NEW ISSUE—FULL BOOK ENTRY

RATINGS:
S&P: "AAA" (Assured Guaranty-Insured)
S&P: "AA-" (Underlying)
(See "RATINGS" herein)

Subject to compliance by the City with certain covenants, in the opinion of Quint &Thimmig LLP, San Francisco, California, Special Counsel, under present law, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein for a more complete discussion.

$4,575,000
CERTIFICATES OF PARTICIPATION
(2008 Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the
CITY OF ALAMEDA
(Alameda County, California)
As the Rental for Certain Property Pursuant to a Lease Agreement with the Alameda Public Financing Authority

Dated: Date of Delivery **Due: May 1, as set forth below**

The $4,575,000 Certificates of Participation (2008 Refinancing Project) (the "Certificates"), are being sold to provide funds, together with other available moneys, to (a) refinance the acquisition, construction, installation, modernization and equipping of improvements to various City of Alameda (the "City") facilities and, therefore, to provide for the refunding of (i) the City's outstanding City of Alameda Certificates of Participation (1996 Police Building and Equipment Refinancing Project), and (ii) the City's outstanding City of Alameda Certificates of Participation (1996 Library and Golf Course Financing Project), (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates. The Certificates will evidence direct, undivided fractional interests of the owners thereof in Lease Payments (as defined herein) to be made by the Alameda Public Financing Authority (the "Authority") for the use and occupancy of the Property (as defined herein) under and pursuant to a Lease Agreement, dated as of July 1, 2008, between the City and the Authority (the "Lease Agreement"). The Authority will assign its right to receive Lease Payments from the City under the Lease Agreement and its right to enforce payment of the Lease Payments when due or otherwise protect its interest in the event of a default by the City thereunder to Union Bank of California, N.A., San Francisco, California, as trustee (the "Trustee"), for the benefit of the registered owners of the Certificates.

The Certificates will be executed and delivered in book-entry form only, and will be initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (referred to herein as "DTC"). Purchasers of the Certificates (the "Beneficial Owners") will not receive physical certificates representing their interest in the Certificates. Interest with respect to the Certificates accrues from their date of delivery, and is payable semiannually by check mailed on each May 1 and November 1, commencing November 1, 2008. The Certificates may be executed and delivered in denominations of $5,000 or any integral multiple thereof. Payments of principal and interest with respect to the Certificates will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Certificates. (See "THE CERTIFICATES—Book-Entry-Only System" herein).

The Certificates are subject to optional, mandatory, and extraordinary and optional redemption, as described herein

The City will covenant in the Lease Agreement to make all Lease Payments due under the Lease Agreement, subject to abatement during any period in which by reason of damage or destruction of the Property, or by reason of eminent domain proceedings with respect to the Property, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The City will covenant in the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and to make the necessary annual appropriations for all such Lease Payments.

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Certificates by ASSURED GUARANTY CORP.

ASSURED GUARANTY®

NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTES A DEBT OR INDEBTEDNESS OF THE CITY OR THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATIONS OR RESTRICTION OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

MATURITY SCHEDULE

CUSIP Prefix: 010762†

Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Maturity (May 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2011	$410,000	4.00%	3.18%	HZ8	2017	$275,000	5.00 %	4.15%	JF0
2012	425,000	4.00	3.45	JA1	2018	290,000	5.00	4.25	JG8
2013	435,000	4.00	3.60	JB9	2019	300,000	5.00	4.40c	JH6
2014	460,000	5.00	3.70	JC7	2020	315,000	4.375	4.55	JJ2
2015	480,000	5.00	3.85	JD5	2021	330,000	4.50	4.65	JK9
2016	510,000	4.00	4.05	JE3	2022	345,000	4.50	4.70	JL7

The cover page contains certain information for general reference only. It is not a summary of all the provisions of the Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision. See "RISK FACTORS" herein for a discussion of special risk factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Certificates.

The Certificates will be offered when, as and if delivered and received by the Underwriter subject to approval by Quint & Thimmig LLP, San Francisco, California, as Special Counsel. Certain matters will be passed upon for the City by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. It is anticipated that the Certificates will be available for delivery to DTC in New York, New York, on or about July 8, 2008.

WEDBUSH
MORGAN SECURITIES

Dated: June 24, 2008

† Copyright 2008, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the Certificates. The City is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Certificates or as included herein. The CUSIP number for a specific maturity is subject to being changed after the delivery of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates.

c Priced to the 5/1/2018 par call date.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Certificates at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the public offering prices set forth on the cover page hereof and said public offering prices may be changed from time to time by the Underwriter.

No dealer, broker, salesperson, or other person has been authorized by the City, the Authority or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Authority or the Underwriter.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Certificates by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

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

The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of such by the City or the Authority. The information and expressions of opinion stated herein are subject to change without notice. The delivery of this Official Statement shall not, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority since the date hereof. All summaries of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, or other documents, are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Superintendent of the City for further information. See "INTRODUCTION—Other Information."

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

ASSURED GUARANTY CORP. (THE "FINANCIAL GUARANTY INSURER") MAKES NO REPRESENTATION REGARDING THE CERTIFICATES OR THE ADVISABILITY OF INVESTING IN THE CERTIFICATES. IN ADDITION, THE FINANCIAL GUARANTY INSURER HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING THE FINANCIAL GUARANTY INSURER SUPPLIED BY THE FINANCIAL GUARANTY INSURER AND PRESENTED UNDER THE HEADING "FINANCIAL GUARANTY INSURANCE" AND APPENDIX F—"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY."

TABLE OF CONTENTS

CITY OF ALAMEDA
2263 Santa Clara Avenue
Alameda, California 94501
http://www.ci.alameda.ca.us/

CITY COUNCIL

Beverly Johnson, *Mayor*
Lena Tam, *Vice Mayor*
Doug deHaan, *Councilmember*
Marie Gilmore, *Councilmember*
Frank Matarrese, *Councilmember*

CITY ADMINISTRATION

Debra Kurita, *City Manager*
David Brandt, *Assistant City Manager*
Juelle Ann Boyer, *Chief Financial Officer*
Lara Weisiger, *City Clerk*
Teresa L. Highsmith, *City Attorney*

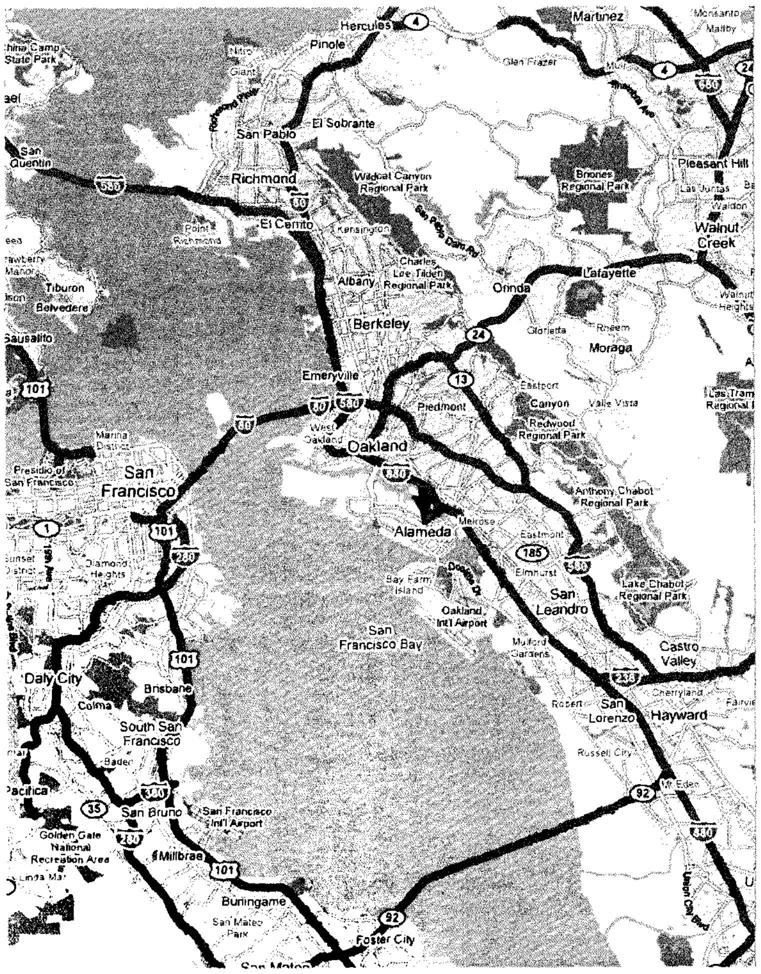
PROFESSIONAL SERVICES

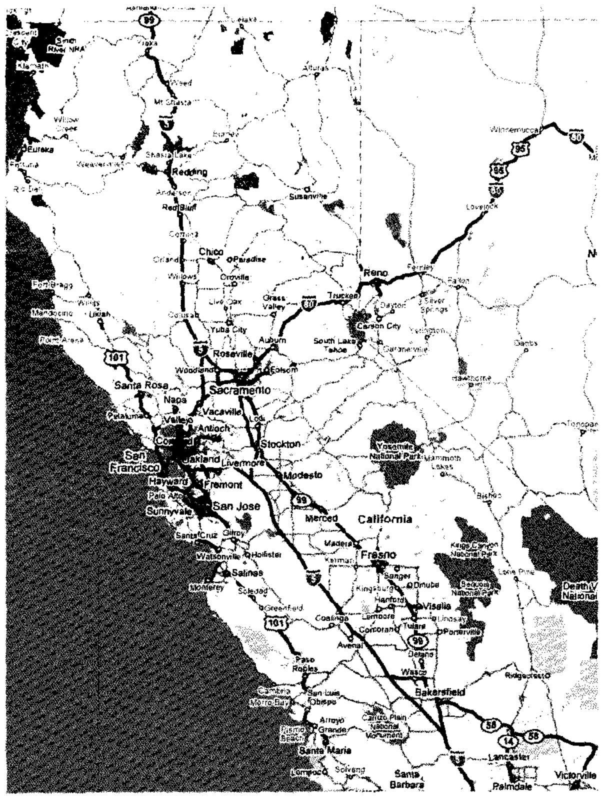
SPECIAL COUNSEL AND DISCLOSURE COUNSEL
Quint & Thimmig LLP
San Francisco, California

FINANCIAL ADVISOR
Gardner, Underwood & Bacon LLC
Los Angeles, California

TRUSTEE
Union Bank of California, N.A.
San Francisco, California

LOCATION MAP





OFFICIAL STATEMENT

$4,575,000
CERTIFICATES OF PARTICIPATION
(2008 Refinancing Project)
Evidencing the Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the CITY OF ALAMEDA As the Rental for Certain Property Pursuant to a Lease Agreement with the Alameda Public Financing Authority

INTRODUCTION

This Introduction is not a summary of this Official Statement. It is only a brief description of and a guide to, and is qualified by, the more complete information contained in this Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and the documents summarized or described herein. The offering of Certificates to potential investors is made only by means of the entire Official Statement.

This Official Statement, which includes the cover page and appendices hereto, provides certain information with respect to the sale of $4,575,000 aggregate principal amount of Certificates of Participation (2008 Refinancing Project) (the "Certificates"), representing the direct, undivided fractional interests of the registered owners thereof (the "Owners") in Lease Payments (as defined below) to be made by the City of Alameda (the "City") as the rental for certain improvements and the sites thereof, as described more fully herein (the "Property"), to be leased by the City pursuant to a Lease Agreement, dated as of July 1, 2008 (the "Lease Agreement"), by and between the Alameda Public Financing Authority (the "Authority"), a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "State") and the City. The City will lease the Property to the Authority pursuant to a Site and Facility Lease, dated as of July 1, 2008 (the "Site and Facility Lease"), between the City and the Authority, for leaseback pursuant to the Lease Agreement.

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2008 (the "Trust Agreement"), by and among the Authority, the City and Union Bank of California, N.A., San Francisco, California, as trustee (the "Trustee"). Pursuant to an Assignment Agreement, dated as of July 1, 2008 (the "Assignment Agreement"), the Authority will assign to the Trustee, for the benefit of the Owners, substantially all of the Authority's rights under the Lease Agreement, including its right to receive and collect Lease Payments and prepayments from the City under the Lease Agreement and the Authority's rights as may be necessary to enforce payment of Lease Payments.

Capitalized terms appearing herein and not otherwise defined have the respective meanings assigned to those terms in APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—DEFINITIONS" attached hereto.

Purpose of the Certificates

The Certificates are being executed and delivered to provide funds, together with other available moneys, to (a) to refinance the acquisition, construction, installation, modernization and equipping of improvements to various City facilities and to provide for the refunding of (i) the outstanding City of Alameda Certificates of Participation (1996 Police Building and

Equipment Refinancing Project)(the "1996A Certificates"), and (ii) the outstanding City of Alameda Certificates of Participation (1996 Library and Golf Course Financing Project) (the "1996B Certificates" and, with the 1996A Certificates, the "1996 Certificates"); (b) purchase a reserve fund surety bond in lieu of cash funding a reserve fund for the Certificates, and (c) pay delivery costs incurred in connection with the execution, delivery and sale of the Certificates.

Security and Sources of Payment for the Certificates

The City is required to pay to the Trustee specified Lease Payments for the use and occupancy of the Property which amounts are equal to the principal and interest represented by the Certificates. See "SOURCES OF PAYMENT FOR THE CERTIFICATES—Lease Payments." The City has covenanted under the Lease Agreement to take such action as may be necessary to include all Lease Payments in its annual budgets and make the necessary annual appropriations therefor, subject to abatement. Lease Payments are subject to abatement during any period during which, by reason of material damage, destruction or condemnation of the Property or any portion thereof, there is substantial interference with the City's use of the Property. APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE LEASE PAYMENTS UNDER THE LEASE AGREEMENT CONSTITUTE A DEBT OF THE CITY, THE AUTHORITY OR THE STATE OR ANY POLITICAL SUBDIVISIONS THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION.

For a more complete description of the sources of payment for the Certificates, see "SOURCE OF PAYMENT FOR THE CERTIFICATES" herein.

Financial Guaranty Insurance

Payment of the principal and interest with respect to the Certificates when due will be guaranteed under a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") to be issued by Assured Guaranty Corp. (the "Financial Guaranty Insurer") simultaneously with the delivery of the Certificates. See "FINANCIAL GUARANTY INSURANCE" herein. In addition, the Financial Guaranty Insurer has made a commitment to issue a financial guaranty insurance policy for the Reserve Fund with respect to the Certificates (the "Reserve Fund Insurance Policy") in an amount equal to the Reserve Requirement. See "SOURCES OF PAYMENT FOR THE CERTIFICATES—Reserve Fund " herein.

Registration

The Certificates will be delivered in fully registered form only, without coupons, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Certificates (the "Beneficial Owners") in the denominations set forth on the cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Certificates. See "THE CERTIFICATES—Book-Entry-Only System." In the event that the book-entry-only system described below is no longer used with respect to the Certificates, the

Certificates will be registered in accordance with the Trust Agreement described herein. See "THE CERTIFICATES—Registration, Transfer and Exchange of Certificates."

Denominations

The Certificates will be in the form of fully registered certificates in the denominations or maturity values of $5,000 or any integral multiple thereof.

Payment

Each Certificate will be dated as of its date of delivery, and payments of interest with respect thereto will be made semiannually on each May 1 and November 1 (each, an "Interest Payment Date"), commencing November 1, 2008.

Interest with respect to the Certificates will be payable from the Interest Payment Date next preceding the date of execution of such Certificate, (a) unless it is executed following the close of business of the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a business day (a "Record Date") and on or before the next succeeding Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date, or (b) unless it is executed on or before the first Record Date, in which event interest represented thereby will be payable from their date of delivery; provided, however, that if, as of the date of any Certificate, interest represented by such Certificate is in default, interest represented thereby will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to such Certificate.

The principal represented by the Certificates will be payable on May 1 as specified on the cover of this Official Statement.

Redemption

The Certificates are subject to special, extraordinary optional and special redemption. See "THE CERTIFICATES—Redemption" herein.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Special Counsel, under existing law, subject to the City's compliance with certain covenants, interest with respect to the Certificates is excludable from gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and under Section 55 of the Code is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

For a more complete discussion of the opinion of Special Counsel and certain other tax consequences incident to the ownership of the Certificates, including certain exceptions to the tax treatment of interest, see "TAX MATTERS."

Authority for Delivery

The Certificates are being delivered pursuant to the Trust Agreement, which was approved by the City pursuant to a resolution adopted by the City Council of the City on June

17, 2008, and by the Authority pursuant to a resolution adopted by the Board of Directors of the Authority on June 17, 2008.

