \$103.0 million for Low and Moderate Housing; 13.5 percent or \$83.0 million for the Oakland Army Base; and 8.3 percent or \$51.0 million for Non-major Governmental Funds.
- As of June 30, 2009, the Agency has a total of \$531.1 million in long-term obligations outstanding compared to 540.6 million in prior fiscal year, a decrease of 1.8 percent or \$9.5 million. Long-term liability includes \$6.1 million remediation obligations and \$14.1 million advances from the primary government.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Notes to the basic financial statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18-37 of this report.

Other information

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

Government-wide Financial Statements Analysis

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

Analysis of Net Assets

Net assets may serve over time as a useful indicator of the Agency's financial position. The Agency's assets exceeded liabilities by \$253.4 million at the close of the fiscal year ended June 30, 2009.

As of the end of the fiscal year, the Agency had restricted net assets of \$578.6 million. The net assets include \$79.6 million reserved for low and moderate housing. The remaining balance of \$499.0 million represents resources that are subject to external restrictions and includes \$129.9 million invested on property held for resale and \$6.7 million in fixed assets. The Agency's deficit in unrestricted net assets of \$331.9 million is attributed to the issuance of bonds and other indebtedness to fund urban development and housing projects that are not capitalized.

Net Assets
Governmental Activities
(In thousands)

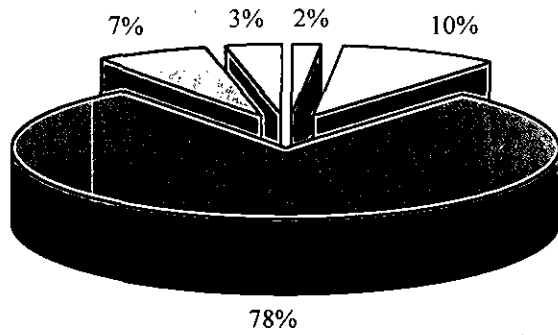
	June 30, 2009	June 30, 2008
Assets:		
Current and other assets	\$ 686,267	\$ 655,922
Property held for resale	129,870	121,735
Fixed Assets	6,735	6,887
Total assets	822,872	784,544
Liabilities:		
Long-term liabilities	531,129	540,605
Other liabilities	38,335	43,563
Total liabilities	569,464	584,168
Net assets:		
Investments in capital assets, net of related debt	6,735	6,887
Restricted for:		
Low and moderate housing	79,572	98,343
Urban redevelopment projects and housing	498,986	500,827
Unrestricted	(331,885)	(405,681)
Total net assets	\$ 253,408	\$ 200,376

Governmental activities. The Agency's net assets increased by \$53.0 million or 26.5 percent in fiscal year ended June 30, 2009. Key elements of this increase are as follows:

Changes in Net Assets
Governmental Activities
(In thousands)

	June 30, 2009	June 30, 2008
Revenues:		
Program revenues:		
Charges for services	\$ 5,448	\$ 6,034
Operating Grants and Reimbursements	2,714	5,700
General revenues:		
Property tax increment	131,688	122,048
Investment income	11,253	20,333
Other	15,934	3,268
Total general revenues	158,875	145,649
Total charges for services, general revenues, and special items	167,037	157,383
Expenses:		
Urban redevelopment and housing	86,093	81,776
Interest on long-term debt	27,912	27,491
Total expenses	114,005	109,267
Increase in net assets	53,032	48,116
Net assets, beginning of year	200,376	152,260
Net assets, end of year	\$ 253,408	\$ 200,376

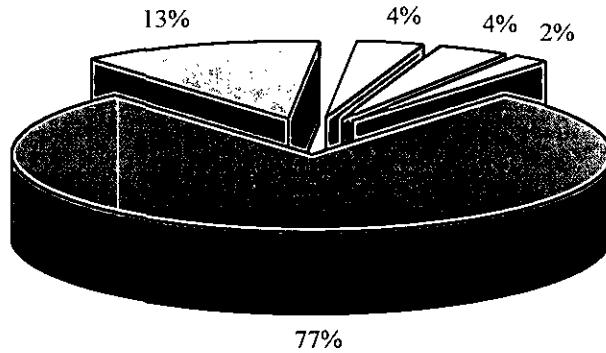
**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2008-09**



Total Revenues \$167,037

- Property tax increment
- Investment income
- Charges for services
- Operating grants
- Other

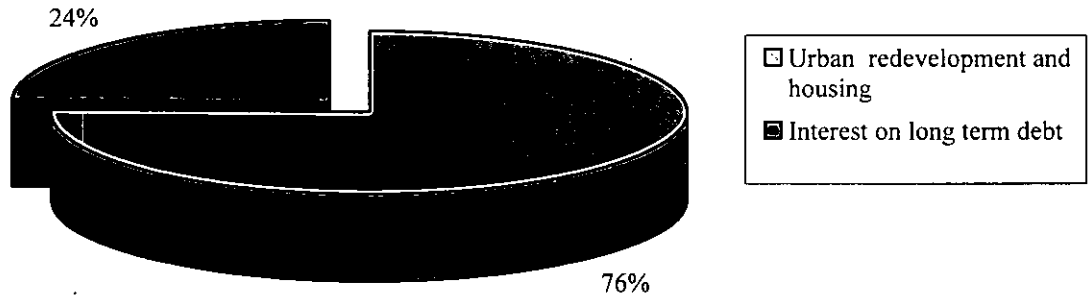
**Redevelopment Agency of the City of Oakland
Sources of Revenue
For FY 2007-08**



Total Revenues \$157,383

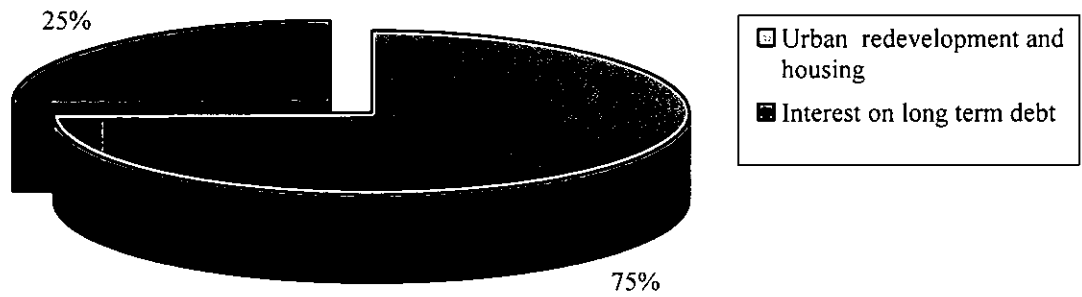
- Property tax increment
- Investment income
- Charges for services
- Operating grants
- Other

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



Total Expenditures \$114,005

**Redevelopment Agency of the City of Oakland
Functional Expenses
For FY 2007-08**



Total Expenditures \$109,267

Analysis of Changes in Net Assets

The revenues in governmental activities for the Agency exceeded expenses by \$53.0 million for the year ended June 30, 2009. This represents an increase of 10.2 percent or \$4.9 million compared to the prior year's change in net assets of \$48.1 million. The increase is primarily attributed to a \$9.6 million increase in tax increment

The charts in the preceding pages illustrate the proportional distribution of revenues by source and expenses by function of current year compared to the previous year. Revenues totaled \$167.0 million while expenses totaled \$114.0 million for the year ended June 30, 2009 compared to \$157.4 million and \$109.3 million respectively for the year ended June 30, 2008.