Continuing Disclosure

The City will covenant in a continuing disclosure certificate (the "Continuing Disclosure Certificate") to provide, or cause to be provided, to each nationally recognized municipal securities information repository and any public or private repository or entity designated by the State as a state repository and any public or private repository for purposes of Rule 15c2–12(b)(5) adopted by the Securities and Exchange Commission (the "Rule") certain annual financial information and operating data of the type set forth herein including, but not limited to, its audited financial statements and, in a timely manner, notice of certain material events. See "LEGAL MATTERS—Continuing Disclosure" and APPENDIX D—"FORM OF CONTINUING DISCLOSURE CERTIFICATE" for a description of the specific nature of the annual report and notices of material events and a summary description of the terms of the Continuing Disclosure Certificate pursuant to which such reports and notices are to be made.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. The City has not entered into any contractual commitment to provide information on a continuing basis to investors or any other party, except to the extent such information is required to be provided pursuant to the City's contracts with nationally recognized statistical ratings organizations, and the City makes, and has made, no representation or warranty that it will do so.

Brief descriptions of the Certificates, the security for the Certificates and the City are included in this Official Statement together with summaries of certain provisions of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, and certain other documents. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are qualified in their entirety by reference to such documents, and references herein to the Certificates are qualified in their entirety by reference to the form thereof included in the Trust Agreement, copies of which are available for inspection at the office of the Chief Financial Officer, City of Alameda, 2263 Santa Clara Avenue, Room 220, Alameda, CA 94501, telephone (510) 747-4881.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds in connection with the Certificates are as follows:

SOURCES OF FUNDS	
Principal Amount of Certificates	$4,575,000.00
Plus: Net Original Issue Premium	118,724.75
Total Proceeds	$4,693,724.75
Plus: Released 1996A Certificate Moneys	268,959.81
Plus: Released 1996B Certificate Moneys	440,236.13
Total Sources of Funds	$5,402,920.69
USES OF FUNDS	
Deposit to 1996A Escrow Fund (1)	$1,549,652.62
Deposit to 1996B Escrow Fund (2)	3,625,130.32
Delivery Costs (3)	228,137.75
Total Uses of Funds	$5,402,920.69

(1) Represents amounts required to provide for the refunding of the 1996A Certificates. See "FINANCING PLAN—Refunding of the 1996A Certificates."

(2) Represents amounts required to provide for the refunding of the 1996B Certificates. See "FINANCING PLAN—Refunding of the 1996B Certificates."

(3) Delivery costs are expenses of the City associated with selling the Certificates and include the Underwriter's discount, costs of printing, fees of Bond Counsel, Disclosure Counsel, the Financial Advisor, the Escrow Bank and the Trustee, the premium for the Financial Guaranty Insurance Policy, the premium for the Reserve Fund Insurance Policy and other miscellaneous costs of the transaction.

The following table shows the annual debt service due with respect to the Certificates.

Year Ending May 1	Principal	Interest	Total
2009	—	$167,340.64	$167,340.64
2010	—	205,606.25	205,606.25
2011	$410,000	205,606.25	615,606.25
2012	425,000	189,206.25	614,206.25
2013	435,000	172,206.25	607,206.25
2014	460,000	154,806.25	614,806.25
2015	480,000	131,806.25	611,806.25
2016	510,000	107,806.25	617,806.25
2017	275,000	87,406.25	362,406.25
2018	290,000	73,656.25	363,656.25
2019	300,000	59,156.25	359,156.25
2020	315,000	44,156.25	359,156.25
2021	330,000	30,375.00	360,375.00
2022	345,000	15,525.00	360,525.00

FINANCING PLAN

Refunding of the 1996A Certificates

A portion of the proceeds of the Certificates, together with moneys released from the trust agreement relating to the 1996A Certificates, will be deposited in an escrow fund (the "1996A Escrow Fund") held in trust by The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement with the City. A portion of the amounts deposited in the 1996A Escrow Fund will be invested in direct obligations of the United States (the "Federal Securities") in an amount which, together with investment earnings thereon and the uninvested cash in the 1996A Escrow Fund, will be sufficient to provide for the payment of principal and interest with respect to the 1996A Certificates through August 11, 2008, and to provide for the redemption of the 1996A Certificates in full on August 11, 2008, at the redemption price of 100% of the principal amount thereof to be redeemed, plus accrued interest.

Upon the delivery of the Certificates and the deposit in the 1996A Escrow Fund of moneys sufficient to provide for the refunding of the 1996A Certificates, the 1996A Certificates will be deemed defeased and no longer outstanding. The holders of the 1996A Certificates will be entitled to payment solely out of the moneys or securities deposited in the 1996A Escrow Fund.

Refunding of the 1996B Certificates

A portion of the proceeds of the Certificates, together with moneys released from the trust agreement relating to the 1996B Certificates, will be deposited in an escrow fund (the "1996B Escrow Fund") held in trust by the Escrow Bank under an escrow deposit and trust agreement with the City. A portion of the amounts deposited in the 1996B Escrow Fund will be invested in direct obligations of the United States (the "Federal Securities") in an amount which, together with investment earnings thereon and the uninvested cash in the 1996B Escrow Fund, will be sufficient to provide for the payment of principal and interest with respect to the 1996B Certificates through August 11, 2008, and to provide for the redemption of the 1996B Certificates in full on August 11, 2008, at the redemption price of 101% of the principal amount thereof to be redeemed, plus accrued interest.

Upon the delivery of the Certificates and the deposit in the 1996B Escrow Fund of moneys sufficient to provide for the refunding of the 1996B Certificates, the 1996B Certificates will be deemed defeased and no longer outstanding. The holders of the 1996B Certificates will be entitled to payment solely out of the moneys or securities deposited in the 1996B Escrow Fund.

THE PROPERTY

Pursuant to the Site and Facility Lease, the City will lease the Property to the Authority. Pursuant to the Lease Agreement, the Authority will, in turn, lease the Property back to the City. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—SITE AND FACILITY LEASE" and "—LEASE AGREEMENT."

The Property consists of the following, together with the site thereof:

Alameda Police Administration Building (1555 Oak Street, Alameda), constructed in 1978, is a two story structure with basement, with a total of approximately 30,000 square feet of gross area. The facility includes a jail and police department administrative offices. The City estimates that the replacement cost of the building is in excess of $10,000,000.

THE CERTIFICATES

General Provisions

The Certificates will be dated as of their date of delivery and will be payable as to interest from such date, semiannually on each May 1 and November 1, commencing November 1, 2008 (each an "Interest Payment Date"). Interest with respect to the Certificates will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The Certificates will be delivered in denominations of $5,000 or any integral multiple thereof. The Certificates will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Certificates. Payments of principal, premium, if any, and interest with respect to the Certificates will be paid by the Trustee to DTC which is obligated in turn to remit such principal, premium, if any, and interest with respect to the Certificates to its DTC Participants for subsequent disbursement to the Beneficial Owners of the Certificates. See APPENDIX E—"BOOK-ENTRY SYSTEM" attached hereto.

Interest with respect to the Certificates is required to be payable from the Interest Payment Date next preceding the date of execution thereof, unless: (i) it is executed as of an Interest Payment Date, in which event interest with respect thereto is required to be payable from such Interest Payment Date; or (ii) it is executed after a Regular Record Date (i.e., close of business on the fifteenth day of the month preceding each Interest Payment Date) and before the following Interest Payment Date, in which event interest with respect thereto is required to be payable from such Interest Payment Date; or (iii) it is executed on or before October 15, 2008, in which event interest with respect thereto is required to be payable from the date of delivery of the Certificates; provided, however, that if, as of the date of execution of any Certificate, interest is in default with respect to any Outstanding Certificates, interest represented by such Certificate is required to be payable from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates. Payment of defaulted interest is required to be paid by check mailed to the Owners as of a special record date to be fixed by the Trustee in its sole discretion, notice of which shall be given to the Owners not less than 10 days prior to such special record date.

Trustee

Union Bank of California, N.A., San Francisco, California, will act as the Trustee. As long as DTC's book-entry method is used for the Certificates, the Trustee will send any notice of redemption or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Certificates called for redemption or of any other action premised on such notice.

The Trustee, the City, the Authority and the Underwriter of the Certificates have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Certificates.

So long as the outstanding Certificates are registered in the name of Cede & Co. or its registered assigns, the Trustee and the City shall cooperate with Cede & Co., as sole registered owner, or its registered assigns in effecting payment of the principal and interest with respect to the Certificates by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

Payment

Interest represented by each Certificate will be paid on each Interest Payment Date by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the person appearing on the Registration Books as the Owner thereof as of the close of business on the preceding Record Date, at such Owner's address as it appears on the Registration Books; provided, however, that at the written request of the Owner of the Certificates in an aggregate principal amount of at least $1,000,000, which written request is on file with the Trustee as of any Record Date, interest represented by such Certificates shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account within the United States of America as shall be specified in such written request.

The principal and redemption price represented by any Certificate at maturity or upon prior redemption shall be payable in lawful money of the United States of America upon presentation and surrender of such Certificate at the Office of the Trustee.

Redemption

Extraordinary Redemption. The Certificates are subject to extraordinary redemption, in whole or in part, on any Interest Payment Date, in an order of maturity determined by the City, from the Net Proceeds of insurance or eminent domain proceedings credited towards the redemption of the Lease Payments pursuant to the Lease Agreement, at a redemption price equal to 100% of the principal amount to be redeemed, together with accrued interest represented thereby to the date fixed for redemption, without premium.

Optional Redemption. The Certificates maturing on or before May 1, 2018, are not subject to optional redemption prior to maturity. The Certificates maturing on and after May 1, 2019, are subject to optional redemption in whole or in part on any date in such order of maturity as shall be designated by the City (or, if the City shall fail to so designate the order of redemption, in pro rata among maturities) and by lot within a maturity, on or after May 1, 2018, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption from the proceeds of the optional prepayment of Lease Payments made by the City pursuant to the Lease Agreement, without premium.

Selection of Certificates for Redemption

Whenever provision is made in the Trust Agreement for the redemption of Certificates and less than all outstanding Certificates are to be redeemed the Trustee will select Certificates for redemption from outstanding Certificates not previously called for redemption in such order of maturity as will be designated by the City (and, in lieu of such designation, pro rata among maturities and by lot within a maturity. For the purposes of such selection, Certificates shall be deemed to be composed of $5,000 portions, and any such portion may be separately redeemed. The Trustee shall promptly notify the City and the Authority in writing of the Certificates or portions thereof so selected for redemption.

Notice of Redemption

The Trustee shall give notice of the redemption of the Certificates on behalf and at the expense of the City. Such notice shall state the redemption date and redemption price and, if less than all of the then outstanding Certificates are to be called for redemption, shall designate the numbers of the Certificates to be redeemed by giving the individual number of each Certificate or by stating that all Certificates between two stated numbers, both inclusive, have been called for redemption, and shall require that such Certificates be surrendered on the redemption date at the Office of the Trustee for redemption at said redemption price, giving notice also that further interest represented by the Certificates will not accrue after the redemption date. Such notice shall further state that on the redemption date there shall become due and payable, the principal and premium, if any, represented by each Certificate together with accrued interest represented thereby to said date, and that from and after such date interest represented thereby shall cease to accrue and be payable.

Notice of such redemption shall be mailed by first class mail with postage redeemed, to one or more of the Information Services (as defined in the Trust Agreement) and to the owners of the Certificates designated for redemption at their respective addresses appearing on the Registration Books, at least 30 days but not more than 60 days prior to the redemption date. In addition, notice of redemption shall be given by telecopy or certified, registered or overnight mail to each of the Securities Depositories (as defined in the Trust Agreement) at least 2 days prior to such mailing to the Certificate owners. Such notice shall, in addition to setting forth the above information, set forth, in the case of each Certificate called only in part, the portion of the principal represented thereby which is to be redeemed; provided, however, that neither failure to receive such notice so mailed nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Certificates or the cessation of accrual of interest represented thereby from and after the date fixed for redemption.

If, on said date of redemption, moneys for the redemption of all the Certificates to be redeemed, together with interest to said date of redemption, shall be held by the Trustee so as to be available therefor on such date of redemption, then, from and after said date of redemption, interest represented by the Certificates shall cease to accrue and become payable. All moneys held by the Trustee for the redemption of Certificates shall be held in trust for the account of the Owners of the Certificates so to be redeemed, and shall be held by the Trustee in cash uninvested.

All Certificates paid at maturity or redeemed prior to maturity pursuant to the Trust Agreement shall be canceled upon surrender thereof and destroyed.

Partial Redemption of the Certificates

Upon surrender of any Certificate redeemed in part only, the Trustee shall execute, authenticate and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Certificate surrendered and of the same interest rate and the same maturity.

Defeasance

If and when any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and redemption premiums (if any) represented by such Outstanding Certificates, as and when the same become due and payable; or

(b) by depositing with the Trustee or any other fiduciary, under an escrow deposit and trust agreement, security for the payment of Lease Payments relating to such Certificates as more particularly described in the Lease Agreement, said security to be held by the Trustee on behalf of the City to be applied by the Trustee or by such other fiduciary to pay or prepay such Lease Payments as the same become due, pursuant to the Lease Agreement;

and if such Certificates are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to the Trust Agreement or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, notwithstanding that such Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of such Certificates and all obligations of the Authority, the Trustee and the City with respect to such Certificates shall cease and terminate, except only the obligations of the Trustee under the Trust Agreement, and the obligation of the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the City from funds deposited pursuant to paragraph (b) above, to the Owners of such Certificates not so surrendered and paid all sums represented thereby when due and in the event of deposits pursuant to paragraph (b), such Certificates shall continue to represent direct. Undivided fractional interests of the Owners, thereof in the Lease Payments.

Any funds held by the Trustee, at the time of discharge of the obligations represented by all Outstanding Certificates as a result of one of the events described in paragraphs (a) or (b) above, which are not required for the payment to be made to Owners, shall, upon payment in full of all fees and expenses of the Trustee (including attorneys' fees) then due, be paid over to the City.

Registration, Transfer and Exchange of Certificates

In the event that the book-entry system as described above is no longer used with respect to the Certificates, the following provisions will govern the registration, transfer, and exchange of the Certificates.

The Trustee shall keep or cause to be kept sufficient records for the registration and registration of transfer of the Certificates, which shall at all reasonable times be open to inspection by the City and the Authority during regular business hours and upon prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Certificates as provided in the Trust Agreement.

The registration of any Certificates may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Certificate for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Certificate or Certificates shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Certificate or Certificates representing the same maturity, interest rate and aggregate principal amount, if any authorized denominations.

Certificates may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Certificates representing other authorized denominations of the same interest rate and maturity. The City shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee may refuse to transfer or exchange either (i) any Certificate during the period established by the Trustee for the selection of Certificates for redemption, or (ii) the portion of any Certificate which the Trustee has selected for redemption pursuant to the provisions of the Trust Agreement.

Mutilated, Lost, Destroyed, or Stolen Certificates

In the event that the book-entry system as described above is no longer used with respect to the Certificates, the following provisions will apply to mutilated, lost, destroyed or stolen Certificates.

If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity in replacement for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed by the Trustee, who shall upon request deliver a certificate of destruction to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft must be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and the City and, if an indemnity satisfactory to the Trustee and the City shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like principal amount, interest rate and maturity and numbered as the Trustee shall determine in lieu of and in replacement for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each replacement Certificate delivered and of the expenses which may be incurred by the Trustee in carrying out the duties under the Trust Agreement. Any Certificate issued in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally entitled to the benefits of the Trust Agreement with all other Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of the Trust Agreement, in lieu of delivering a replacement for a Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trustee and the City.

SOURCES OF PAYMENT FOR THE CERTIFICATES

General

Each Certificate represents a direct, fractional, undivided interest in the Lease Payments to be made by the City under the Lease Agreement. The Authority, pursuant to the Assignment Agreement, will assign substantially all of its rights under the Lease Agreement, including its right to receive Lease Payments from the City as well as its right to enforce the Lease Agreement, to the Trustee for the benefit of the Owners. The Lease Payments are equal to the annual principal and interest represented by the Certificates. The Lease Payments will be paid from the City's general fund and other legally available moneys.