Revenues increased by \$9.7 million or 6.1 percent compared to the previous fiscal year. Contributing to the increase in total revenue is tax increment which increased by \$9.6 million or 7.9 percent primarily due to improved property tax receipts. Other revenues also increased by \$12.7 million due to a \$10.8 million settlement agreement between the City of Oakland and the California Department of Transportation (Caltrans) related to the use of 26 acres of land in the West Gateway portion of the former Oakland Army Base. The increases were offset by a decrease in investment income of \$9.1 million due to earned interest yield reflects a lower interest rate environment experienced during the year.

Government-wide expenses also increased by \$4.7 million or 4.3 percent. The increase is primarily attributable to expenditures related to Central City East and Central District project areas activities.

Financial Analysis of the Agency's Funds

As of June 30, 2009, the Agency's governmental funds reported combined ending fund balances of \$616.4 million, an increase of 2.9 percent or \$17.3 million compared to the prior fiscal year. The change in fund balance is primarily attributable to \$9.8 million increase in tax increment and issuance of \$38.0 million Tax Allocation Bonds. These increases were offset by \$15.95 million repayment of City Center Garage West advances, \$12.4 million in bond defeasance, and an increased project expenditure of \$2.7 million.

Budgetary Data

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

Capital Assets and Debt Administration

Capital assets

The Agency has capital assets of \$8.1 million, before depreciation, which includes the Henry J. Robinson Multi-Service Center facility that provides service to the disadvantaged persons living within or near the Central District Redevelopment Project Area as major transitional housing, emergency shelter, and drop-in programs for the homeless population in Oakland; and the Fox Theater property which is leased to Fox Oakland Theater, Inc. ("FOT") through a 60 year long-term lease. Fixed assets for the fiscal year ended June 30, 2009 are reported as \$6.7 million, net of accumulated depreciation.

Long-term debt

At June 30, 2009, the Agency had total outstanding long-term debt of \$505.8 million, an increase of \$9.2 million or 1.8 percent more than the prior fiscal year. The increase was primarily attributed to issuances of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T and restructuring of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005.

Bond Ratings

The Agency's bond ratings at June 30, 2009 are as follows (in thousands):

	Moody's	Standard & Poors	Fitch JBCA	Balance Outstanding
Tax allocation	A3	A-	N/A	\$ 418,520
Housing set-aside revenue bonds	A2	A	A	87,075
General obligation bonds	N/A	N/A	N/A	170
TOTAL				<u>\$ 505,765</u>

Long-term liabilities at the end of June 30, 2009 and June 30, 2008 are comprised of the following (in thousands):

	<u>FY 2009</u>	<u>FY 2008</u>
Bonds Payable:		
Tax allocation bonds payable	\$ 418,520	\$ 406,945
Housing set-aside revenue bonds	87,075	89,465
General obligation bonds	170	220
Total Bonds Payable	<u>505,765</u>	<u>496,630</u>
Other Long-Term Liabilities:		
Deferred amounts, net	5,083	6,703
Uptown remediation costs	7	433
Fox Court remediation costs	-	379
OBRA remediation costs	5,500	5,828
Other remediation costs	620	-
Advances from City of Oakland	14,154	30,632
Total Other Long-Term Liabilities	<u>25,364</u>	<u>43,975</u>
Total Long-Term Obligations	<u>\$ 531,129</u>	<u>\$ 540,605</u>

Other Potentially Significant Matters

Supplementary Educational Revenue Augmentation Funds (SERAF): On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county SERAF to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The Agency's share of this revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. Further information regarding the City's response and SERAF impact is contained in the Subsequent events footnote to the basic financial statements.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Net Assets

June 30, 2009

(In Thousands)

ASSETS

Cash and investments	\$	260,660
Tax increment receivable		2,225
Accrued interest receivable		880
Accounts receivable (net of allowance for uncollectibles of \$226)		2,179
Due from the City of Oakland		15,278
Due from other government		14
Notes receivable (net of allowance for uncollectibles of \$46,728)		143,823
Property held for resale		129,870
Fixed assets (net of accumulated depreciation)		6,735
Restricted cash and investments		252,525
Other assets		40
Deferred charges - bond issuance costs		<u>8,643</u>
TOTAL ASSETS		<u>822,872</u>

LIABILITIES

Accrued interest payable		9,363
Accounts payable and accrued liabilities		3,534
Due to the City of Oakland		11,286
Due to other governments		13,052
Deposits and other liabilities		1,100
Noncurrent liabilities (net of unamortized refunding losses and premiums):		
Due within one year		20,418
Due in more than one year		<u>510,711</u>
TOTAL LIABILITIES		<u>569,464</u>

NET ASSETS (Deficit)

Invested in capital assets, net of related debt		6,735
Restricted for:		
Low and moderate housing		102,964
Urban redevelopment projects and housing		473,850
Unrestricted (deficit)		<u>(330,141)</u>
TOTAL NET ASSETS	\$	<u>253,408</u>

See accompanying notes to the financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND

Statement of Activities

For the year ended June 30, 2009

(In Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Urban redevelopment and housing	\$ 86,093	\$ 5,448	\$ 2,714	\$ (77,931)
Interest on long-term debt	27,912	-	-	(27,912)
Total governmental activities	<u>\$ 114,005</u>	<u>\$ 5,448</u>	<u>\$ 2,714</u>	<u>(105,843)</u>
General Revenues:				
Property tax increment				131,688
Investment income				11,253
Other				<u>15,934</u>
Total general revenues				<u>158,875</u>
Change in net assets				53,032
Net assets at beginning of year				<u>200,376</u>
Net assets at end of year				<u>\$ 253,408</u>

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Balance Sheet
Governmental Funds
June 30, 2009

	<u>Capital Projects</u>					<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>Central District</u>	<u>Coliseum</u>	<u>Central City East</u>	<u>Low and Moderate Housing</u>	<u>Oakland Army Base</u>			
ASSETS								
Cash and investments	\$ 46,911	\$ 47,275	\$ 35,527	\$ 58,532	\$ 35,500	\$ 763	\$ 36,152	\$ 260,660
Tax increment receivable	875	564	392	-	88	-	306	2,225
Accrued interest receivable	187	151	114	189	118	2	119	880
Accounts receivable (net of allowance for uncollectibles of \$226)	-	-	-	-	2,179	-	-	2,179
Due from other governments	-	10	2	-	2	-	-	14
Advances to the City	12,566	16	-	2,153	61	-	482	15,278
Notes receivable (net of allowance for uncollectibles of \$46,728)	44,747	1,083	-	95,700	85	-	2,208	143,823
Property held for resale	57,773	3,740	6,995	8,012	48,939	-	4,411	129,870
Other Assets	-	40	-	-	-	-	-	40
Restricted cash and investments	49,434	80,943	66,114	36,806	-	4,671	14,557	252,525
TOTAL ASSETS	\$ 212,493	\$ 133,822	\$ 109,144	\$ 201,392	\$ 86,972	\$ 5,436	\$ 58,235	\$ 807,494
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and accrued liabilities	723	968	102	955	268	-	518	3,534
Due to the City	2,822	3,117	3,023	20	617	2	1,685	11,286
Due to other governments	2,933	4,617	2,833	-	551	-	2,118	13,052
Deposits and other liabilities	874	-	-	4	178	-	44	1,100
Deferred revenue	57,289	1,647	392	97,449	2,351	-	2,955	162,083
TOTAL LIABILITIES	64,641	10,349	6,350	98,428	3,965	2	7,320	191,055
FUND BALANCES								
Reserved for advances	1,030	16	-	383	61	-	309	1,799
Reserved for property held for resale	57,773	3,740	6,995	8,012	48,939	-	4,411	129,870
Reserved for approved capital projects/activities	89,049	119,717	95,799	94,569	34,007	5,434	44,724	483,299
Unreserved - reported in Capital Project Funds	-	-	-	-	-	-	1,471	1,471
TOTAL FUND BALANCES	147,852	123,473	102,794	102,964	83,007	5,434	50,915	616,439
TOTAL LIABILITIES AND FUND BALANCE:	\$ 212,493	\$ 133,822	\$ 109,144	\$ 201,392	\$ 86,972	\$ 5,436	\$ 58,235	\$ 807,494

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets for
Governmental Activities
June 30, 2009
(In Thousands)

Fund balance - total governmental funds \$ 616,439

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and
therefore, are not reported in the funds. 6,735

Bond issuance costs are expended in the governmental funds when paid and are
capitalized and amortized over the life of the corresponding bonds for the purposes
of the governmental activities on the statement of net assets. 8,643

Interest on long-term debt is not accrued in the funds, but rather is recognized
as an expenditure when due. (9,363)

Because the focus of governmental funds is on short-term financing, some assets
will not be available to pay for current period expenditures. Those assets are offset
by deferred revenue in the governmental funds. 162,083

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

Type	Amount	
Tax allocation bonds	\$ (418,520)	
Housing set-aside revenue bonds	(87,075)	
General obligation bonds	(170)	
Issuance discounts	767	
Issuance premiums	(9,887)	
Refunding loss	4,037	
Other remediation cost	(620)	
Uptown remediation costs	(7)	
Oakland Army Base remediation costs	(5,500)	
Advances from the City of Oakland	(14,154)	
Subtotal		(531,129)

Net assets of governmental activities \$ 253,408

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2009
(In Thousands)

	Capital Projects					Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
	Central District	Coliseum	Central City East	Low and Moderate Housing	Oakland Army Base			
REVENUES								
Tax increment	\$ 51,777	\$ 33,379	\$ 23,198	\$ -	\$ 5,222	\$ -	\$ 17,960	\$ 131,536
Interest on restricted investments	979	41	293	1,830	-	3,681	88	6,912
Interest on pooled investments	682	788	570	973	627	20	670	4,330
Interest on notes receivable	-	11	-	-	-	-	-	11
Rents and reimbursements	3,596	27	-	-	2,594	-	516	6,733
Other	1,314	213	266	732	10,972	2,016	421	15,934
TOTAL REVENUES	58,348	34,459	24,327	3,535	19,415	5,717	19,655	165,456
EXPENDITURES								
Current:								
Urban redevelopment and housing	39,472	16,913	13,931	23,955	6,068	162	11,805	112,306
Debt Service:								
Payment on advances	-	-	-	-	-	17,245	-	17,245
Retirement of long-term debt	-	-	-	-	-	29,620	-	29,620
Interest	-	-	-	-	-	26,391	-	26,391
Bond issuance cost	601	-	-	-	-	-	-	601
TOTAL EXPENDITURES	40,073	16,913	13,931	23,955	6,068	73,418	11,805	186,163
Excess (deficiency) of revenues over expenditures	18,275	17,546	10,396	(20,420)	13,347	(67,701)	7,850	(20,707)
OTHER FINANCING SOURCES (USES)								
Tax allocations bonds issued	38,755	-	-	-	-	-	-	38,755
Discount on bonds issued	(779)	-	-	-	-	-	-	(779)
Transfers in	857	-	-	32,884	-	73,174	969	107,884
Transfers out	(69,500)	(13,885)	(8,843)	(7,843)	(1,306)	-	(6,507)	(107,884)
TOTAL OTHER FINANCING SOURCES (USES)	(30,667)	(13,885)	(8,843)	25,041	(1,306)	73,174	(5,538)	37,976
Change in fund balances	(12,392)	3,661	1,553	4,621	12,041	5,473	2,312	17,269
Fund balances (deficit) at beginning of year	160,244	119,812	101,241	98,343	70,966	(39)	48,603	599,170
FUND BALANCES AT END OF YEAR	\$ 147,852	\$ 123,473	\$ 102,794	\$ 102,964	\$ 83,007	\$ 5,434	\$ 50,915	\$ 616,439

See accompanying notes to the basic financial statements.

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Reconciliation of Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$	17,269
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Amounts reported for governmental activities in the statement of activities are different because:

Capital assets cost is allocated over their estimated useful lives and reported as depreciation expenses in the current period.		(152)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Also, loans made to developers and others are treated as urban redevelopment and housing expenditures at the time the loans are made and are reported as revenues when the loans are collected in the funds. This represents the change in the deferred amounts during the current period.		27,433
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets. The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items.