The obligation of the City to make Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Lease Payments under the Lease Agreement constitute a debt of the City or the State or any political subdivisions thereof within the meaning of any Constitutional or statutory debt limitation or restriction or an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Lease Payments

Subject to the provisions of the Lease Agreement regarding abatement in the event of loss of use of any item or portion of the Property and regarding redemption of Lease Payments, the City agrees to pay to the Authority the Lease Payments (denominated into components of principal and interest) for the Property to be due and payable in immediately available funds on the Interest Payment Dates immediately following the Lease Payment Dates (such Lease Payment Date being the 15th calendar day of the month immediately preceding such Interest Payment Dates), and to be deposited by the City with the Trustee on each of the Lease Payment Dates. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the redemption of the Lease Payments in part but not in whole pursuant to the Lease Agreement and other than amounts required for payment of past due principal or interest represented by any Certificates not presented for payment) shall be credited towards the Lease Payment then required to be paid hereunder; and no Lease Payment need be deposited with the Trustee on any Lease Payment Date then required to be deposited with the Trustee. The Lease Payments payable in any Fiscal Year shall be for the use of the Property during such Fiscal Year. See "LEASE PAYMENTS" herein.

Lease Payments shall be abated during any period in which, by reason of material damage, destruction or condemnation, there is substantial interference with the use and right of possession by the City with respect to any item or portion of the Property. See "RISK FACTORS—Abatement" herein.

Covenant to Budget

The City has covenanted in the Lease Agreement to take such action as may be necessary to include all Lease Payments and Additional Payments coming due in each of its annual budgets during the term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and Additional payments. Annually, the City will furnish to the Trustee a certificate stating that the Lease Payments have been included in the final budget of the City for the current Fiscal Year, such certificate to be filed within 30 days after the adoption of such budget and in any event no later than September 1 in the calendar year in which the City adopts such budget. Such covenants on the part of the City shall be deemed to be and shall be construed to be duties imposed by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

Reserve Fund

Pursuant to the Trust Agreement, a Reserve Fund is required to be funded in the amount of the "Reserve Requirement." Moneys in the Reserve Fund shall be held in trust as a reserve for the payment when due of the Lease Payments on behalf of the City. "Reserve Requirement" means, as of the Closing Date, an amount equal to the lesser of (a) 10% of the principal amount of the Certificates, or (b) the maximum amount of Lease Payments coming due in the current or any future Fiscal Year, or (c) 125% of average annual Lease Payments. The Reserve Requirement as of the date of delivery of the Certificates is $457,500.00. The Reserve Fund is initially being funded with the Reserve Fund Insurance Policy, as described below.

At any time, moneys on deposit in the Reserve Fund may be substituted by the City with a letter of credit, surety bond, bond insurance policy or other form of guaranty from a financial institution, the long-term, unsecured obligations of which are rated in the highest rating category by Moody's and S&P, in an amount equal to the Reserve Requirement, upon presentation to the Trustee of such letter of credit, surety bond, bond insurance policy or other form of guaranty from a financial institution, with evidence from the City that such letter of credit, surety bond, bond insurance policy or other form of guaranty from a financial institution rated in the highest rating category by Moody's and S&P. Upon such substitution, the Trustee shall transfer amounts on deposit in the Reserve Fund to the City in an amount equal to the maximum limits or principal amount, as applicable, of such letter of credit, surety bond, bond insurance policy or other form of guarantee which shall be segregated by the City and applied solely to the funding of capital projects.

The Financial Guaranty Insurer has made a commitment to issue the Reserve Fund Insurance Policy, effective as of the date of delivery of the Certificates. Under the terms of the Reserve Fund Insurance Policy, the Financial Guaranty Insurer will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest with respect to the Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the City (the "Insured Payments").

The Financial Guaranty Insurer will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the City to the Trustee, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the Certificates on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which the Financial Guaranty Insurer receives a demand for payment therefor in accordance with the terms of the Reserve Fund Insurance Policy.

No payment will be made under the Reserve Fund Insurance Policy in excess of $457,500.00 (the "Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by the Financial Guaranty Insurer under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to the Financial Guaranty Insurer, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee.

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

Insurance

The Lease Agreement requires the City to continue to maintain or cause to be maintained the following insurance against risk of physical damage to the Property and other risks for the protection of the Certificate Owners, the Authority, and the Trustee:

(i) *Public Liability and Property Damage Insurance.* The City shall maintain or cause to be maintained throughout the term of the Lease Agreement, but only if and to the extent available from reputable insurers at reasonable cost in the reasonable opinion of the City, a standard comprehensive general insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents, employees and assigns. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damages occasioned by reason of the operation of the Property. Such policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event (subject to a deductible of not to exceed

$250,000), and in a minimum amount of $150,000 (subject to a deductible of not to exceed $50,000) for damage to property resulting from each accident or event. Such insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks, subject to a deductible of not to exceed $250,000. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the Lease Agreement, or in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The Net Proceeds of such liability insurance shall be applied by the City toward extinguishment or satisfaction of the liability with respect to which paid.

(ii) *Fire and Extended Coverage Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, insurance against loss or damage to the Property by fire and lightning, with extended coverage and vandalism and malicious mischief insurance. Such insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an aggregate amount at least equal to the lesser of: (a) 100% of the replacement value of the facilities; or (b) 100% of the aggregate principal amount of the Outstanding Certificates. All policies of such insurance shall be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of the Lease Agreement, or in the form of participation by the City in a joint powers authority or other program providing pooled insurance.

(iii) *Rental Interruption Insurance.* The City shall procure and maintain, or cause to be procured and maintained, throughout the term of the Lease Agreement, rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of the Property as a result of any of the hazards covered by casualty insurance, in an amount at least equal to two times the Reserve Requirement. Such insurance may be maintained as part of or in conjunction with any other insurance coverage carried by the City, and may be maintained in whole or in part in the form of the participation by the City in a joint powers authority or other program providing pooled insurance. The Net Proceeds of such insurance, if any, shall be paid to the Trustee and deposited in the Lease Payment Fund, and shall be credited towards the payment of the Lease Payments as the same become due and payable.

(iv) *Title Insurance.* The City shall, at its expense, (a) cause the Site and Facility Lease, the Lease Agreement or a memorandum thereof in form and substance approved by Special Counsel, and the Assignment Agreement to be recorded in the office of the Alameda County Recorder with respect to the Property, and (b) obtain a CLTA title insurance policy insuring the City's leasehold estate thereunder in the Property, subject only to Permitted Encumbrances, in an amount at least equal to the aggregate principal amount of the Certificates. All Net Proceeds received under any such title insurance policy shall be deposited with the Trustee in the Lease Payment Fund and shall be credited towards the redemption of the remaining Lease Payments pursuant to the Lease Agreement.

In the event that any insurance required pursuant to the Lease Agreement shall be provided in the form of self-insurance, the City shall file with the Trustee annually, within 90 days following the close of each Fiscal Year, a statement of the risk manager of the City or an independent insurance adviser engaged by the City identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the City, the City shall not be obligated to make any payment with respect to any insured event except from such reserves.

Action on Default

Whenever any event of default referred to in the Lease Agreement has happened and is continuing, the Authority may exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; provided, however, that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there will be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. The Authority will have the right upon a default by the City to terminate the Lease Agreement, re-enter such component of the Property, eject the City from such component of the Property or to re-let such component of the Property for the account of the City, and the Authority waives any such rights that it might have, including any right pursuant to Section 1951.2 or 1952.3 of the California Civil Code. See "THE PROPERTY." The Authority's rights under the Lease Agreement upon such default by the City shall be (so long as the Authority does not terminate the Lease Agreement or the City's right to possession of such component of the Property) to enforce all of its rights and remedies under the Lease Agreement, including the right to recover Lease Payments as they become due under the Lease Agreement pursuant to Section 1951.4 of the California Civil Code, by pursing any legal remedy available.

For further information concerning certain risks associated with the exercise of remedies under the Lease Agreement, see "RISK FACTORS—Limited Recourse on Default" and APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

Abatement

The obligation of the City to pay Lease Payments will be abated during any period in which by reason of damage, destruction or taking by eminent domain or condemnation with respect to any item or portion of the Property there is substantial interference with the City's use and possession of such item or portion of the Property.

If the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the term of the Lease Agreement shall cease with respect thereto as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if the Property shall be taken temporarily, under the power of eminent domain, (a) the Lease Agreement shall continue in full force and effect with respect thereto and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (b) there shall be a partial abatement of Lease Payments allocated thereto, in an amount to be agreed upon by the City and the Authority such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portions of the Property. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared pursuant to the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

The amount of Lease Payments shall be abated during any period in which by reason of damage or destruction (other than by eminent domain as described above) there is substantial interference with the use and occupancy by the City of the Property or any portion thereof. The parties agree that the amount of Lease Payments under such circumstances shall not be less than the amount of the Lease Payments required to pay principal and interest with respect to the Certificates, as scheduled, unless such unpaid amounts are determined to be greater than the fair rental value of the portions of the Property not damaged or destroyed (giving due consideration to the estimated fair market value of the Property, other obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public), based on the opinion of an MAI appraiser with expertise in valuing such properties or other appropriate method of valuation, in which event the Lease Payments shall be abated such that they represent said fair rental value.

Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that the proceeds of hazard insurance, rental interruption insurance or amounts in the Reserve Fund are available to pay Lease Payments which would otherwise be abated under the Lease Agreement, it being declared pursuant to the Lease Agreement that such proceeds and amounts constitute a special fund for the payment of the Lease Payments.

Additional Payments

In addition to the Lease Payments, the City shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Trust Agreement, including without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Delivery Costs Fund), annual compensation due to the Trustee, all of its reasonable costs payable as a result of the performance of and compliance with its duties under the Trust Agreement and all other amounts due to the Trustee pursuant to the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants. Such costs and expenses shall be payable as additional amounts of rental pursuant to the Lease Agreement in consideration of the right of the City to the use and occupancy of the Property.

FINANCIAL GUARANTY INSURANCE

The Financial Guaranty Insurer has supplied the following information for inclusion in this Official Statement. This information is not complete and reference is made to APPENDIX F—"SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY" for a specimen of the Financial Guaranty Insurance Policy.

The Financial Guaranty Insurance Policy

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

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

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

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

The Financial Guaranty Insurer shall be fully subrogated to the rights of the Holders of the Certificates to receive payments in respect of the Insured Payments to the extent of any payment by the Financial Guaranty Insurer under the Financial Guaranty Insurance Policy.

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

The Financial Guaranty Insurer

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

The Financial Guaranty Insurer is subject to insurance laws and regulations in Maryland and in New York (and in other jurisdictions in which it is licensed) that, among other things, (i) limit the Financial Guaranty Insurer's business to financial guaranty insurance and related lines, (ii) prescribe minimum solvency requirements, including capital and surplus requirements, (iii) limit classes and concentrations of investments, (iv) regulate the amount of both the aggregate and individual risks that may be insured, (v) limit the payment of dividends by the Financial

Guaranty Insurer, (vi) require the maintenance of contingency reserves, and (vii) govern changes in control and transactions among affiliates. Certain state laws to which the Financial Guaranty Insurer is subject also require the approval of policy rates and forms.

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

Capitalization of the Financial Guaranty Insurer

As of March 31, 2008, the Financial Guaranty Insurer had total admitted assets of $1,518,398,730 (unaudited), total liabilities of $1,138,285,708 (unaudited), total surplus of $380,113,022 (unaudited) and total statutory capital (surplus plus contingency reserves) of $1,001,533,924 (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of December 31, 2007, the Financial Guaranty Insurer had total admitted assets of $1,361,538,502 (audited), total liabilities of $961,967,238 (audited), total surplus of $399,571,264 (audited) and total statutory capital (surplus plus contingency reserves) of $982,045,695 (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. The Maryland Insurance Administration recognizes only statutory accounting practices for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Maryland Insurance Code, and for determining whether its financial condition warrants the payment of a dividend to its stockholders. No consideration is given by the Maryland Insurance Administration to financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") in making such determinations.

Incorporation of Certain Documents by Reference

The portions of the following documents relating to the Financial Guaranty Insurer are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

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

- The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008 (which was filed by AGL with the SEC on May 9, 2008); and

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

All consolidated financial statements of the Financial Guaranty Insurer and all other information relating to the Financial Guaranty Insurer included in documents filed by AGL with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, subsequent to the date of this Official Statement and prior to the termination of the offering of the 2008 Certificates shall be deemed to be incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such consolidated financial statements.

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

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

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

THE CITY

General

The City is a chartered city which was incorporated in 1854. The City is located in Alameda County (the "County") just west of the City of Oakland and approximately 12 miles east of San Francisco. The City consists of an island in the eastern portion of San Francisco Bay approximately six miles long by one and one-half miles wide and part of a peninsula adjacent to the Oakland Airport. The island portion is connected to the East Bay Area by three bridges and a vehicular underwater double barrel tube. Total City area is 22.7 square miles, about 12.4 square miles of which is water area.

The City operates under a Council-Manager form of government, whereby policies of the City Council are administered by a City Manager, who is appointed by the City Council. All municipal departments operate under the supervision of the City Manager. The Council consists of four members who are elected at large for four-year overlapping terms. The Mayor is elected directly by the people for a four year term. Municipal services provided by the City include police, fire, public works, general government, parks and recreation, sanitary sewer, community development, planning, golf, library and base reuse. Component units of the City include Alameda Power & Telecom and the Alameda Housing Authority.

The City is a major marine recreational area for Northern California with seven marinas and a private seaport. The City is part of the highly urbanized East Bay, which consists of Alameda and Contra Costa counties. A highly skilled labor force, excellent transportation facilities, renowned educational institutions and available advanced research and development resources contribute to the area's economy.

Population

The following table represents the City's population for the decades 1990 and 2000 and the annual estimates for 2001 through 2007:

CITY OF ALAMEDA
Population

Year	Population
1990	73,979
2000	72,259
2001	73,079
2002	73,535
2003	73,340
2004	74,444
2005	74,433
2006	74,551
2007	75,254

Source: 2001 through 2007 population totals are California State Department of Finance estimates as of January 1. The 1990 and 2000 totals are U.S. Census figures.

The City's estimated 2008 population is 75,823.

Employment

Convenient freeway accessibility and regularly scheduled commuter bus service by Alameda County Transit, which includes linkage with nearby Bay Area Rapid Transit (BART) stations, enable City residents to work in virtually any part of the San Francisco-Oakland Metropolitan Bay Area.

As of March, 2008, the California Employment Development Department estimates that the adjusted civilian labor force for the County was approximately 757,500, of which 716,000 were employed. The unadjusted unemployment rate as of March, 2008 was 5.4%.

The following table summarizes historical employment and unemployment in the County.

ALAMEDA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2003	2004	2005	2006	2007
Civilian Labor Force (a)					
Employment	760,000	747,800	742,200	746,200	755,400
Unemployment	707,800	703,800	704,000	713,000	719,400
Total	52,200	44,000	38,200	33,200	36,000
Unemployment Rate (b)	6.9%	5.9%	5.1%	4.5%	4.8%

Source: California Employment Development Department, Labor Market Information Division
(a) Based on place of residence; March 2007 Benchmark.
(b) The unemployment rate is calculated using unrounded data.

The following table summarizes historical employment and unemployment in the City.

CITY OF ALAMEDA
Civilian Labor Force, Employment and Unemployment
Annual Averages

	2003	2004	2005	2006	2007
Civilian Labor Force (a)					
Employment	38,300	38,100	38,100	38,600	38,900
Unemployment	1,900	1,600	1,400	1,200	1,300
Total	40,200	39,700	39,500	39,800	40,200
Unemployment Rate (b)	4.7%	4.0%	3.5%	3.0%	3.2%

Source: California Employment Development Department, Labor Market Information Division
(a) Based on place of residence; March 2007 Benchmark.
(b) The unemployment rate is calculated using unrounded data.

The following table summarizes historical numbers of workers in the County, by industry.

ALAMEDA COUNTY
Estimated Number of Wage and Salary Workers by Industry
(in thousands)

	2002	2003	2004	2005	2006*
Total, All Industries	699,600	693,800	687,700	693,400	698,500
Total Farm	800	600	700	700	800
Natural Resources and Mining	400	300	300	200	200
Construction	39,300	40,200	41,700	43,200	43,900
Manufacturing	81,700	77,400	77,600	75,800	76,300
Trade, Transportation and Utilities	141,900	137,800	133,900	134,500	135,000
Wholesale Trade	43,000	41,300	40,200	39,700	39,600
Retail Trade	68,700	68,400	67,200	68,100	68,100
Transportation, Warehousing and Utilities	30,200	28,100	26,600	26,700	27,300
Information	19,200	18,800	17,300	17,200	16,500
Financial Activities	31,700	35,300	35,000	35,500	36,400
Professional and Business Services	101,600	99,800	101,800	103,900	103,700
Educational and Health Services	74,300	76,700	76,000	77,700	78,500
Leisure and Hospitality	50,800	50,600	50,400	51,500	53,200
Other Services	24,200	24,300	22,700	23,300	23,900
Government	133,600	132,100	130,400	129,800	130,300

Source: California Employment Development Department, Labor Market Information Division.
* Most recent full-year data.
Note: Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor-management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding. March 2007 Benchmark.