Principal of bonds issued	\$	(38,755)	
Premiums and discounts on bonds issued		767	
Bond issuance costs		601	
Amortization of bond issuance costs		(542)	
Retirement of long-term debt		29,620	
Payment on advances		17,294	
Interest on advances		(816)	
Amortization of premiums and discounts		1,145	
Amortization of refunding loss		(292)	
Net changes in remediation cost		513	9,535

Additional accrued interest on bonds payable		(1,053)
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Change in net assets of governmental activities	\$	53,032
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See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide Financial Statements

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

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

Measurement focus, basis of accounting, and financial statement presentation

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

The Agency's governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Property taxes and interest associated with the current fiscal period, using the modified accrual basis of accounting as described above, are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Agency considers property tax revenues to be available for the year levied if they are collected within 60 days of the end of the current fiscal period. Interest and grant revenues are considered available if they are collected within 60 days of year-end. Reimbursable grant revenues are considered available if they are collected within 180 days of year-end.

The Agency reports the following major governmental funds:

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2009

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

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

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

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

Debt Service Fund – The Tax Allocation Debt Service Fund accounts for the accumulation of resources for, and the payment of general long-term obligation principal, interest and related costs.

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

Investments

The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2009, and reflects the values as if the Agency were to liquidate the securities on that date. Money market investments with maturities of one year or less have been stated at amortized cost.

Pooled Cash and Investments

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

Restricted Cash and Investments

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2009

Rink, and City Center Garage West, which are restricted for the operation of each of the facilities, are classified as restricted.

Property Held for Resale

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

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

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

Capital Assets

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

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

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

Facilities and improvements	5-40 years
Furniture, machinery and equipment	2-20 years
Infrastructure	5-50 years

Environmental Remediation Costs

Expenditures for environmental remediation of real properties acquired by purchase or donation are added to the recorded amounts when incurred. All estimated environmental remediation costs

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
June 30, 2009

that would result in the recorded amount of property held for resale exceeding estimated net realizable values are accrued as expenses when such amounts become known.

Fund Equity

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

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

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

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

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

Restricted Net Assets and Revenues

Under various agreements with the United States Department of the Army (Army), the use of substantially all assets of approximately 366 acres of the former Oakland Army Base and related lease income is restricted for the operation, maintenance and economic development of real properties, facilities and improvements from June 16, 1999 to August 7, 2010.

Tax Increment Revenue

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

Budgetary Data

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

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Notes to Basic Financial Statements
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Deferred Revenue

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

Long-term Obligations

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

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

Estimates

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

(3) CASH AND INVESTMENTS

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

The Agency's cash and investments consist of the following at June 30, 2009: (in thousands)

	<u>Fair Value</u>
Cash and investments (unrestricted)	\$ 260,660
Restricted cash and investments	<u>252,525</u>
Total cash and investments	<u>\$ 513,185</u>

The Agency has adopted the investment policy of the City, which is governed by provisions of the California Government Code and the City's Municipal Code. The Agency also has investments

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

The Agency maintains all of its unrestricted investments in a cash and investment pool. As of June 30, 2009, the Agency's cash and investment pool totaled \$260.7 million. Income earned or losses arising from investments in the Agency's cash and investment pool are allocated on a monthly basis to the appropriate funds based on the average daily cash balance of such funds.

As of June 30, 2009 the Agency's investment in LAIF was \$41.2 million (\$38.6 million in pooled cash and investments and \$2.6 million in restricted investments). The total amount invested by all public agencies in LAIF at that date is approximately \$25.2 billion. LAIF is part of the Pooled Money Investment Account (PMIA) with a total portfolio of approximately \$50.7 billion. Of that amount, 85.29% is invested in non-derivative financial products and 14.71% in structured notes and asset-backed securities. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members, as designated by State Statute. The value of the pool shares in LAIF, which may be withdrawn, is determined on an amortized cost basis that is different than the fair value of the Agency's position in the pool.

Custodial Credit Risk:

At June 30, 2009, the carrying amount of the Agency's deposits was \$4.0 million. Deposits include checking accounts, interest earning savings accounts, money market accounts, and non-negotiable certificates of deposit. Of the bank balance, \$1.3 million was FDIC insured and \$2.7 million was collateralized with securities held by the pledging financial institution in the Agency's name, in accordance with Section 53652 of the California Government Code.

Credit Risk:

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by nationally recognized statistical rating organizations. The Agency's investment policy has mitigated credit risk by limiting investments to the safest types of securities. Additionally, the Agency prequalifies financial institutions, diversifies its portfolio and has established monitoring procedures.

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The following tables show the Agency's credit risk as rated by Moody's for the Pool and Restricted portfolios as of June 30, 2009 (in thousands):

Pooled Cash and Investments

Ratings as of Fiscal Year Ended June 30, 2009

	Fair Value	AAA/Aaa	A-1/P1	Not Rated
U.S. Govt. Agency Securities	\$ 95,560	\$ 95,560	\$ -	\$ -
U.S. Govt. Agency Securities Disc.	60,957	60,957	-	-
Money Market Funds	49,700	49,700	-	-
LAIF	38,643	-	-	38,643
Negotiable CDs	13,015	-	13,015	-
Subtotal	\$ 257,875	\$ 206,217	\$ 13,015	\$ 38,643
Deposits	2,785			
Total	\$ 260,660			

Restricted Cash and Investments

Ratings as of Fiscal Year Ended June 30, 2009

	Fair Value	AAA/Aaa	Not Rated
Money Market Funds	\$ 248,668	\$ 248,668	\$ -
LAIF	2,604	-	2,604
Total	\$ 251,272	\$ 248,668	\$ 2,604
Deposits	1,253		
Total	\$ 252,525		

Concentration of Credit Risk:

Concentration of credit risk is the risk that the failure of any one issuer would place an undue financial burden on the Agency. The Agency's investment policy mitigates the concentration of credit risk by diversifying the portfolio and limiting investments in single issuers. However, there is no limitation for investments issued by federal agencies or LAIF. The Agency has U.S. Government Agency Securities with Federal National Mortgage Association for \$49.8 million and Federal Home Loan Bank for \$69.7 million, which represents 9.78% and 13.69% of the total Agency portfolio respectively.