Largest Employers

The following table represents the largest employers in the City:

CITY OF ALAMEDA
Largest Employers

	Employer	Number of Employees	Percentage of Total City Employment
1	Alameda Unified School District	1,000	2.59%
2	Abbott Diabetes Care Inc.	671	1.74
3	City of Alameda	626	1.62
4	Alameda Hospital	600	1.55
5	College of Alameda	472	1.22
6	Safeway Stores	345	0.89
7	Wind River Systems	339	0.88
8	Kaiser Foundation Health Plan	252	0.65
9	UT Starcom Inc.	223	0.58
10	Celera Diagnostics LLC	215	0.56
	Total	4,743	12.28%

Source: City of Alameda

Base Closure and Reuse

The Alameda Naval Air Station and the Alameda Naval Aviation Depot were designated for closure by the federal government. Closure has been phased and was completed April 24, 1997. Nearly 16,000 jobs were lost as a result of the closures.

The City and Alameda County signed a joint powers authority agreement in April 1994. The Alameda Reuse and Redevelopment Authority ("ARRA"), governed by the City Council effective January 2000, completed a reuse strategy in December 1995. The U.S. Fish and Wildlife Service has requested 970 acres of land, including 375 acres of submerged lands for the management of migratory birds and endangered species. Uses other than maritime or public access activities may prove difficult since 82% of the base is bay fill and may be subject to "public trust" easements. This would preclude many types of reuse activities.

Together with the Alameda Reuse and Redevelopment Authority and Alameda Power & Telecom, the City has made significant improvements to the water supply system, the sewage transmission system and the electrical transmission system, as well as revitalizing the streets, roads and other infrastructure as part of the Naval Air Station decommissioning efforts.

The Navy leased a portion of the Naval Air Station land and buildings to ARRA, which is in the process of repairing, rebuilding and rehabilitating the buildings for residential or commercial use. As buildings are completed, they are finding a ready market of eager tenants. Residential and commercial space are at a premium in the San Francisco Bay Area, and the City's central location makes this space very desirable to prospective tenants. Commercial space has been leased by a wide variety of companies in businesses such as photo-optics, clean energy, electronics and others. Several aircraft hangars have been used by movie studios, and the City has become a cost-effective alternative to Hollywood for the filming of major motion pictures. Residential rental units are also very much in demand with new units being occupied as soon as they become available. The City anticipates the additional transfer of property from the Navy, although no current time line exists.

The City has been making good progress in replacing the jobs lost by base closures with new, more permanent employment. The Alameda Economic Development Strategic Plan Task Force reported that the City had over 25,000 jobs, with 48% of these jobs in services, 18% in wholesale and retail trade and only 11% in government, and most of that was local government.

Building Activity

Harbor Bay Isle is a major bayside development of approximately 916 acres in the City. The development has been designed as home for 3,200 families and as close-in suburban location for new business facilities in the San Francisco Bay Area. Five neighborhood "villages" offer townhouses, single family homes, executive family homes, and custom view lots on the San Francisco Bay. Each village is linked to the others by a network of walking paths and a 2.5 mile lagoon system. The development includes a complete shopping center, an award winning clubhouse with 20 tennis courts, library, churches, schools, and parks. Included are 300 acres which have been zoned and planned to accommodate offices, research and development facilities, high technology, light manufacturing and supporting services. Over $150 million has been invested in the construction of streets, utilities, recreation areas, and an extensive lagoon system for the residential sections. The business park is expected to contain over five million square feet upon completion. It is being developed as a series of campus type plazas ranging from 10 to 70 acres. Current tenants vary from emerging technological companies to traditional business service industries. Cal Trans has constructed a connector from Highway 880 to the Oakland Airport and Harbor Bay Business Park.

The Alameda Marina Village, a ten year, $100 million project, combines residential units with commercial development and a 950-berth pleasure boat marina.

The following table reflects the five-year history of building permit valuation for the City:

CITY OF ALAMEDA
Building Permits and Valuations
(dollars in thousands)

	2003	2004	2005	2006	2007
Permit Valuation					
New Single-family	$18,325	$31,769	$49,753	$37,393	$30,437
New Multi-family	577	4,698	475	675	409
Res. Alterations/Additions	18,713	21,954	24,126	33,214	40,131
Total Residential	$37,615	$58,421	$74,354	$71,282	$70,977
New Commercial	$ 0	$ 5,052	$ 5,853	$18,780	$17,775
New Industrial	0	4,578	3,703	1,174	0
New Other	8,564	15,700	6,709	5,967	4,250
Comm. Alterations/Additions	5,596	13,165	23,541	23,623	59,353
Total Nonresidential	$14,160	$38,495	$39,807	$49,544	$81,378
New Dwelling Units					
Single Family	59	102	151	112	89
Multiple Family	8	52	2	4	6
Total	67	154	153	116	95

Source: Construction Industry Research Board.

Commercial Activity

The City has two central business districts, ten neighborhood commercial districts, a regional shopping center (over 500,000 square feet of retail space), and one community shopping center (88,000 square feet). A five-year history of retail sales for the City is shown in the following table:

CITY OF ALAMEDA
Trade Outlets and Taxable Sales
(in thousands of dollars)

Year	Outlets	Taxable Sales
2002	1,002	$394,757
2003	1,092	402,449
2004	1,115	424,263
2005	1,105	449,677
2006	1,052	439,132

Source: State Board of Equalization.

Transportation

City streets intersect with an integral component (U.S. Interstate 880) of the freeway complex that links the East Bay with the rest of the Bay Area, the State, and the nation. Alameda

County Transit District buses serving the City also provide scheduled service two miles east to BART, the Bay Area's 75-mile, 34 station mass rapid transit system.

Oakland International Airport is located alongside the City's southern limit; San Francisco International Airport lies to the west across San Francisco Bay 16 miles by freeway.

Utilities

Utility services to the City are supplied by the following:

Electric Power	Alameda Power & Telecom
Natural Gas	Pacific Gas & Electric Company
Telephone	Pacific Telephone Company
Water	East Bay Municipal Utility District
Sewer	City of Alameda

Community Services and Recreation

The City has one general hospital with capacity of 145 beds and five major convalescent/retirement care centers with over 300 beds. Practicing in the community are approximately 200 physicians/surgeons, numerous dentists, and optometrists.

Four banks and seven savings and loan associations provide financial services at various localities in the City. Among national and statewide banking systems represented are Bank of America, Wells Fargo Bank and Comerica.

The Alameda *Journal*, a member of the Bay News Group, and the Alameda *Sun* are published bi-weekly in the City. The City is conveniently located for access to all San Francisco-Oakland Bay Area print and broadcast communications media.

The Alameda City Library system includes the Main Library and two branches. The City's Recreation and Parks Department administers fourteen parks, two swim centers, a senior center, a model airfield, a boat launching ramp and a municipal golf course. The Alameda Municipal Golf Course consists of two 18-hole, back-to-back courses, coffee shop, pro shop, driving range, and a nine-hole, par three course.

Public educational services within the City are provided by the Alameda Unified School District. Located within the City are seven pre-schools, eleven elementary schools, three middle schools, two high schools, one adult college, one community college and several private and parochial schools.

Located along the shoreline is one shoreline park, a state beach, seven small boat marinas and five yacht clubs which support water-oriented sports activities including boating, water-skiing, fishing and swimming.

Median Household Income

Effective Buying Income (EBI) is defined as personal income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table represents the five year history of median household EBI for the City, the County, the State and the United States of America:

City of Alameda, Alameda County, State of California and United States of America Median Household Effective Buying Income

Year	Area	Total Effective Buying Income (000's omitted)	Median Household Effective Buying Income
2003	City of Alameda	$ 1,924,608	$50,339
	Alameda County	34,029,805	50,431
	California	674,721,020	42,924
	United States	5,466,880,008	38,201
2004	City of Alameda	$ 1,936,013	$51,295
	Alameda County	34,827,010	51,415
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2005	City of Alameda	$ 1,937,230	$52,350
	Alameda County	34,772,823	52,295
	California	720,798,106	44,681
	United States	5,894,663,364	40,529
2006	City of Alameda	$ 1,971,105	$52,819
	Alameda County	35,772,898	53,171
	California	705,108,410	43,915
	United States	5,692,909,567	39,324
2007	City of Alameda	$ 2,072,000	454,911
	Alameda County	37,572,278	54,688
	California	814,894,438	48,203
	United States	6,300,794,040	41,792

Source: "Survey of Buying Power, " Sales and Marketing Management Magazine (2003, 2004); Claritas, Inc. (2005-2007).

Labor Relations

There are approximately 681.7 full-time equivalent employees of the City, most of whom are represented by eight formal labor organizations shown in the table below.

CITY OF ALAMEDA
Labor Relations

Employee Organization	Number of Employees	Contract Expiration Date
Alameda City Employees Association	239	June 30, 2009
Alameda Police Association	87	January 5, 2008
International Association of Firefighters	95	January 5, 2008
Management & Confidential Employees Association	143	December 20, 2008
Alameda Police Management Association	9	January 5, 2008
Police Tech/Animal Control Unit	28	December 19, 2009
Alameda Power & Telecom (IBEW)	47	December 31, 2008
Alameda Fire Managers	6	January 5, 2008

Source: City of Alameda.

CITY FINANCIAL INFORMATION

Budgetary Process

The fiscal year of the City begins on the first day of July of each year and ends on the thirtieth day of June of the following year. The City Manager and City staff review estimates of revenues and expenditures for each department for the ensuing fiscal year. At least thirty (30) days prior to the beginning of each fiscal year, the City Manager submits to the Council the proposed budget. After reviewing and making such revisions as it deems advisable, the City Council determines the time for the holding of a public meeting thereon.

At the conclusion of the public meeting, the City Council further considers the proposed budget and makes any revision thereof that it deems advisable. On or before June 30 it adopts the budget with revisions, if any, by the affirmative vote of at least a majority of the total members of the City Council.

From the effective date of the budget, the amounts stated as proposed expenditures become appropriated to the several departments, offices and agencies for the objects and purposes named, provided that the City Manager may transfer the appropriations from one object or purpose to another within the divisional budget. All appropriations lapse at the end of the fiscal year to the extent that they have not been expended or lawfully encumbered.

The City Council employs, at the beginning of each fiscal year, an independent certified public accountant who, at such time or times as specified by the City Council, and at such other times as it shall determine, examines the books, records, inventories and reports of all officers and employees who receive, control, handle or disburse public funds and of all such other officers, employees or departments as the City Council may direct. As soon as practicable after the end of the fiscal year, a final audit and report is submitted by such accountant to the City Council and a copy of the financial statements as of the close of the fiscal year is published.

Financial Statements

A copy of the most recent financial statements of the City audited by Maze & Associates, Pleasant Hill, California (the "Auditor"), are included hereto as APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007." The Auditor's letter concludes that the basic financial statements present fairly, in all material respects, the financial position of the City as of June 30, 2007, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with account principals generally accepted in the United States of America. The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit work on the financial statements.

General Fund

The six major General Fund revenue sources of the City, which together accounted for approximately 66% of the General Fund revenues in Fiscal Year 2006-07, were as follows:

	Percent of Total General Fund Revenues
Property Tax	31%
Utility Users Tax	13
Motor Vehicle In-Lieu Fees	8
Sales Tax	7
Property Transfer Tax	6
Transient Occupancy Tax	1
Subtotal:	66%

Additional General Fund revenues are derived from licenses and permits, charges for current services, fines and forfeitures, revenues from other agencies, and interest.

The following tables reflect the City's General Fund balance sheet and revenues, expenditures and fund balances for the Fiscal Years ended June 30, 2003 through June 30, 2007 and the City's General Fund budgeted revenues and expenditures for the Fiscal Year ending June 30, 2008. This information has been derived from the audited financial statements of the City for the fiscal years shown. This information should be read in conjunction with APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

GENERAL FUND BALANCE SHEET
For Fiscal Years Ended
June 30, 2003 through June 30, 2007

	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
ASSETS					
Cash and investments	$12,618,054	$12,263,540	$15,470,894	$18,227,237	$14,414,486
Restricted cash and investments					6,000
Accounts receivable	5,555,201	4,287,129	3,936,223	3,633,958	4,343,081
Interest receivable	378,718	694,661	700,986	1,056,548	1,258,103
Due from other funds	1,079,500	579,713	1,265,169	628,094	445,565
Advances to other funds	4,173,974	3,658,995	3,658,995	3,658,995	3,658,995
Due from other governments		478,232			
Loans receivable	172,022	2,376,271	2,380,521	2,381,770	2,446,204
Prepaids, deposits and bond discounts	5,027	25,818	25,693	585,580	544,441
Total Assets and Other Debt	$23,982,496	$24,364,359	$27,438,481	$30,172,182	$27,116,875
LIABILITIES					
Accounts payable	$947,535	$929,913	$490,888	$1,718,479	$1,526,445
Accrued payroll	2,518,429	2,897,449	3,152,011	2,942,597	1,801,197
Deferred revenues	604,143	686,010	1,281,536	629,259	646,266
Refundable deposits	212,013	291,943	400,251	308,121	322,112
Compensated absences	832,936	842,337			
Total Liabilities	$5,115,056	$5,647,652	$5,324,686	$5,598,456	$4,296,020
FUND EQUITY					
Fund balances:					
Reserved	$4,351,023	$6,061,084	$6,065,209	$6,626,345	$6,649,640
Unreserved:					
Designated					
Undesignated	14,516,417	12,655,623	16,048,586	17,947,381	16,171,215
Total Fund Balances and Fund Equity	18,867,440	18,716,707	22,113,795	24,573,726	22,820,855
Total Liabilities and Fund Equity	$23,982,496	$24,364,359	$27,438,481	$30,172,182	$27,116,875

Source: City Comprehensive Annual Financial Reports.

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCES
For The Fiscal Years Ended June 30, 2003 through June 30, 2007

	Fiscal Year 2002-03	Fiscal Year 2003-04	Fiscal Year 2004-05	Fiscal Year 2005-06	Fiscal Year 2006-07
REVENUES					
Property taxes	$14,793,277	$15,319,378	$16,670,121	$18,762,495	$21,050,628
Other local taxes	20,743,798	22,236,960	24,120,443	27,060,276	24,435,752
Licenses and permits	2,485,586	2,917,607	3,645,217	4,299,466	4,269,513
Revenues from other agencies	5,235,233	4,455,577	8,175,711	9,183,879	8,920,739
Charges for current services	6,157,755	6,179,767	6,692,342	6,440,142	6,690,872
Fines and forfeitures	732,587	699,835	716,949	724,242	813,381
Use of money and property	2,393,783	912,242	1,497,428	804,682	1,408,311
Other	—	—	—	—	142,038
Total Revenues	$52,542,019	$52,721,366	$61,518,211	$67,275,182	$67,731,234
EXPENDITURES					
Current:					
General Government	$5,921,384	$6,139,944	$6,499,615	$6,742,450	$6,959,510
Police	20,164,707	21,372,121	21,986,900	24,563,122	25,244,920
Fire	17,999,297	18,061,798	18,898,538	22,795,320	23,634,196
Public Works	5,467,002	5,997,012	6,000,584	5,711,573	6,205,167
Development services	2,858,682	2,946,289	2,906,538	3,129,850	3,543,549
Culture and recreation	3,382,009	3,604,797	3,584,547	3,696,467	3,895,407
Housing and community svcs					
Capital outlay	1,500,184	573,599	397,673	547,956	1,568,247
Debt service					
Principal	60,172	132,037	112,218	107,359	222,117
Interest and fiscal charges	3,192	20,957	29,611	19,029	45,204
Total Liabilities	$57,356,629	$58,848,554	$60,416,224	$67,313,126	$71,318,317
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	($4,814,610)	($6,127,188)	$1,101,987	($37,944)	($3,587,083)
OTHER FINANCING SOURCES (USES)					
Operating transfers (in)	$4,775,897	$7,011,406	$5,306,957	$6,785,401	$6,623,244
Operating transfers (out)	(2,999,670)	(3,628,858)	(3,056,299)	(4,303,876)	(4,801,870)
Operating transfer from AP&T	2,500,000	2,500,000	—	—	—
Sales of capital assets	5,146	93,907	23,443	16,350	12,838
Loan Proceeds	—	—	21,000	—	—
Proceeds from long term debt	686,212	—	—	—	—
Total Other Financing Sources (Uses)	4,967,585	5,976,455	2,295,101	2,497,875	1,834,212
NET CHANGE IN FUND BALANCE	152,975	(150,733)	3,397,088	2,459,931	(1,752,871)
BEGINNING FUND BALANCES (DEFICITS)	16,692,084	18,867,440	18,716,707	22,113,795	24,573,726
ADJUSTMENT-GASB34 IMPLEMENTATION	2,022,381	—	—	—	—
ENDING FUND BALANCE (DEFICIT)	$18,867,440	$18,716,707	$22,113,795	$24,573,726	$22,820,855

Source: City Comprehensive Annual Financial Reports.

GENERAL FUND BUDGET
Fiscal Years 2006-07 and 2007-08

	Adopted 2006-07	Actual 2006-07	Adopted 2007-08
REVENUES			
Property taxes	$20,883,496	$21,050,628	$22,330,666
Other local taxes	27,888,463	24,435,752	27,748,441
Licenses and permits	4,467,253	4,269,513	4,197,053
Revenues from other agencies	7,152,630	8,920,739	7,445,314
Charges for current services	7,979,799	6,690,872	7,797,216
Fines and forfeitures	731,850	813,381	791,950
Use of money and property	1,862,440	1,408,311	1,898,394
Other	0	142,038	1,102,020
Total Revenues	$70,965,931	$67,731,234	$73,311,054
EXPENDITURES			
Current:			
General Government	$7,129,237	$6,959,510	$7,072,860
Police	24,509,350	25,244,920	24,135,430
Fire	21,819,312	23,634,196	21,864,415
Public Safety Pension	0	0	2,955,000
Public Works	7,939,002	6,205,167	8,723,787
Planning and Building	4,390,149	3,543,549	4,457,807
Culture and recreation	4,067,093	3,895,407	4,249,964
Other Oper Expenditures	0	0	947,246
Capital outlay	1,891,104	1,568,247	96,000
Debt service			
Principal	137,347	222,117	0
Interest and fiscal charges	12,145	45,204	0
Total Expenditures	$71,894,739	$71,318,317	$74,502,509
NET CHANGE IN FUND REVENUES	($928,808)	($3,587,083)	($1,191,455)
OTHER FINANCING SOURCES (USES)			
Transfers in	$7,345,618	$6,623,244	$7,491,208
Transfers out	(8,026,716)	(4,801,870)	(6,299,753)
Sale of capital assets		12,838	
Total Other Financing Sources (Uses)	(681,098)	1,834,212	1,191,455
NET CHANGE IN FUND BALANCE	(1,609,906)	(1,752,871)	0
Beginning Fund balance	24,573,726	24,573,726	17,532,603
ENDING FUND BALANCE (DEFICIT)	$22,963,820	$22,820,855	$17,532,603

Source: City of Alameda

State Budgets

Approximately 46% (consisting of the sales tax, property tax and the motor vehicle license fee) of the City's Fiscal Year 2007-08 General Fund Budget consists of payments collected by the State and passed-through to local governments or collected by the County and allocated to local governments by State law. The financial condition of the State has an impact on the level of these revenues. In past years the State has reduced revenues to cities and counties to help solve the State's budget problems.

The level of intergovernmental revenues that the City will receive from the State in Fiscal Year 2007-08 and in subsequent fiscal years will be affected by the financial condition of the State.

The following information concerning the State's 2007-08 Fiscal Year budget and the 2008-09 Governor's Budget has been obtained from publicly available information on the State Department of Finance, the State Treasurer and the California Legislative Analyst Office websites. The estimates and projections provided below are based upon various assumptions as updated in the 2008-09 Governor's Budget, which may be affected by numerous factors, including future economic conditions in the State and the nation, and there can be no assurance that the estimates will be achieved. For further information and discussion of factors underlying the State's projections, see the aforementioned websites. The City believes such information to be reliable, however, the City takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information.

Fiscal Year 2007-08. The 2007-08 Budget Act (the "State 2007 Budget Act") was adopted by the Legislature on August 21, 2007 and signed by the Governor, after using his line item veto authority to reduce State General Fund appropriations by $703 million, on August 24, 2007. The State 2007 Budget projects $102.3 billion in budget-year revenues, an increase of 6.5% from Fiscal Year 2006-07; authorizes expenditures of an equal amount (an increase of 0.6% from Fiscal Year 2006-07); and leaves the State General Fund with a year-end reserve of $4.1 billion (the same as assumed for Fiscal Year 2006-07), comprised of $2.6 billion in the State's Special Fund for Economic Uncertainties and $1.5 billion in the Budget Stabilization Account, which Account was established when voters approved Proposition 58 in March 2004.

The State 2007 Budget Act proposes a major redirection of transportation funds, reductions in social services, and a variety of other actions to eliminate a significant shortfall in Fiscal Year 2007-08, including among other things, (i) increases in funding for county Medi-Cal administration costs; (ii) a partial repayment of Proposition 42 transportation suspensions that occurred in Fiscal Years 2003-04 and 2004-05 as required by Proposition 1A; (iii) an assumption that $1 billion in one-time revenues from the sale of EdFund, the State's nonprofit student loan guaranty agency will be received; and (iv) a suspension of a California Work Opportunity and Responsibility to Kids cost-of-living adjustment (a "COLA") for one year and permanently delays the State Supplemental Security income/State Supplementary Program COLA for five months.

Based on the policies contained in the State 2007 Budget Act, according the State Legislative Analyst's Office, the nonpartisan fiscal and policy advisor to the State, the State will face operating shortfalls of more than $5 billion in both Fiscal Year 2008-09 and Fiscal Year 2009-10 because many of the solutions enacted in the State 2007 Budget Act are of a one-time nature.

Fiscal Year 2008-09 Governor's Budget. The 2008-09 Governor's Budget (the "2008 Governor's Budget"), released on January 10, 2008, estimates that unless action is taken to close a projected $3.3 billion budget deficit for Fiscal Year 2007-08, the State faces a projected deficit that will grow to $14.5 billion by the end of Fiscal Year 2008-09. The 2008 Governor's Budget projects that State General Fund revenues for Fiscal Year 2007-08 and Fiscal Year 2008-09 would be lower than originally projected in connection with the adoption of the State 2007 Budget Act, primarily due to a deepening housing slump, a breakdown in mortgage markets, tighter credit, more volatile financial markets, natural disasters and rising energy prices.

The 2008 Governor's Budget includes 10% across-the board reductions to all State General Fund departments and programs, Boards, Commissions and elected offices, including the legislative and judicial branches, except where such a reduction conflicts with the State Constitution (e.g. reductions in Proposition 42 and contributions to public retirement systems) or is impractical (e.g. reductions in debt service payments or departments that generate significant revenue). In addition, the 2008 Governor's Budget includes numerous measures to restore the State's rainy day reserve and secure adequate cash flow, including the sale of approximately $3.3 billion in Economic Recovery Bonds by the end of February 2008, transfer of approximately $1.5 billion from the Budget Stabilization Account to the State General Fund in the Fiscal Year 2007-08 and elimination of a $1.5 billion transfer to the Budget Stabilization Account in Fiscal Year 2008-09, and delays in payments to counties for the administration of certain human services and mental health programs. State General Fund revenues and transfers for Fiscal Year 2008-09 are projected at $104.6 billion and expenditures are projected at $100.9 billion.

The 2008 Governor's Budget contains several proposals of concern for the City, including, a one-to-two month delay in making first quarterly payments to counties for Medi-Cal administration, a two-month delay in the quarterly advance to counties for the Early and Periodic Screening, Diagnosis and Treatment Program, a two-month delay in disbursements for programs in the Department of Social Services, and a one-to-five month delay in gas tax disbursements for local streets and roads.

Pursuant to Proposition 58 (known as the California Balanced Budget Act) the Governor also called a fiscal emergency, with the goal of starting many of the reductions proposed in the 2008 Governor's Budget immediately to address the projected $3.3 billion deficit in Fiscal Year 2007-08. Under Proposition 58 the Governor has authority to declare a fiscal emergency if he determines that the State faces substantial revenue shortfalls or expenditure increases. The Governor is then required to call a special session of the State Legislature and to propose legislation to address the fiscal emergency. If the State Legislature does not approve and send legislation to the Governor to address the fiscal emergency within 45 days, the State Legislature is prohibited from acting on any other bills or adjourning in joint recess until such legislation is passed.

The 2008 Governor's Budget, if adopted by the State Legislature in its current form, is not expected to have a material adverse effect on the ability of the City to make required lease payments with respect to the Certificates.

On February 20, 2008, the State Legislative Analyst's Office (the "LAO") released its annual report entitled "The 2008-09 Budget: Perspectives and Issues" (the "Report"). In its overview of the fiscal picture of the State, the Report states in analyzing the fiscal picture of the State that:

A declining economic outlook, sagging revenues, and rising costs have created bleak prospects for the State's budget. Over the current and budget years (2007-08 and 2008-09), the Governor identified a gap of $14.5 billion between revenues and expenditures and proposes more than $17 billion in solutions to bring the state's budget back into balance. These budget-balancing actions include the issuance of additional deficit-financing bonds, higher revenue accruals, and budget reductions across most state programs.

The Report concludes that, primarily due to the continued deterioration of the State's revenue outlook, the LAO projects that the State's budget shortfall (prior to any corrective actions) has increased to about $16 billion, that as a consequence, the reserve at the end of Fiscal Year 2008-09 under the Governor's budget policies would be $1.1 billion, which is $1.6 billion less than forecasted by the administration.

The Report also includes an alternative budget approach to assist the Legislature in developing a more balanced and targeted method in addressing the State's budget shortfall as compared to the reliance of the 2007 Governor's Budget primarily on budget cuts. The Report and other reports by the LAO (which are not incorporated into this Official Statement) may be reviewed on the LAO's website at www.lao.ca.gov.

On May 14, 2008, the Governor released the May Revision to the 2008-09 Governor's Budget (the "May Revision"). The May Revision projects a current budget gap of $17.2 billion, approximately $3.0 billion more than the $14.5 billion budget gap reflected in the 2008-09 Governor's Budget. The May Revision attributes the difference to a lower than expected gross domestic product growth, weaker State job growth, and smaller gains in State personal income in calendar years 2008 and 2009.

The May Revision proposes a combination of spending reductions and revenue solutions to address the State budget gap and to provide for reserves of approximately $2.0 billion. The May Revision fully funds the Proposition 98 guarantee and abandons earlier proposals by the Governor to close over 40 State parks and to release certain California prison inmates early. The Governor also proposes in the May Revision $12.6 billion in expenditure reductions across State government and $627 million in additional reductions to health and human service programs.

The May Revision includes the Governor's plan to address the State's current and ongoing budget problem, which plan focuses on four elements: (1) the Budget Stabilization Act, a constitutional amendment that seeks to address the cyclical nature of the State's revenues by establishing a Revenue Stabilization Fund (the "RSF") in which General Fund revenues above a certain cap would be deposited in the RSF, with certain amounts set aside in an educational subaccount, (2) the sale of bonds backed by the securitization of a portion of State lottery revenues, with the expectation that such securitization will generate $5.1 billion for the RSF in fiscal year 2008-09 and a total of $15 billion by fiscal year 2010-11, (3) a temporary 1% sales tax increase as a fail-safe mechanism in the event that the ballot measure authorizing the securitization of lottery revenues is not approved by voters, and (4) the creation of a Tax Modernization Commission to conduct a comprehensive examination of California's tax laws.

The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future Fiscal Year, and, it is not clear what measures would eventually be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or the actions to be taken in the future

Summary of Tax Revenues

The table below presents a 10-year summary of tax revenues received by the City.

HISTORY OF TAX REVENUES
FISCAL YEARS 1997-98 THROUGH 2006-07
(Unaudited)

Fiscal Year	General Property Tax	General Sales Tax	Business Tax	Transient Occupancy Tax	Other Taxes	Total
1998	$10,163,815	$6,767,741	$1,189,606	$407,600	$16,580,092	$35,108,855
1999	11,362,912	6,736,005	1,329,445	380,490	17,444,745	37,253,597
2000	12,081,634	7,988,011	1,328,018	536,550	18,590,892	40,525,105
2001	13,032,195	7,150,007	1,401,536	987,092	21,217,987	43,788,817
2002	14,744,514	6,177,570	1,559,207	721,118	19,722,491	42,924,900
2003	14,793,277	5,922,750	1,484,802	642,439	20,444,971	43,288,239
2004	15,316,019	6,044,196	1,532,928	694,516	20,883,562	44,471,221
2005	16,670,125	5,222,156	1,679,203	812,691	24,878,463	49,262,638
2006	18,762,494	5,122,135	1,856,547	934,214	28,489,771	55,165,161
2007	20,899,691	4,967,129	2,001,733	991,421	25,577,384	54,437,358

Source: City of Alameda.

There can be no assurance that allocations of tax revenues may not be affected by voter initiatives in the future. See "RISK FACTORS—Future Initiatives."

Assessed Valuation and Property Taxes

Taxes are levied for each fiscal year on taxable real and personal property situated in the City as of the preceding January 1. For assessment and collection purposes, property is classified as either "secured" or "unsecured." Secured property is that part of the assessment roll containing State assessed property and property secured by a lien on real property which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

The County levies a 1% property tax on behalf of all taxing agencies in the County, including the City. The taxes collected are allocated on the basis of a formula established by State law. Under this formula, the City and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership and inflation) among the jurisdictions which serve the 31 tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than county-wide or less than city-wide special districts.

Assessed valuations in the County are established by the County Assessor, except for utility property which is assessed by the State Board of Equalization. Property is assessed at 100% of actual market value and tax rates are expressed in terms of the ratio of "full cash value" to actual market value. During each County fiscal year, property which is improved, or with respect to which a change in ownership occurs, is subject to reassessment to the then-current market value. Property that is not subject to reassessment is subject to a maximum 2% increase per year. Such increases in assessed value during each County fiscal year are compiled as the County's "supplemental roll," and supplemental taxes are levied on such increases in assessed value during the County's fiscal year.

State law currently exempts $7,000 of the assessed value of an owner-occupied dwelling, but the City does not suffer any revenue loss because an amount equivalent to the tax on such exempt amount is paid by the State.

State law also exempts the full value of business inventories from taxation, but provides reimbursement to local agencies based on their respective shares of the revenues derived from the application of the maximum tax rate, adjusted to reflect changes in population and the consumer price index.

Tax Levies, Collections and Delinquencies

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll becomes tax delinquent on June 30. Such property may thereafter be prepaid by payment of the delinquent taxes plus the delinquency penalty, plus a prepayment penalty of one and one-half percent per month to the time of prepayment. If taxes remain unpaid for a period of five years or more, the property is subject to sale by the County Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent taxes on property on the unsecured roll, and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer, (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer, (3) filing a certificate of delinquency for record in the County Recorder's office in order to obtain a lien on certain property of the taxpayer, and (4) seizure and sale of personal property, improvements or possessory interests, belonging or assessed to the taxpayer. Each county levies (except for levies to support prior voter-approved indebtedness) and collects all property taxes for property located within that county's taxing boundaries.

Property Tax Revenues

The following table presents information regarding the assessed valuation of property within the City. All assessed valuations include homeowner exemptions.

CITY OF ALAMEDA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Fiscal Year	Net Real Property Tax Assessed Value	Personal Property Assessed Value	Total Assessed	Estimated Actual Value	Ratio of Net Assessed Value to Estimated Actual Value
1998	$4,053,797,048	$296,869,359	$4,350,666,407	$4,350,666,407	100%
1999	4,148,921,979	306,899,921	4,455,821,900	4,455,821,900	100
2000	4,444,637,602	388,980,561	4,833,618,163	4,833,618,163	100
2001	4,734,149,408	448,218,363	5,182,367,771	5,182,367,771	100
2002	5,110,118,698	553,644,347	5,663,763,045	5,663,763,045	100
2003	5,426,195,345	564,982,533	5,991,177,878	5,991,177,878	100
2004	5,865,562,253	485,153,311	6,350,715,564	6,350,715,564	100
2005	6,316,942,645	460,263,932	6,777,206,577	6,777,206,577	100
2006	7,469,413,342	482,582,523	7,951,995,865	7,951,995,865	100
2007	7,600,603,000	493,333,000	8,093,936,000	8,093,936,000	100

Source: City Comprehensive Annual Financial Reports.

The following table provides a list of the principal property taxpayers within the City. The ten largest taxpayers account for about 7.66% of the total assessed valuation.