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

Pooled Cash and Investments

Restricted Investments

	% of			% of	
	Fair Value	Portfolio		Fair Value	Portfolio
U.S. Govt. Agency Securities	\$ 95,560	36.66%	Money Market Funds	\$ 248,668	98.47%
U.S. Govt. Agency Securities Disc.	60,957	23.39%	LAIF	2,604	1.03%
Money Market Funds	49,700	19.07%	Deposits	1,253	0.50%
LAIF	38,643	14.83%	Total	\$ 252,525	100%
Negotiable CDs	13,015	4.99%			
Certificates of Deposit	500	0.19%			
City Pooled Cash	2,285	0.88%			
Total	\$ 260,660	100%			

Interest Rate Risk

Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The average days to maturity of the Agency's pooled portfolio is 395 days. The Agency's investment policy has mitigated interest rate risk by establishing policies over liquidity, including maturity limits by investment classification.

The Agency has elected to use the segmented time distribution method of disclosure for its interest rate risk. As of June 30, 2009, the Agency had the following investments and original maturities (in thousands):

Pooled Cash and Investments

	Fair Value	Interest Rates	Maturities		
			12 Months or Less	1-3 Years	3-5 Years
U.S. Govt. Agency Securities	\$ 95,560	0.41 - 4.53	\$ 15,161	\$ 48,589	\$ 31,810
U.S. Govt. Agency Securities Disc.	60,957	0.08 - 0.34	60,957	-	-
Money Market Funds	49,700	0.31 - 0.42	49,700	-	-
LAIF	38,643	1.38	38,643	-	-
Negotiable CDs	13,015	1.16 - 1.94	13,015	-	-
Certificates of Deposit	500	2.66	500	-	-
City Pooled Cash	2,285	N/A	2,285	-	-
Total	\$ 260,660		\$ 180,261	\$ 48,589	\$ 31,810

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Restricted Investments

	Fair Value	Interest Rates	Maturities
			12 Months or Less
Money Market Funds	\$ 248,668	0.01 - 0.96	\$ 248,668
LAIF	2,604	1.38	2,604
Deposits	1,253	-	1,253
Total	<u>\$ 252,525</u>		<u>\$ 252,525</u>

Restricted Investments in the Debt Service Funds

Under the provisions of the bond indentures, certain accounts with trustees were established for repayment of debt, amounts required to be held in reserve, and amounts to be held for the withdrawal of qualified reimbursements. These accounts are reported in capital projects and debt service funds. As of June 30, 2009, the amounts held by the trustees aggregated \$252.5 million of which \$252.5 million is available to be used for restricted projects. All restricted investments held by trustees as of June 30, 2009 were invested in a money market mutual funds and LAIF, and were in compliance with the bond indentures.

Total Agency cash and investments as of June 30, 2009, are as follow (in thousands):

	Equity in Pooled Cash and Investment	Restricted Cash and Investment With Fiscal Agent	Total Governmental Funds
Central District	\$ 46,911	\$ 49,434	\$ 96,345
Coliseum	47,275	80,943	128,218
Central City East	35,527	66,114	101,641
Low and moderate housing	58,532	36,806	95,338
Oakland Army Base	35,500	-	35,500
Debt Service	763	4,671	5,434
Nonmajor governmental funds	36,152	14,557	50,709
TOTAL	<u>\$ 260,660</u>	<u>\$ 252,525</u>	<u>\$ 513,185</u>

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(4) NOTES RECEIVABLE

Notes receivable consisted of advances to developers of various Agency housing and redevelopment projects. These advances are evidenced by promissory notes. A summary of notes receivable at June 30, 2009, follows (in thousands):

	Central District	Coliseum	Low and Moderate Housing	Oakland Army Base	Nonmajor Governmental Funds	Total Governmental Funds
Housing development project	\$ -	\$ -	\$ 129,251	\$ -	\$ 1,462	\$ 130,713
Development loans	56,753	1,083	-	85	720	58,641
Small business loans	128	-	-	-	1,069	1,197
Gross notes receivable	56,881	1,083	129,251	85	3,251	190,551
Less: Allowance for uncollectible accounts	(12,134)	-	(33,551)	-	(1,043)	(46,728)
Net notes receivable	<u>\$ 44,747</u>	<u>\$ 1,083</u>	<u>\$ 95,700</u>	<u>\$ 85</u>	<u>\$ 2,208</u>	<u>\$ 143,823</u>

(5) PROPERTY HELD FOR RESALE

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

	<u>1-Jul-08</u>	<u>Increases</u>	<u>Decreases</u>	<u>30-Jun-09</u>
Property held for resale	<u>\$ 121,735</u>	<u>\$ 8,363</u>	<u>\$ 228</u>	<u>\$ 129,870</u>

The increases in Property Held for Resale represent the purchases of Telegraph Parking Garage from the City with a carrying value of \$0.78 million, \$1.42 million in the Coliseum project area for the development of Coliseum Transit Village and the purchase of \$6.16 million for development in the Central City East project area and a property sale of \$0.23 million in the Central City East project area.

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(6) CAPITAL ASSETS

Capital assets activity for the Agency for the year ended June 30, 2009, is as follows (in thousands):

	Balance			Balance
	July 1, 2008	Increases	Decreases	June 30, 2009
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,360	\$ -	\$ -	\$ 3,360
TOTAL CAPITAL ASSETS, NOT BEING DEPRECIATED	3,360	-	-	3,360
Capital assets, being depreciated:				
Facilities and improvements	4,740	-	-	4,740
TOTAL CAPITAL ASSETS, BEING DEPRECIATED	4,740	-	-	4,740
Less accumulated depreciation:				
Facilities and improvements	1,213	152	-	1,365
TOTAL ACCUMULATED DEPRECIATED	1,213	152	-	1,365
TOTAL CAPITAL ASSETS, BEING DEPRECIATED, NET	3,527	152	-	3,375
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 6,887	\$ 152	\$ -	\$ 6,735

The Agency has \$6.7 million capital assets, net of depreciation, for the fiscal year ended June 30, 2009. The Agency has leased the Fox Theater property valued at \$3.0 million to Fox Oakland Theater, Inc. through a sixty-year lease agreement. The Henry J. Robinson Multi-Service Center facility that provides major transitional housing and emergency shelter for the homeless population in Oakland depreciated at a rate of \$152 thousand annually.

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(7) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers (in thousands):

	Transfers In				
	Central District	Low and Moderate Housing	Debt Service	Nonmajor Governmental Funds	Total Governmental Fund
Transfers out:					
Central District	\$ -	\$ 12,944	\$ 56,556	\$ -	\$ 69,500
Coliseum	-	8,345	4,571	969	13,885
City Central East	-	5,798	3,045	-	8,843
Oakland Army Base	-	1,306	-	-	1,306
Low and Moderate Housing	350	-	7,493	-	7,843
Nonmajor Governmental Funds	507	4,491	1,509	-	6,507
TOTAL	\$ 857	\$ 32,884	\$ 73,174	\$ 969	\$ 107,884

The Central District, Coliseum, City Central East, Low & Moderate Housing, and Nonmajor Governmental Funds transferred funds to the Debt Service Fund for payment of City advances and principal and interest on the tax allocation debt. The transfers to the Low and Moderate Housing Fund, as reflected above, represent the 20% tax increment allocation in accordance with sections 33334.2 and 33334.3 of the California Community Redevelopment Law plus an additional 5% as mandated by City Council Resolution. The transfer of \$1.0 million to Nonmajor Governmental Funds from the Coliseum Fund represents the 10% school set aside based on tax increment received in the Coliseum project area, net of the housing set aside, debt payment and the AB1290 mandatory pass through.

(8) LONG-TERM DEBT

Current Year Long-Term Debt Financings

On May 6, 2009, The Redevelopment Agency of the City of Oakland (the "Agency") issued \$38,755,000 of Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2009T (Federally Taxable) (the "Series 2009T Bonds"). The Series 2009T Bonds were issued to finance certain redevelopment activities within or to the benefit of the Agency's Central District Redevelopment Project Area. The Series 2009T Bonds are federally taxable with a final maturity of September 1, 2020; the interest rates of these bonds range from 5.30% to 8.50%

The Series 2009T Bonds are limited obligations of the Agency payable solely from and secured solely by tax revenues, consisting primarily of tax increment derived from property, in the Central District Redevelopment Project Area.

Restructuring of Long-Term Debt

On March 23, 2009, The Redevelopment Agency of the City of Oakland (the "Agency") utilized unused proceeds of the Central District Redevelopment Project Subordinated Tax Allocation Bonds, Series 2005 (the "Series 2005 Bonds") to purchase \$11,190,000 of the Series 2005 Bonds

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maturing on September 1, 2022 and \$1,200,000 of the Series 2005 Bonds maturing September 1, 2020 (the "Purchased Series 2005 Bonds"). The Agency tendered the Purchased Series 2005 Bonds for cancellation with trustee, and the Purchased Series 2005 Bonds have been cancelled and are no longer outstanding. Upon the cancellation of the Purchase Series 2005 Bonds, \$31,970,000 of the Series 2005 Bonds remains outstanding as of June 30, 2009.

General Long-Term Obligations (in thousands)

	July 1, 2008	Additions	Deductions	June 30, 2009	Due within One Year
Tax Allocation Bonds	\$ 406,945	\$ 38,755	\$ (27,180)	\$ 418,520	\$ 14,245
Housing Set-Aside Revenue Bonds	89,465	-	(2,390)	87,075	2,565
General Obligation Bond	220	-	(50)	170	55
Total Bonds Payable	\$ 496,630	\$ 38,755	\$ (29,620)	\$ 505,765	\$ 16,865
Deferred amounts:					
Issuance premiums	11,032	-	(1,145)	9,887	1,113
Issuance discount	-	(779)	12	(767)	(69)
Refunding loss	(4,329)	-	292	(4,037)	(285)
Subtotal	\$ 503,333	\$ 37,976	\$ (30,461)	\$ 510,848	\$ 17,624
Army Base remediation costs	5,828	-	(328)	5,500	2,000
Uptown remediation costs	433	-	(426)	7	-
Fox Court remediation costs	379	-	(379)	-	-
Other remediation cost	-	620	-	620	320
Advances from City of Oakland	30,632	816	(17,294)	14,154	474
TOTAL	\$ 540,605	\$ 39,412	\$ (48,888)	\$ 531,129	\$ 20,418

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The following is a summary of long-term obligations as of June 30, 2009 (in thousands):

Type of Obligation	Final Maturity Year	Interest Rates	Amount
Tax Allocation Bonds:			
Central District Senior Tax Allocation Refunding Series 1992	2010 - 2014	5.50%	\$ 29,720
Central District Subordinated Tax Allocation Refunding Series 2003	2010 - 2020	5.00 - 5.50%	100,835
Central District Subordinated Tax Allocation Refunding Series 2005	2020 - 2022	5.00%	31,970
Central District Subordinated Tax Allocation Refunding Series 2006T	2010 - 2021	5.252 - 5.411%	27,975
Central District Subordinated Tax Allocation Refunding Series 2009T	2011 - 2021	5.305 - 8.5%	38,755
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-TE	2032 - 2036	5.00%	4,945
Broadway/MacArthur/San Pablo Tax Allocation Bonds Series 2006C-T	2010 - 2032	5.283 - 5.587%	11,730
Central City East Tax Allocation Refunding Series 2006A-TE	2034 - 2036	5.00%	13,780
Central City East Tax Allocation Refunding Series 2006A-T	2010 - 2034	5.263 - 5.537%	59,885
Coliseum Area Tax Allocation Refunding Series 2006B-TE	2010 - 2036	4.00 - 5.00%	27,765
Coliseum Area Tax Allocation Refunding Series 2006B-T	2010 - 2035	5.263 - 5.537%	71,160
Total Tax Allocation Bonds			418,520
General Obligation Bond - Tribune Tower	2010 - 2012	5.643%	170
Subordinated Housing Set-Aside Bonds:			
Revenue Series 2000T	2010 - 2011	7.82%	4,290
Revenue Series 2006A	2018	5.00%	2,195
Revenue Series 2006A-T	2010 - 2037	5.219 - 5.927%	80,590
Total Subordinated Housing Set-Aside Bonds			87,075
TOTAL BOND PAYABLE			\$ 505,765

Revenues Pledged for the Repayment of Debt Service

Tax Allocation Bonds

The Tax Allocation Bonds (TAB), which is comprised of Series 1992, Series 2003, Series 2005, Series 2006T, Series 2009T, Series 2006A TE/T, Series 2006B TE/T, and Series 2006C TE/T, are all secured primarily by a pledge of tax increment revenues, consisting of a portion of all taxes levied upon all taxable properties within each of the redevelopment project areas, and are equally and ratably secured on a parity with each TAB series. The total projected tax increment revenue through the period of the bonds is approximately \$3,456,252,933. These revenues have been pledged until the year 2036, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on March 1 and September 1. The total principal and interest remaining on these TABs is \$693,869,724 which is 20.1 percent of the total projected tax increment revenues. The pledged tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$131,536,000, of which \$48,647,152 was used to pay debt service.