TEN LARGEST SECURED PROPERTY TAXPAYERS
Fiscal Year 2006-07

	Taxpayer	Type of Business	Assessed Valuation (1)	Percentage of Net Assessed Valuation
1	Alameda Real Estate Investment	Office Building	$218,524,744	2.75%
2	KW Alameda LLC	Apartments	87,291,200	1.10
3	Wind River Systems Inc.	Network Management	60,593,386	0.76
4	Harsch Investment Realty LLC Series	Shopping Center	50,486,980	0.63
5	Bayport Alameda Associates LLC	Real Estate Developer	49,815,105	0.63
6	Limar Realty Corporation 13 & Limar Realty	Office Building	31,469,388	0.40
7	Starlight Marine Services	Water Transportation	28,921,970	0.36
8	Ballena Village LLC	Apartments	28,365,760	0.36
9	SRM PCCP Harbor Associates LLC	Real Estate Developer	26,823,831	0.34
10	South Shore Beach & Tennis Club	Apartments	26,476,524	0.33
			$608,768,888	7.66%

Source: Alameda County Assessor.
(1) The total net 2006-07 assessed valuation is $7,951,995,865.

The City is located within a county that is following the "Teeter Plan" (defined below) with respect to property tax collection and disbursement procedures. Under this plan, a county can implement an alternate procedure for the distribution of certain property tax levies on the secured roll pursuant to Chapter 3, Part 8, Division 1 of the Revenue and Taxation Code of the State of California (comprising Section 4701 through 4717, inclusive), commonly referred to as the "Teeter Plan."

Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within a county included in the Teeter Plan on the basis of the tax levy, rather than on the basis of actual tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all taxing agencies is avoided. In connection with the Teeter Plan, a county can advance to the participating taxing agencies an amount equal to 95% of the total then-prior years' delinquent secured property taxing and 100% of the total then-prior years' delinquent secured assessments, including the associated penalties and interest, and 100% of the then-current year's secured roll levy.

The Board of Supervisors of the County may discontinue the procedures under the Teeter Plan altogether, or with respect to any tax or assessment levying agency in the County, if the rate of secured tax and assessment delinquency in that agency in any year exceed 3% of the total of all taxes and assessment levied on the secured rolls for that agency.

Thus, so long as the County maintains its policy of collecting taxes pursuant to said procedures and the City meets the Teeter Plan requirements, the City will receive 100% of the annual installments levied without regard to actual collections in the City. There is no assurance, however, that the County Board of Supervisors will maintain its policy of apportioning taxes pursuant to the aforementioned procedures.

Utility Users Tax

Pursuant to the authority of charter cities and section 37100.5 of the California Government Code for general law cities, the City imposes a tax on all telecommunication, electric, gas, water and video service delivered to users within the City (collectively, the "Utility

Users Tax"). The Utility Users Tax is imposed at rates established by this authority. The rate for Fiscal Year 2007-08 is 7.5%. The following table shows utility users tax revenues for Fiscal Years 2002-03 through 2006-07.

UTILITY USERS TAX REVENUES
For The Fiscal Years Ended
June 30, 2003 through June 30, 2007

Fiscal Year	UUT Revenues
2002-03	$7,426,795
2003-04	7,877,697
2004-05	8,062,147
2005-06	8,328,131
2006-07	8,702,101

Source: City of Alameda

Motor Vehicle In-Lieu Fees

Vehicle license fees are assessed in the amount of 2% of a vehicle's depreciation market value for the privilege of operating a vehicle on California's public highways. A program to offset (or reduce) a portion of the vehicle license fees ("VLF") paid by vehicle owners was established by Chapter 322, Statutes of 1998. Beginning January 1, 1999, a permanent offset of 25% of the VLF paid by vehicle owners became operative. Various pieces of legislation increased the amount of the offset in subsequent years to the existing statutory level of 67.5% of 2% (resulting in the current effective rate of 0.65%). This level of offset was estimated to provide tax relief of $3.95 billion in the Fiscal Year 2003-04. Beginning in Fiscal Year 2004-05, the State-local agencies agreement will permanently reduce the VLF rate to 0.65% and eliminate the General Fund offset program.

In connection with the offset of the VLF, the Legislature authorized appropriations from the State General Fund to "backfill" the offset so that the local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be disadvantaged. In June 2003, the Director of Finance under the Davis Administration ordered the suspension of VLF offsets due to a determination that insufficient General Fund moneys would be available for this purpose, and, beginning in October 2003, VLF paid by vehicle owners were restored to the 1998 level. However, the offset suspension was rescinded by Governor Schwarzenegger on November 17, 2003, and offset payments to local governments resumed. Local governments received "backfill" payments totaling $3.80 billion in Fiscal Year 2002-03. "Backfill" payments totaling $2.65 billion were expected to be paid to local governments in Fiscal Year 2003-04. The State-local agreement also provided for the repayment in August 2006 of approximately $1.2 billion that was not received by local governments during the time period between the suspension of the offsets and the implementation of higher fees. This repayment obligation was codified by Proposition 1A, which was approved by the voters in the November 2004 General Election and was repaid early by the State in August 2005. For a description of Proposition 1A, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS–Proposition 1A."

The motor vehicle in-lieu fee rate is currently .65%. The following table shows motor vehicle in-lieu revenues for Fiscal Years 2002-03 through 2006-07.

MOTOR VEHICLE IN-LIEU REVENUES
For The Fiscal Years Ended
June 30, 2003 through June 30, 2007

Fiscal Year	Motor Vehicle In-Lieu Revenues
2002-03	$4,123,899
2003-04	3,438,362
2004-05	5,083,751
2005-06	5,982,971
2006-07	5,479,921

Source: City of Alameda

Sales Tax Revenues

A sales tax is imposed on retail sale or consumption of personal property. Sales tax revenues are determined by the total taxable transactions within a jurisdiction and distributed by the State Board of Equalization to the jurisdiction where the sale took place. Sales taxes collected from merchants with no permanent place of business (i.e., manufacturers, construction contractors, etc.) are accumulated to a Countywide or State-wide (out-of-state businesses) pool and distributed to cities and counties in proportion to their collections from all sales taxpayers.

In 1955, the State Legislature enacted the Bradley Burns Act which established a statewide rate for sales tax, allowed counties to enact sales taxes, capped cities' taxes at 1% and provided for collection by the State Board of Equalization. The City's 1% sales tax has historically been an important local revenue source.

The value and volume of these taxable transactions are in turn dependent on economic and other factors which will influence the City. Such factors include the level of inflation affecting the price of goods and services subject to the sales tax, the rate of population growth in the general area, the characteristics of retail developments, including the relative size of market service areas, the sensitivity of the types of businesses within the City to changes in the economy, and competing retail establishments outside the City. A deterioration of economic and other factors influencing taxable sales generated in the City would reduce the level of taxable sales generated in the City, thereby reducing sales tax revenues.

The following table shows sales tax revenues for Fiscal Years 2002-03 through 2006-07.

SALES TAX REVENUES
For The Fiscal Years Ended
June 30, 2003 through June 30, 2007

Fiscal Year	Sales Tax Revenues
2002-03	$5,430,564
2003-04	5,551,361
2004-05	4,756,425
2005-06	4,580,600
2006-07	4,423,042

Source: City of Alameda

The table below shows the largest payers of Sales Tax in the City for Fiscal Year 2006-07.

LARGEST SALES TAX PAYERS
(listed alphabetically)
Fiscal Year 2006-07

Abbott Diabetes Care
Alameda Electrical
ARCO AM/PM Mini Marts
Bay Ship & Yacht Company
Chevron Service Stations
Cruising Yachts
Exxon Service Stations
Good Chevrolet
Grace Street Catering
Longs Drug Stores
Mervyn's Department Store
Nob Hill
Office Max
One Workplace
Pagano's Ace Hardware
Pinnacle Printing Systems
Safeway Stores
Save Mart Supermarkets
Studio Becker
Sushi House
Svendsen's Boat Works
Toyota of Alameda
Trader Joe's
Walgreen's Drug Stores
Xtra Oil Company

Source: City of Alameda

Property Transfer Tax

A documentary stamp tax is assessed for recordation of real property transfers. The property transfer tax rate is currently $5.40 per thousand. The following table shows property transfer tax revenues for Fiscal Years 2002-03 through 2006-07.

PROPERTY TRANSFER TAX REVENUES
For The Fiscal Years Ended
June 30, 2003 through June 30, 2007

Fiscal Year	Property Transfer Tax Revenues
2002-03	$3,147,175
2003-04	3,244,257
2004-05	4,330,837
2005-06	6,601,412
2006-07	4,177,736

Source: City of Alameda

Transient Occupancy Tax Revenues

The City levies a 10% transient occupancy tax on hotel and motel bills. The following table shows the transient occupancy tax revenues for Fiscal Years 2002-03 through 2006-07.

TRANSIENT OCCUPANCY TAX REVENUES
For The Fiscal Years Ended
June 30, 2003 through June 30, 2007

Fiscal Year	TOT Revenues
2002-03	$642,439
2003-04	694,516
2004-05	812,691
2005-06	934,214
2006-07	991,421

Source: City of Alameda

City Investment Policy and Portfolio

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Pursuant to the City's investment policy, safety of principal is the foremost objective of the City followed by liquidity and yield, Accordingly, deposits were either insured by Federal Depository Insurance Corporation or fully collateralized. All collateral on deposits was held either by the City, its agency, or a financial institution's trust department in the City's name. The City's weighted average rate of return as of April 30, 2008, was 3.71%, and the weighted average life of the portfolio was 655 days. The portfolio marks to market quarterly.

The following is a list of investments held by the City as of April 30, 2008:

CITY POOLED INVESTMENTS
(As of as of April 30, 2008)

Security Type	Market Value
Corporate Note	$12,744,362.43
Federal Agency Bond/Note	41,217,775.95
Federal Agency DN	651,823.46
Federal Agency MBS	1,214,959.31
Muni Bond/Note	1,625,266.50
US Treasury Bond/Note	15,110,169.08
Total Securities	$72,564,356.73
State Pool	37,535,571.09
Total Investments	$110,099,927.82
Accrued Interest	906,936.12
TOTAL PORTFOLIO	$111,006,863.94

Source: City of Alameda Finance Department

Long-Term General Fund Obligations

As of May 1, 2008, the total long-term indebtedness payable from the City's general fund (including the City's obligations under financing leases) was $14,595,000. The following table summarizes the City's total long-term indebtedness payable from the City's general fund.

LONG-TERM DEBT AND LEASE OBLIGATIONS
PAYABLE FROM GENERAL FUND
As of May 1, 2008

Description of Issue	Principal Outstanding	Final Maturity
1996 COPs (Police Building and Equipment Refinancing Project) (1)	$1,505,000	2015
1996 COPs (Library and Golf Course Financing Project) (1)	3,555,000	2021
2002 COPs (City Hall Refinancing Project)	9,535,000	2025

Source: City of Alameda.
(1) The 1996A Certificates and the 1996B Certificates, will be refunded with a portion of the proceeds of the Certificates. See "FINANCING PLAN" herein.

The City has incurred other obligations not secured by its General Fund. See APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007."

Direct and Overlapping Bonded Debt

The following table presents a statement of the City's outstanding direct and overlapping debt as of June 1, 2008.

CITY OF ALAMEDA
DIRECT AND OVERLAPPING BONDED DEBT

2007-08 Assessed Valuation:	$8,708,727,219
Redevelopment Incremental Valuation:	1,275,617,014
Adjusted Assessed Valuation:	$7,433,110,205

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 6/1/08
Bay Area Rapid Transit District	1.750%	$ 8,178,100
Peralta Community College District	13.929	50,379,800
Alameda Unified School District	100.	85,575,326
Oakland Unified School District	0.001	5,640
East Bay Regional Park District	2.543	3,800,386
East Bay Municipal Utility District, Special District No. 1	12.823	4,124,518
City of Alameda	100.	9,960,000
City of Alameda Community Facilities District No. 1	100.	13,640,000
City of Alameda Community Facilities District No. 2	100.	1,240,000
City of Alameda 1915 Act Bonds	100.	30,825,000
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$207,728,770
DIRECT AND OVERLAPPING GENERAL FUND DEBT:		
Alameda County and Coliseum Authority General Fund Obligations	4.430%	$20,397,669
Alameda County Pension Obligations	4.430	10,123,441
Alameda County Board of Education Certificates of Participation	4.430	11,075
Alameda-Contra Costa Transit District Certificates of Participation	5.321	718,335
Peralta Community College District Pension Obligations	13.929	20,732,597
Alameda Unified School District Certificates of Participation	100.	1,845,000
Oakland Unified School District Certificates of Participation	0.001	788
City of Alameda General Fund Obligations	100.	14,595,000 (1)
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT		$68,423,905
COMBINED TOTAL DEBT		$276,152,675 (2)

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

Ratios to 2007-08 Assessed Valuation:
Direct Debt ($9,960,000) 0.11%
Total Direct and Overlapping Tax and Assessment Debt 2.39%

Ratios to Adjusted Assessed Valuation:
Combined Direct Debt ($24,555,000) 0.33%
Combined Total Debt 3.72%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/07: $0

Source: California Municipal Statistics, Inc.

Risk Management

The City manages risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers

Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

Risk Coverage. The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to $25,000,000. The City has a self-insured retention of $500,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2007, the City contributed $640,042 for coverage during the current year and received a refund of $148,225 of prior year excess contributions.

The City is a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LA WCX) which covers workers' compensation claims up to statutory limits. The City has a self-insured retention of up to $250,000 per claim (which will adjust to $350,000 on July 1, 2008). During the fiscal year ended June 30, 2007, the City contributed $491,645 for current year coverage.

Insurance Internal Service Funds. The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The City's liability for uninsured general liability claims, including claims incurred but not reported is reported in the City's Risk Management Insurance Internal Service Fund.

See APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007" for additional information on the City's risk management programs.

Pension Plans

CALPERS Safety and Miscellaneous Employees Plans. Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

Audited annual financial statements are available from CALPERS at PO Box 942709, Sacramento, CA 94229-2709.

Actuarially required contributions for fiscal years 2007, 2006, and 2005 were $10,513,857, $11,569,361, and $10,106,802. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

Police and Fire Pension Plans. The City sponsors and administers two single employer defined benefit retirement plans for its police and fire department retirees. Police and fire employees who entered service before 1953 participate in Plan 1079, a closed plan consisting of 45 participants, all of whom are retired employees or beneficiaries. Employees with 25 or more years of service receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the retiree one year prior to the date of retirement. Employees retired after 10 but before 25 years of service receive monthly pension benefits in the proportion that the number of years service bears to 25. Qualified surviving spouses receive the retirees' monthly pension benefits for life. Upon remarriage, the qualified surviving spouse receives one-half of the retiree's monthly pension benefits. Employees who became disabled from service-related causes receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the disabled employee on the date of their disability, reduced by any workers' compensation benefits received.

Plan 1082 is a closed plan consisting of two retired employees who receive monthly pension benefits of $2,119 and $1,328, respectively, adjusted annually by a maximum of 2% per year cost-of-living adjustment. Upon the death of a retiree, the qualified spouse receives one-half of the retiree's monthly pension benefit for life or until remarriage.

Annual Pension Cost. Government Accounting Standards Board Statement No. 27 (Statement 27) requires the City to determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution as the greater of (a) a 15-year amortization of the unfunded actuarial liability or, (b) actual benefit payments made for the year.

Other Retirement Systems. The Omnibus Budget Reconciliation Act of 1990 (COBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective January 1, 1995, the City contracted with the Public Agency Retirement System (PARS), to maintain a deferred contribution plan. This Plan covers part-time, seasonal and temporary employees and all employees not covered by another retirement system. All eligible employees that are covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS, employees contribute 6% and the City contributes 1.5% of the employee's salary each pay period. For the fiscal year ending June 30, 2007, total contributions of $42,352 were made based on a total amount of covered compensation of $2,823,448.

Two of the City's part-time employees elected to be covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2007 amounted to $5,770 of which the City paid one-half.

Effective May 3, 2001 the City adopted the PARS Retirement Enhancement Plan for Council appointed employees as of that date and the PARS Excess Benefit Plan for two council appointed employees as of that date as part of the City Retirement Program. Under the Enhancement Plan specific appointed employees will be entitled to receive retirement benefits of 3% at age 55 or age 50 as well as medical and disability benefits upon retirement.

Effective September 1, 2001, the City adopted a Money Purchase Plan for a limited group of employees and appointees as a part of the City Retirement Program, which includes the Housing Authority and Alameda P&T. The employees include all department directors. The appointees include the City Clerk and the City Attorney. Under the Money Purchase Plan, the employer contributes 1% of the individual's salary and the employee contributes a mandatory 2% of their salary. This plan is qualified under Section 401(a) of the Internal Revenue Code. Each participant has a plan account to which contributions are made. Plan benefits are based on the total amount of money in the account at retirement. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

See APPENDIX B—"AUDITED FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED JUNE 30, 2007" for additional information on the City's pension plans.

RISK FACTORS

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the City, the City's ability to make Lease Payments in the future, the effectiveness of any remedies that the Trustee may have or the circumstances under which Lease Payments may be abated.