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Housing Bonds

The Housing Set-Aside TAB, which comprised of Series 2000T, Series 2006A, and Series 2006A-T are equally and ratably secured by the pledge and lien of the 20% tax increment revenue set-aside and voluntary 5% for the low and moderate income housing fund. The total projected 20% set-aside and 5% voluntary revenue through the period of the bonds is approximately \$932,571,602 and \$233,142,901, respectively. These revenues have been pledged until the year 2037, the final maturity date of the bonds. Debt service payment for these TABs is payable semi-annually on February 1 and August 1. The total principal and interest remaining on these Housing TABs is \$155,472,013, which is 13.3 percent of the total projected set-aside and voluntary tax increment revenues. The pledged 20% set-aside and 5% voluntary tax increment revenue recognized during the fiscal year ended June 30, 2009 was \$32,884,000, of which \$7,512,084 was used to pay debt service.

Advances from City to the Redevelopment Agency

The City has made various advances to the Agency for redevelopment projects. As of June 30, 2009 the total outstanding balance was \$14.2 million, comprised of the following (in thousands):

	July 1, 2008	Additions	Deductions	June 30, 2009	Due within One Year
Central District	\$ 16,533	\$ -	\$ (16,533)	\$ -	\$ -
Oak Center	13,737	816	(700)	13,853	400
Stanford/Adeline	188	-	(53)	135	66
West Oakland	174	-	(8)	166	8
TOTAL	<u>\$ 30,632</u>	<u>\$ 816</u>	<u>\$ (17,294)</u>	<u>\$ 14,154</u>	<u>\$ 474</u>

Payments to the City are contingent upon the availability of funds from the Projects.

Outstanding Defeased Bonds

For financial reporting purposes, the Agency's advanced-refunded debt is considered defeased and therefore removed as a liability from the Agency's government-wide financial statements. Cumulatively, the defeased bonds had an outstanding debt balance of \$46.1 million at June 30, 2009.

Bond Indentures

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

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Annual Future Payments

The following table presents the Agency's aggregate annual amount of principal and interest payments required to amortize the outstanding debt as of June 30, 2009 (in thousands).

Year ending <u>June 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 16,865	\$ 27,422
2011	19,365	27,099
2012	20,365	26,039
2013	21,645	24,929
2014	23,580	23,712
2015 - 2019	130,810	97,243
2020 - 2024	118,055	56,052
2025 - 2029	47,240	36,313
2030 - 2034	61,880	21,231
2035 - 2037	45,960	3,726
TOTAL	<u>\$ 505,765</u>	<u>\$ 343,766</u>

Conduit Debt

The Agency issued Certificates of Participation to fund the acquisition of the Oakland Museum. The debt is secured by the Museum's building and the annual lease payments made by the City of Oakland to fund the debt service. As of June 30, 2009, there was one series of certificates outstanding with an aggregate principal amount payable of \$10.4 million. The Agency is not obligated to make the debt payments. The Agency has, therefore, not recorded either the Museum as an asset or the related debt. The City has recorded both the Museum and the debt on its government-wide statement of net assets.

(9) TRANSACTIONS WITH THE CITY OF OAKLAND

The Agency and the City are closely related but are separate legal entities. The City Council members serve as the governing board for the Agency. The Agency does not have employees nor does it have administrative facilities separate from the City. A substantial portion of the Agency's expenditures represent reimbursement to the City for both the services of employees and the use of City facilities. For the year ended June 30, 2009, the Agency reimbursed the City \$35.5 million for these expenditures.

In addition, the City provides advances and loans for the Agency debt service payments and other redevelopment projects. The Agency has entered into repayment agreements to reimburse the City for all amounts advanced and loaned to the Agency. In accordance with these agreements, the Agency reimbursed the City \$17.8 million for the fiscal year ended June 30, 2009; \$17.2 million in loan principal and \$0.6 million in interest expense.

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

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

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

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

In FY 2008-09 the Agency loaned an additional \$7.45 million to FOT and approved an additional loan of \$1.4 million to Fox Theater Master Tenant LLC to complete the project. The \$7.45 million FOT loan has a 30 year term and is non-interest bearing. The \$1.45 million loan will be executed and funded in the FY 2009-10. The Agency also funded a \$1.2 million loan to Friends of the Oakland Fox and a \$2.3 million loan to Oakland School for the Arts, both of which are unrelated 501(c)(3) organizations that participated in the development and/or are tenants in the facility. The Agency also gave a \$2.0 million grant to GASS Entertainment LLC for tenant improvements for the Theater.

(11) COMMITMENTS AND CONTINGENCIES

Oakland Redevelopment Agency

As of June 30, 2009, the Agency entered into contractual commitments of approximately \$57.2 million for materials and services relating to various projects. These commitments and future costs will be funded by future tax increment revenue and other sources.

At June 30, 2009, the Agency committed to funding \$53.0 million in loans. These commitments were made to facilitate the construction of low and moderate income housing within the City of Oakland.

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

Uptown Project Environmental Remediation

The Uptown Project area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. As of June 30, 2009, environmental remediation clean up activities are nearly completed except for ground water monitoring that is estimated at \$7 thousand.

Fox Court Environmental Remediation

The Fox Court area demolition, management and removal of structures and debris will include the handling of building materials that contain asbestos and lead-based paints. The Developer is responsible for managing the remediation contractor to assure the proper management and disposal of the hazardous materials in conformance with all the laws applicable to Environmental Hazard Abatement Activities. During fiscal year 2009, the cleanup of the property was completed, and the property was sold to an independent developer.

Oakland Army Base Environmental Remediation

Land originally conveyed to OBRA from the Army, portions of which were subsequently conveyed to the Agency and the Port of Oakland, may be subject to environmental remediation as required by the Comprehensive Environmental Response, Compensation and Liability Act. If and when such environmental remediation is required, OBRA then, and subsequently the Agency and the Port, are responsible for the first \$13.0 million of environmental remediation costs, including environmental remediation insurance. OBRA received a federal grant of \$13.0 million to pay for the above-mentioned environmental remediation costs including the \$3.5 million insurance

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June 30, 2009

premium. Of the \$13.0 million grant, \$12.4 million has been spent which has been reimbursed or invoiced to the grantor as of June 30, 2009. The remaining \$0.6 million of grant expenditures will be shared between the Agency and the Port.