No representation is made as to the future financial condition of the City. Payment of the Lease Payments is a general fund obligation of the City and the ability of the City to make Lease Payments may be adversely affected by its financial condition as of any particular time.

Lease Payments Not City Debt

Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, utility charges, taxes and other governmental charges and assessments levied against the Property) are not secured by any pledge of taxes or other revenues of the City. In the event that the City's general fund revenues are less than its total obligations, the City may choose to fund other costs or expenses before making Lease Payments.

The obligation of the City to make Lease Payments does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Lease Payments under the Lease Agreement constitute a debt of the City, the Authority or the State or any political subdivisions thereof within the meaning of any Constitutional or statutory debt limitation or restriction or an obligation for which the Authority or the City is obligated to levy or pledge any form of taxation or for which the Authority or the City has levied or pledged any form of taxation.

Although the Lease Agreement does not create a pledge, lien or encumbrance upon the funds of the City, the City is obligated under the Lease Agreement to pay Lease Payments from legally available funds and the City has covenanted in the Lease Agreement that, for so long as the Property is available for its use, it will make the necessary annual appropriations within its budget for all Lease Payments owed under the Lease Agreement. The City is currently liable on other obligations payable from general revenues. See "CITY FINANCIAL INFORMATION."

Valid and Binding Covenant to Budget and Appropriate

Pursuant to the Lease Agreement, the City covenants to take such action as may be necessary to include Lease Payments due in its annual budgets and to make necessary appropriations for all such payments. Such covenants are deemed to be duties imposed by law, and it is the duty of the public officials of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform such covenants. A court, however, in its discretion, may decline to enforce such covenants. Upon delivery of the Certificates, Special Counsel will render its opinion (substantially in the form of APPENDIX C—"FORM OF OPINION OF SPECIAL COUNSEL") to the effect that, subject to the limitations and qualifications described therein, the Lease Agreement constitutes a valid and binding obligation of the City. As to the Authority's practical realization of remedies upon default by the City, see "—Limitations on Remedies."

Additional Obligations

The City has existing obligations payable from its General Fund. See "CITY FINANCIAL INFORMATION—Long-Term General Fund Obligations." The City is permitted to enter into other obligations which constitute additional charges against its revenues. To the extent that additional obligations are incurred by the City, the funds available to pay Lease Payments may be decreased.

The Lease Payments and other payments due under the Lease Agreement (including payment of costs of repair and maintenance of the Property, taxes and other governmental charges levied against the Property) are payable from funds lawfully available to the City. If the amounts that the City is obligated to pay in a fiscal year exceed the City's revenues for such year, the City may choose to make some payments rather than making other payments, including Lease Payments, based on the perceived needs of the City. The same result could occur if, because of California Constitutional limits on expenditures, the City is not permitted to appropriate and spend all of its available revenues or is required to expend available revenues to preserve the public health, safety and welfare.

The City may enter into additional obligations which constitute charges against its general revenues. To the extent that additional obligations are incurred by the City, the funds available to make Lease Payments may be decreased.

Limited Recourse on Default

In the event of a default under the Lease Agreement, there is no available remedy of acceleration of the total Lease Payments due over the term of the Lease Agreement. The City will only be liable for Lease Payments on an annual basis, and the Trustee would be required to seek a separate judgment each year for that year's defaulted Lease Payments. Any such suit for money damages would be subject to limitations on legal remedies against public agencies in California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest, as described below.

If the City defaults on its obligation to make Lease Payments, the Trustee, as assignee of the Authority, may retain the Lease Agreement and hold the City liable for all Lease Payments on an annual basis and will have the right to re-enter and re-let the Property. Such re-entry and re-letting shall not automatically effect a surrender of the Lease Agreement. In the event the Property is re-entered by reason of a default in Lease Payments or for any other reason, there can be no assurance that the Property can be re-let for a net amount equal to the then-due Lease Payments.

The enforcement of any remedies provided in the Lease Agreement and Trust Agreement could prove both expensive and time-consuming. In addition to the limitation on remedies contained in the Lease Agreement and the Trust Agreement, the rights and remedies provided in the Lease Agreement and the Trust Agreement may be limited by and are subject to provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principals that may affect the enforcement of creditors' rights and the limitation on remedies against public agencies in California.

The Trustee is not empowered to sell the Property for the benefit of the Certificate owners. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT."

Loss of Tax Exemption

In the opinion of the Special Counsel, the Certificates constitute governmental obligations under the Code. The City has covenanted to comply with Code restrictions relating to use of Certificate proceeds, reserve fund funding requirements, investment yield limitations and rebate requirements, federal guarantee prohibitions and registration requirements so that interest with respect to the Certificates is excludable from gross income for federal income tax purposes. However, in the event the City fails to comply with any of these covenants, interest with respect to the Certificates may become includable in gross income for federal income tax purposes, retroactive to the date of issuance.

Limitations on Remedies Available to Owners

The ability of the City to comply with its covenants under the Lease Agreement may be adversely affected by actions and events outside of the control of the City, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS" above. Furthermore, any remedies available to the owners of the Certificates upon the occurrence of an event of default under the Lease Agreement are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Lease Agreement, the rights and obligations under the Lease Agreement may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose.

Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Abatement

Use and Possession of the Property. The obligation of the City under the Lease Agreement to pay Lease Payments is in consideration for the use and possession of the Property. The obligation of the City to make Lease Payments (other than to the extent that funds to make Lease Payments are then available in the Lease Payment Fund and the Reserve Fund) may be abated in whole or in part if the City does not have full use and possession of the Property. Lease Payments due under the Lease Agreement shall be abated during any period in which, by reason of material damage, destruction or condemnation, there is substantial interference with the use and right of possession by the City of the Property, or a material portion thereof. Such abatement shall continue for the period commencing with the date of such damage, destruction or condemnation and ending with the restoration of the affected portion of the Property to a condition which will permit the affected portion of the Property to be used substantially as intended. The City is obligated to maintain rental interruption insurance for coverage of a 24-month period. There will be no abatement of Lease Payments so long as proceeds of the City's rental interruption insurance are available and there are amounts in the Reserve Fund available to make Lease Payments when and as due. Abatement of Lease Payments is not a default under the Lease Agreement and does not permit the Trustee to take any action or avail itself of any remedy against the City. See APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—LEASE AGREEMENT" attached hereto.

Damage or Destruction; Eminent Domain. If damage or destruction or eminent domain proceedings with respect to any item or portion of the Property result in abatement or adjustment of Lease Payments and the resulting Lease Payments, together with moneys in the Reserve Fund (and in the event of damage or destruction, together with rental interruption insurance proceeds or casualty insurance proceeds, if any), are insufficient to make all payments of principal and interest due with respect to the Certificates during the period that the Property is being replaced, repaid or reconstructed, then such payments of principal and interest, may not be made in full and no remedy is available to the Trustee or the owners of the Certificates under the Lease Agreement or Trust Agreement for nonpayment under such circumstances.

Risk of Earthquake and Other Natural Disasters

Earthquake. There are several active geological faults in the State that have potential to cause serious earthquakes that could result in damage within the City and to the Property, buildings, roads, bridges, and other property and infrastructure.

During the past 150 years, the San Francisco Bay Area has experienced several major and numerous minor earthquakes. The largest was the 1906 San Francisco earthquake along the San Andreas fault with an estimated magnitude of 8.3 on the Richter scale. The most recent major earthquake was the October 17, 1989 Loma Prieta Earthquake with a magnitude of 7.1 on the Richter scale and an epicenter near Santa Cruz, approximately 60 miles south of San Francisco.

The City lies in an area affected by three major active earthquake faults: the Hayward fault, the Calaveras fault, and the San Andreas fault. The Hayward fault is a geologic break in the Franciscan bedrock which trends northwesterly along the west front of the Oakland Hills. This fault has a length of at least 70 miles extending from Pinole south towards Hollister and was the source of major earthquakes that caused extensive damage in the San Francisco Bay Region in 1836 and 1868. The magnitudes of those earthquakes have been estimated to be in the range of 6.8 and 7.0 on the Richter scale. According to the United States Geologic Survey Working Group Report (2002) (the "Report") the Hayward fault is capable of producing a similar earthquake in the future. According to the Report, there is a 28% chance that a Richter magnitude earthquake equal to or greater than 6.7 will occur on the northern segment of the Hayward fault, nearest to the City, within the next 30 years.

The northern portion of the San Andreas fault roughly follows the western edge of the tilted bedrock block along the shoreline of the Pacific Ocean, and has a length of over 400 miles. The fault was the source of the Richter magnitude 8.3 San Francisco earthquake of 1906, which caused extensive damage in San Francisco and elsewhere in the Bay Area, and may have been the source of the Richter magnitude 7.1 Loma Prieta earthquake in 1989. The San Francisco Bay Area sustained major damage as a result of the Loma Prieta earthquake. However, the City experienced only minor damage to several buildings mainly those built of unreinforced masonry buildings and constructed prior to 1970 prior to current building code requirements.

A third fault located to the east and south of the City is the Calaveras fault which was the source of earthquakes of Richter magnitude greater than 5.0 in 1897, 1911, 1949, 1955, 1979 and 1984. The Calaveras Fault's strongest earthquake was a Richter magnitude 6.6 event in 1911, which occurred near Mount Hamilton, which is located in Santa Clara County. The Calaveras fault is believed to be capable of producing an earthquake in the same magnitude range as could be produced by the Hayward fault. The previous earthquakes on the Calaveras fault are not known to have caused damage in the City.

While the City is not currently located in any existing special study zone, defined in the Alquist-Priolo Earthquake Zoning Act, which requires the State Division of Mines and Geology to delineate all known active faults and establish minimum set back distances for the construction of habitable structures near active fault zones, it is possible that new geological faults could be discovered in the area and that an earthquake occurring on such faults could result in damage of varying degrees of seriousness to property and infrastructure in the City, including the Property.

The Lease Agreement does not require the City to maintain insurance on the Property against earthquakes. See "Security and Sources of Payment for the Certificates" and "THE CITY—Risk Management."

Risk of Flooding. The National Flood Insurance Reform Act requires, among other things, that the Federal Emergency Management Agency ("FEMA") assess its flood hazard map inventory at least once every five years. The current flood insurance rate map (a "FIRM") indicates that the City is not within the boundaries of a 100-year floodplain. A 100-year floodplain is an area expected to be inundated during a flood event of the magnitude for which there is a 1% (or 1-in-100) probability of occurrence in any year.

The City makes no representation that FEMA will not issue revised FIRMs that place of the City within the boundaries of a 100-year floodplain.

Bankruptcy

The City is a unit of State government and therefore is not subject to the involuntary procedures of the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the City may seek voluntary protection from its creditors for purposes of adjusting its debts.

In the event the City were to become a debtor under the Bankruptcy Code, the City would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Certificate would be treated as a creditor in a municipal bankruptcy. Among the adverse effects of such a bankruptcy would be: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the occurrence of unsecured or court-approved secured debt which may have a priority of payment superior to that of secured debt which may have a priority of payment superior to that of owners of Certificates; and (iv) the possibility of the adoption of a plan for the adjustment of the City's debt (a "Plan") without the consent of all of the owners of Certificates, which Plan may restructure, delay, compromise or reduce the amount of the claim of the owners if the Bankruptcy Court finds that the Plan is fair and equitable. In addition, the Bankruptcy Code would invalidate any provision of the Certificates which makes the bankruptcy or insolvency of the City an event of default. With the exception of the provisions contained in the Plan, a Bankruptcy Court could not impose restrictions on the City's power or its property without the consent of the City.

Redemption Provisions

The Certificates are subject to extraordinary and optional redemption. See "THE CERTIFICATES—Redemption."

State Law Limitations on Appropriations

Article XIIIB of the California Constitution limits the amount that local governments can appropriate annually. The City's ability to make Lease Payments may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding said limit in the foreseeable future, as a result of procedures whereby the State may increase the City's appropriation limit by decreasing the State's limit by an equal amount. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING CITY REVENUES AND APPROPRIATIONS."

California Economy

Like all California cities, the City receives a significant portion of its funding from appropriations by the State. See "CITY FINANCIAL INFORMATION—State Budgets." As a result, decreases in the revenues received by the State could affect appropriations made by the State to the City and other cities within California. A deterioration of California's economy could negatively affect the State's receipt of taxes and other revenues and, possibly, appropriations by the State to the City and other California cities.

Property Values

The fee estate will not be assigned to the Trustee but, rather, the rights of the Authority under the Lease Agreement, which is for a limited term, will be assigned to the Trustee. See

APPENDIX A—"SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—ASSIGNMENT AGREEMENT." Thus, the value of the real property constituting the Property and the buildings and improvements thereon are not necessarily an accurate measure of the value of the interest in the Lease Agreement assigned to the Trustee.

Geologic, Topographic and Climatic Conditions

The value of the Property in the future can be adversely affected by a variety of additional factors, particularly those which may affect the continued use and occupancy of the Property. Such additional factors include, without limitation, geologic conditions such as earthquakes and volcanic eruptions, topographic conditions such as earth movements, landslides and floods and climatic conditions such as droughts and tornadoes. It can be expected that one or more of such conditions may entail significant repair or replacement costs and that repair or replacement may never occur either because of the cost or because repair or replacement will not facilitate use or occupancy or because other considerations preclude such repair or replacement. Under any of these circumstances, the value of the Property so affected may well depreciate or disappear.

Hazardous Substances

One of the most serious risks in terms of the potential reduction in the value of a property is a claim with regard to a hazardous substance. In general, the owners and operators of a parcel of real property may be required by law to remedy conditions of the parcel relating to releases or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Super-fund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also stringent and similar. Under many of these laws, the owner (or operator) is obligated to remedy a hazardous substance condition of property whether or not the owner (or operator) has anything to do with creating or handling the hazardous substance. The effect, therefore, should the Property be affected by a hazardous substance is to reduce the marketability and value thereof by the costs of remedying the condition.

While the City is not aware of any such condition, it is possible that such hazardous substance conditions do currently exist and that the City is not aware of them.

Further, it is possible that liabilities may arise in the future with respect to the Property resulting from the existence, currently, on the parcel of a substance presently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the existence, currently, on the parcel of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method of handling it. All of these possibilities could significantly affect the value of the Property.

Risk of Tax Audit

In December 1999, as a part of a larger reorganization of the Internal Revenue Service (the "IRS"), the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The new TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations (which would include the issuance of securities such as the 2007 Certificates) is expected to increase significantly under the new TE/GE Division. There is no assurance that if an IRS examination of the Certificates was undertaken that it would not adversely affect the market value of the Certificates. See "TAX MATTERS."

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND APPROPRIATIONS

Article XIIIA of the California Constitution

On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIIIA to the State Constitution ("Article XIIIA"). Article XIIIA limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIIIA approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-third of the voters on such indebtedness, and (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIIIA defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment." This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Litigation Regarding 2% Limitation. In a Minute Order issued on November 2, 2001, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, Case No. 00CC03385, the Orange County Superior Court held that where a home's taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the two percent inflation adjustment provision of Article XIIIA when the assessor tried to "recapture" the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties use a similar methodology in raising the taxable values of property beyond 2% in a single year. On December 27, 2001, the Orange County Superior Court issued an order declaring the practice of "recapturing" to be unconstitutional. That order only applied to one property in Seal Beach. The court entered a Final Judgment on April 18, 2003.

In 2002 two local courts (Los Angeles and San Diego) ruled differently on the "recapture" issue. Orange County, the Orange County Tax Collector and the Orange County Assessor appealed the Superior Court ruling to the Court of Appeal of the State of California, Fourth Appellate District. The Appellate Court held a hearing on the matter on January 7, 2004, and issued its ruling on March 26, 2004, reversing the trial court. The Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year's assessment, and ruled that that the 2% annual inflation adjustment provision permits a maximum 2% annual increase calculated against the original acquisition cost base, rather than calculated against any reduced base resulting from any intervening downward reassessment in the wake of a decline in property values, such as what might happen with a general deflation or a disaster. On May 6, 2004, the case was appealed to the California Supreme

Court (as Case No. S124682), which denied review on July 21, 2004, thereby affirming the Court of Appeal's decision, which currently represents the applicable law that is binding on county assessors statewide.