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

(12) SUBSEQUENT EVENTS

Supplemental Education Revenue Augmentation Fund

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4x, which requires redevelopment agencies statewide to deposit a total of \$2.05 billion of property tax increment in county "Supplemental" Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of \$2.05 billion will be made over two years, \$1.7 billion in fiscal year 2009-2010 and \$350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately \$41.1 million in fiscal year 2009-2010 and \$8.5 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year. In response to AB 26 4x, the Agency issued a resolution no. 2009-0090 amending the fiscal year 2010-11 biennial budget to revise FY 2009-10 revenue projections and to provide payments to the SERAF and amending resolution no. 01-85 to provide for a portion of the payments to the SERAF to come from the Agency's voluntary five percent contribution to the low and moderate income housing fund.

The California Redevelopment Association (CRA) is the lead petitioner on a lawsuit to invalidate AB 26 4x, similar to last year's successful lawsuit challenging the constitutionality of AB 1389. CRA files lawsuit on October 20, 2009. The lawsuit will assert that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint will also assert impairment of contract and gift of public funds arguments. While the State made adjustments in AB 26 4x to address the constitutional issues raised by the Superior Court over last year's lawsuit challenging AB 1389, the Agency, along with the CRA and other California redevelopment agencies, believe that the SERAF remains unconstitutional.

**COMBINING FINANCIAL
STATEMENTS and
SUPPLEMENTAL
INFORMATION**

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009
(In Thousands)

	<u>Acorn</u>	<u>Broadway MacArthur San Pablo</u>	<u>West Oakland</u>	<u>Other Projects</u>	<u>Redevelopment Planning Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS						
Cash and investments	\$ 2,558	\$ 9,177	\$ 12,726	\$ 9,784	\$ 1,907	\$ 36,152
Tax increment receivable	22	100	145	39	-	306
Accrued interest receivable	8	29	40	37	5	119
Advances to the City	17	5	-	19	441	482
Notes receivable, net	509	-	-	1,699	-	2,208
Property held for resale	-	-	-	4,411	-	4,411
Restricted cash and investments	-	14,557	-	-	-	14,557
TOTAL ASSETS	\$ 3,114	\$ 23,868	\$ 12,911	\$ 15,989	\$ 2,353	\$ 58,235
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	\$ 24	\$ 149	\$ 161	\$ 18	\$ 166	\$ 518
Due to the City	-	610	764	310	1	1,685
Due to other governments	-	702	1,150	266	-	2,118
Deposits and other liabilities	12	25	-	1	6	44
Deferred revenue	531	100	145	1,738	441	2,955
TOTAL LIABILITIES	567	1,586	2,220	2,333	614	7,320
FUND BALANCES						
Reserved for advances	17	-	-	19	268	309
Reserved for property held for resale	-	-	-	4,411	-	4,411
Reserved for approved capital projects/activities	2,530	22,277	10,691	9,226	-	44,724
Unreserved	-	-	-	-	1,471	1,471
TOTAL FUND BALANCES	2,547	22,282	10,691	13,656	1,739	50,915
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,114	\$ 23,868	\$ 12,911	\$ 15,989	\$ 2,353	\$ 58,235

REDEVELOPMENT AGENCY OF THE CITY OF OAKLAND
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended June 30, 2009
(In Thousands)

	Acorn	Broadway MacArthur San Pablo	West Oakland	Other Projects	Redevelopment Planning Fund	TOTAL
REVENUES						
Tax increment	\$ 1,286	\$ 5,913	\$ 8,588	\$ 2,173	\$ -	\$ 17,960
Interest on restricted cash and investments	-	88	-	-	-	88
Interest on pooled cash and investments	42	145	203	241	39	670
Rents and reimbursements	36	-	-	480	-	516
Other	59	54	40	262	6	421
TOTAL REVENUES	<u>1,423</u>	<u>6,200</u>	<u>8,831</u>	<u>3,156</u>	<u>45</u>	<u>19,655</u>
EXPENDITURES						
Current:						
Urban redevelopment and housing	389	4,104	3,933	3,329	50	11,805
TOTAL EXPENDITURES	<u>389</u>	<u>4,104</u>	<u>3,933</u>	<u>3,329</u>	<u>50</u>	<u>11,805</u>
Excess (deficiency) of revenues over expenditures	1,034	2,096	4,898	(173)	(5)	7,850
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	969	-	969
Transfers out	(322)	(2,200)	(2,161)	(1,824)	-	(6,507)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(322)</u>	<u>(2,200)</u>	<u>(2,161)</u>	<u>(855)</u>	<u>-</u>	<u>(5,538)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND						
Change in fund balances	712	(104)	2,737	(1,028)	(5)	2,312
Fund balances at beginning of year	1,835	22,386	7,954	14,684	1,744	48,603
FUND BALANCES AT END OF YEAR	<u>\$ 2,547</u>	<u>\$ 22,282</u>	<u>\$ 10,691</u>	<u>\$ 13,656</u>	<u>\$ 1,739</u>	<u>\$ 50,915</u>



WILLIAMS, ADLEY & COMPANY, LLP
Certified Public Accountants / Management Consultants

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

The Members of the Council
of the Redevelopment Agency of the
City of Oakland

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Redevelopment Agency of the City of Oakland (the Agency), a component unit of the City of Oakland, California, as of and for the year ended June 30, 2009, which collectively comprise the Agency's basic financial statements and have issued our report thereon dated November 19, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting (Finding 2009-01).



WILLIAMS, ADLEY & COMPANY, LLP

Certified Public Accountants
Management Consultants

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines for Compliance Audits of California Redevelopment Agencies*, issued by the State Controller. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Agency's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Agency Council members, the finance and management committee, and the State Controller and is not intended to be and should not be used by anyone other than these specified parties.

Williams, Adley & Company, LLP

Oakland, California
November 19, 2009

Redevelopment Agency of the City of Oakland
Schedule of Findings and Responses
June 30, 2009

Significant Deficiency

Finding 2009-01 - Period-End Reporting Process

Condition: There were ineffective controls over the period-end financial reporting process.

Criteria: Although there are written policies and procedures for the recording of transactions into the general ledger and closing the books at the end of the year, we observed a property purchase transaction recorded in the incorrect period. The \$695,000 purchase of 5847 & 5841 Foothill Blvd. was actually completed July 15, 2009, but it was recorded in the June 30, 2009 financial statements.

Cause: A lack of review caused the improper recording of the transaction.

Effect: Transactions recorded in the incorrect period if undetected can cause material misstatement to the financial statements.

Recommendation: We recommend that the Agency provide additional training to accounting personnel.

Management response: Even though there is no material impact on the Agency's financial statements, management agrees with the finding and will provide additional training and guidance for staff responsible for report preparation.