Legislation Implementing Article XIIIA. Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The one percent property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1989. Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in the 1981-82 fiscal year, assessors in the State no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 assessed value. All taxable property is now shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Appropriation Limitation - Article XIIIB

On November 6, 1979, the voters of the State approved Proposition 4, known as the Gann Initiative, which added Article XIIIB to the State Constitution. On June 5, 1990, the voters approved Proposition 111, which amended Article XIIIB in certain respects. Under Article XIIIB, as amended, state and local government entities each have an annual "appropriations limit" which limits the ability to spend certain monies which are called "appropriations subject to limitation" (consisting of most tax revenues and certain state subventions, together called "proceeds of taxes," and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of monies which are excluded from the definition of "appropriations limit," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by two thirds of the voters. The "appropriations limit" is adjusted annually for changes in the cost of living and in population, for transfers in the financial responsibility for providing services, and in the case of certain declared emergencies. If an entity receives any proceeds of taxes in excess of its appropriations limit, it may, by resolution of the entity's governing board, increase its appropriations limit to equal that amount (provided that the State has excess appropriations limit of its own in that fiscal year).

Voter Initiatives

Under the California Constitution, the power of initiative is reserved to the voters for the purpose of enacting statutes and constitutional amendments. Since 1978, the voters have exercised this power through the adoption of Proposition 13 and similar measures, the most recent of which was approved as Proposition 218 in the general election held on November 5, 1996. Any such initiative may affect the collection of fees, taxes and other types of revenue by local agencies. Subject to overriding federal constitutional principles, such collection may be materially and adversely affected by voter-approved initiatives, possibly to the extent of creating cash-flow problems in the payment of outstanding obligations such as the Base Rental Payments. Proposition 218 (Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment) added Articles XIIIC and XIIID to 50 the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas. The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Proposition 62

On November 4, 1986, California voters adopted Proposition 62, which requires that (i) any local tax for general governmental purposes (a "general tax") must be approved by a majority vote of the electorate; (ii) any local tax for specific purposes (a "special tax") must be approved by a two-thirds vote of the electorate; (iii) any general tax must be proposed for a vote by two-thirds of the legislative body; and (iv) proceeds of any tax imposed in violation of the vote requirements must be deducted from the local agency's property tax allocation.

Most of the provisions of Proposition 62 were affirmed by the 1995 California Supreme Court decision in *Santa Clara County Local Transportation Authority v. Guardino*, which invalidated a special sales tax for transportation purposes because fewer than two-thirds of the voters voting on the measure had approved the tax. The City does not believe any of the taxes constituting City revenues are levied in violation of Proposition 62.

Proposition 1A

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State can not (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding.

Future Initiatives

Article XIIIA, Article XIIIB and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time, other initiative measures could be adopted, further affecting the City or its revenues or the ability of the City to expend revenues.

THE AUTHORITY

The Authority is a California joint powers authority, organized pursuant to a Joint Exercise of Powers Agreement, dated as of March 17, 1992 (the "Authority Formation Agreement"), by and between the City and the Alameda Community Improvement Commission under the provisions of the Act. The Authority is a separate entity constituting a public instrumentality of the State and was formed for the public purpose of assisting in financing and refinancing projects pursuant to the Act.

The Authority is governed by a board of five directors. The City Council constitutes the governing board of the Authority. The Executive Director of the Authority is the City Manager. The Secretary of the Authority is the City Clerk. The Authority is specifically granted all of the powers specified in the Act, including but not limited to the power to issue bonds and to sell such bonds to public or private purchasers at public or by negotiated sale. The Authority is entitled to exercise powers common to its members and necessary to accomplish the purpose for which it was formed and those additional powers granted to it under the Act.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Certificates, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City has covenanted to comply with all requirements that must be satisfied in order for the interest with respect to the Certificates to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest with respect to the Certificates to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Certificates.

Subject to the City's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Special Counsel, interest with respect to the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest with respect to the Certificates is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the Authority's alternative minimum taxable income ("AMTI"), which is the Authority's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest with respect to the Certificates.

In rendering its opinion, Special Counsel will rely upon certifications of the City with respect to certain material facts within the City's knowledge. Special Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Certificates may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Certificates should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for each maturity of the Certificates is the price at which a substantial amount of such maturity of the Certificates is first sold to the public. The Issue Price of a maturity of the Certificates may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

An investor may purchase a Certificate at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Certificate in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Certificate. Investors who purchase a Certificate at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Certificate's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Certificate.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Certificates should consult their own tax advisors regarding any pending or proposed federal tax legislation. Special Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Certificates. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Certificates until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Certificates, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Certificate owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Certificate owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Special Counsel, interest payable with respect to the Certificates is exempt from California personal income taxes.

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

A copy of the proposed form of opinion of Special Counsel is attached hereto as Appendix C.

LEGALITY FOR INVESTMENT IN CALIFORNIA

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

ABSENCE OF MATERIAL LITIGATION

At the time of delivery of and payment for the Certificates, the City will certify that there is no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court or regulatory agency, public board, or body pending or threatened against the City or the Authority affecting their existence or the titles of their respective officers or seeking to restrain or to enjoin the issuance, sale, or delivery of the Certificates, or the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the Certificates, any agreement entered into between the City and any purchaser of the Certificates, the Lease Agreement, the Trust Agreement, the Assignment Agreement, the Site and Facility Lease or any other applicable agreements or any action of the City or the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or the Authority or their authority with respect to the Certificates or any action of the City or the Authority contemplated by any of said documents, nor, to the knowledge of the City or the Authority, is there any basis therefor.

APPROVAL OF LEGALITY

Legal matters incident to the execution and delivery of the Certificates are subject to the approving the opinion of Quint & Thimmig LLP, San Francisco, California, Special Counsel. A form of such opinion is attached hereto as Appendix C and copies of such opinion with respect to the Certificates will be available at the time of delivery of the Certificates. Certain legal matters will be passed upon by Quint & Thimmig LLP, San Francisco, California, as Disclosure Counsel. The compensation of Special Counsel and Disclosure Counsel is contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted in the Continuing Disclosure Certificate for the benefit of holders of the Certificates to provide, or cause to be provided no later than nine months after the end of each fiscal year, commencing with the Fiscal Year ending June 30, 2008, to (a) each Nationally Recognized Municipal Securities Information Repository (a "National Repository"), and (b) to the appropriate state information repository for the State, if any (a "State Repository") certain "annual financial information" as described in the Rule with respect to the City relating to the immediately preceding Fiscal Year of the City, operating data, including the audited financial statements of the City for the immediately preceding Fiscal Year prepared in accordance with generally accepted accounting principles, if available, as may be reasonably available and information of the type set forth in this Official Statement under the heading "City Financial Information." In addition, the City has agreed to provide, or cause to be provided, to each National Repository or the Municipal Securities Rulemaking Board (the "MSRB") and a State Repository, if any, in a timely manner notice of the following "Listed Events" if determined by the City to be material: (i) principal and interest payment delinquencies; (ii) nonpayment-related defaults; (iii) unscheduled draws on the debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of or failure to perform by any credit provider; (vi) adverse tax opinions or events affecting the tax–exempt status of the Certificates; (vii) modifications to rights of holders of the Certificates; (viii) bond calls; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Certificates; and (xi) rating changes. In addition, the City covenants in a timely manner, to provide or cause to be provided to each National Repository or to the MSRB, and to the appropriate State Repository, if any, notice of the failure of the City to provide annual financial information on or before 180 days after the end of each fiscal year.

These covenants have been made in order to assist the Underwriter in complying with the Rule. The City has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events. The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Certificates and the Authority will not provide any such information. The Authority shall have no liability to the owners of the Certificates with respect to the disclosure obligation undertaken by the City.

The City's obligations under the Continuing Disclosure Certificate with respect to continuing disclosure shall terminate upon payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event.

RATINGS

Standard & Poor's Ratings Services ("S&P") has assigned the rating of "AAA" to the Certificates based on the issuance of the Financial Guaranty Insurance Policy by the Financial Guaranty Insurer. See "FINANCIAL GUARANTY INSURANCE" herein. In addition, S&P has assigned the underlying rating of "AA-" to the Certificates. Such ratings reflect only the view of such organization and any desired explanation of the significance of such ratings should be obtained from S&P at the following address: 55 Water Street, New York, NY 10041, (212) 208-8000. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Certificates.

UNDERWRITING

The Certificates are being purchased by Wedbush Morgan Securities (the "Underwriter"). The Underwriter will agree to purchase the Certificates at a price of $4,659,412.25 (being the principal amount of the Certificates of $4,575,000, less Underwriter's discount of $34,312.50, plus net original premium of $118,724.75). The Certificate Purchase Agreement relating to the Certificates provides that the Underwriter will purchase all of the Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Certificate Purchase Agreement, approval of certain legal matters by counsel and certain other conditions. After a bona fide initial public offering at the price stated on the cover page hereof, the Underwriter may offer and sell the Certificates to certain dealers and others at prices lower than the initial public offering price. The offering price may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

All of the preceding summaries of the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other documents are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the City for further information in connection therewith.

This Official Statement does not constitute a contract with the purchasers of the Certificates.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

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

The City will furnish a certificate dated the date of delivery of the Certificates, from an appropriate officer of the City, to the effect that to the best of such officer's knowledge and belief, and after reasonable investigation, (i) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; (ii) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such an amendment or supplement, and the Certificates, the Trust Agreement, the Lease Agreement, the Assignment Agreement, the Site and Facility Lease, and other applicable agreements conform as to form and tenor to the descriptions thereof contained in the Official Statement; and (iii) the City has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under the Trust Agreement at and prior to the date of the issuance of the Certificates.

The execution and delivery of the Official Statement by the City have been duly authorized by the Board on behalf of the City.

CITY OF ALAMEDA

By /s/ Debra Kurita
City Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of certain provisions of the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement prepared for Certificates. The following also includes definitions of certain terms used therein and in this Official Statement. Such summary is not intended to be definitive. Reference is directed to said documents for the complete text thereof. Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. Copies of said documents are available from the City and from the Trustee.

DEFINITIONS

"*Assignment Agreement*" means the Assignment Agreement, dated as of July 1, 2008, by and between the Authority and the Trustee, together with any duly authorized and executed amendments thereto.

"*Authority*" means the Alameda Public Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State.

"*Authority Representative*" means the Chair, Executive Director, Treasurer, Secretary, or the designee of any such official, or any other person authorized by resolution of the Authority delivered to the Trustee to act on behalf of the Authority under or with respect to the Site and Facility Lease, the Lease Agreement, the Assignment Agreement and the Trust Agreement.

"*Bond Counsel*" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

"*Business Day*" means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the state in which the Principal Corporate Trust Office is located or in the State are closed or are required to close or a day on which the New York Stock Exchange is closed.

"*Certificates*" means the certificates of participation to be executed and delivered pursuant to the Trust Agreement which evidence direct, undivided fractional Interests of the Owners thereof in Lease Payments.

"*City*" means City of Alameda, a chartered city and municipal corporation organized and existing under and by virtue of the constitution and laws of the State.

"*City Representative*" means the Mayor, the City Manager, the Chief Financial Officer, the City Clerk, or the designee of any such official, or any other person authorized by resolution to act on behalf of the City under or with respect to the Trust Agreement and/or the Lease Agreement, the Site and Facility Lease, the 1996A Escrow Agreement and/or the 1996B Escrow Agreement and identified as such to the Trustee in writing.

"*Closing Date*" means the date upon which there is a physical delivery of the Certificates in exchange for the amount representing the purchase price of the Certificates by the Original Purchaser.

"*Code*" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Lease Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Code.

"*Continuing Disclosure Certificate*" shall mean that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the Certificates, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Defeasance Obligations" means: (a) cash; (b) non-callable Federal Securities (including State and Local Government Securities); (c) non-callable direct obligations of the United States of America which have been stripped by the Department of the Treasury of the United States of America; (d) non-callable bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America: (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) certificates of beneficial ownership of the Farmers Home Administration; (iii) obligations of the Federal Financing Bank; (iv) participation certificates of the General Services Administration; (v) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) U.S. government guaranteed public housing notes and bonds; and (vii) project notes and local authority bonds of the U.S. Department of Housing and Urban Development; and (e) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody's rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds.

"Delivery Costs Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Delivery Costs" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the execution and delivery of the Site and Facility Lease, the Lease Agreement, the Trust Agreement and the Assignment Agreement or the execution, sale and delivery of the Certificates, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, costs for statistical data, initial fees and charges of the Trustee (including the fees and expenses of its counsel), financing discounts, legal fees and charges, insurance fees and charges (including title insurance), financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Certificates, the premiums for the Financial Guaranty Insurance Policy and the Reserve Fund Financial Guaranty Insurance Policy, and charges and fees in connection with the foregoing.

"Escrow Bank" means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the 1996A Escrow Agreement and the 1996B Escrow Agreement, or any successor thereto appointed as escrow bank thereunder in accordance with the provisions thereof.

"Event of Default" means an event of default under the Lease Agreement.

"Facility" means those certain existing facilities more particularly described in the Site and Facility Lease and in the Lease Agreement.

"Federal Securities" means (a) Cash (insured at all times by the Federal Deposit Insurance Corporation), and (b) obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States including: (i) United States treasury obligations, (ii) all direct or fully guaranteed obligations, (iii) Farmers Home Administration, (iv) General Services Administration, (v) Guaranteed Title XI financing, (vi) Government National Mortgage Association (GNMA), and (vi) State and Local Government Series.

"Financial Guaranty Insurance Policy" the financial guaranty insurance policy issued by the Financial Guaranty Insurer guaranteeing the payment, when due, of the principal and interest with respect to the Certificates.

"Financial Guaranty Insurer" means Assured Guaranty Corp., a Maryland corporation, or any successor thereto.

"Fiscal Year" means the twelve-month period beginning on July 1 of any year and ending on June 30 of the next succeeding year, or any other twelve-month period selected by the City as its fiscal year.

"Independent Counsel" means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the Trustee or the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, NJ 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 65 Broadway, 16th Floor, New York, NY 10006; Moody's "Municipal and Government," 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attention: Municipal News Reports; and S&P's "Called Bond Record," 25 Broadway, 3rd Floor, New York, NY 10004; or to such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

"Insurance and Condemnation Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Interest Payment Date" means the first (1st) day of each May and November, commencing November 1, 2008, so long as any Certificates are Outstanding.

"Lease Agreement" means that certain agreement for the lease of the Property by the Authority to the City, dated as of July 1, 2008, together with any duly authorized and executed amendments thereto.

"Lease Payment Date" means the fifteenth (15th) day of April and October in each year during the Term of the Lease Agreement, commencing October 15, 2008.

"Lease Payment Fund" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"Lease Payments" means a portion of the total payments required to be paid by the City pursuant to the Lease Agreement, including any prepayment thereof pursuant to the Lease Agreement, which payments consist of an interest component and a principal component, as set forth in the Lease Agreement.

"Moody's" means Moody's Investors Service, New York, New York, or its successors.

"Net Proceeds," when used with respect to insurance or condemnation proceeds, means any insurance proceeds or condemnation award paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"1996A Certificates" means the $2,770,000 City of Alameda Certificates of Participation (School Facilities Project), representing direct, undivided fractional interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Alameda Public Improvement Corporation, currently outstanding in the principal amount of $1,505,000.

"1996A Escrow Agreement" means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the City and the Escrow Bank, as originally entered into or as it may be amended or supplemented pursuant to the provisions thereof, created to provide for the refunding of the 1996A Certificates.

"1996A Escrow Fund" means the fund by that name created and maintained by the Escrow Bank pursuant to the 1996A Escrow Agreement.

"1996B Certificates" means the $4,900,000 City of Alameda Certificates of Participation (1996 Library and Golf Course Financing Project), representing direct, undivided fractional interests of the owners thereof in lease payments to be made by the City as the rental for certain property pursuant to a lease agreement with the Alameda Public Improvement Corporation, currently outstanding in the principal amount of $3,555,000.

"1996B Escrow Agreement" means that certain Escrow Deposit and Trust Agreement, dated the Closing Date, by and between the City and the Escrow Bank, as originally entered into or as it may be amended or supplemented pursuant to the provisions thereof, created to provide for the refunding of the 1996B Certificates.

"1996B Escrow Fund" means the fund by that name created and maintained by the Escrow Bank pursuant to the 1996A Escrow Agreement.

"Original Purchaser" means the first purchaser of the Certificates upon their delivery by the Trustee on the Closing Date.

"Outstanding," when used as of any particular time with respect to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;

(b) Certificates for the payment or redemption of which funds or Defeasance Obligations in the necessary amount shall have theretofore been deposited with the Trustee or an escrow holder (whether upon or prior to the maturity or redemption date of such Certificates), provided that, if such Certificates are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" or *"Certificate Owner"* or *"Owner of a Certificate,"* or any similar term, when used with respect to a Certificate means the person in whose name such Certificate shall be registered on the Registration Books.

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Permitted Encumbrances" means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may, pursuant to provisions of the Lease Agreement, permit to remain unpaid; (b) the Assignment Agreement; (c) the Site and Facility Lease; (d) the Lease Agreement; (e) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (f) easements, rights-of-way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date and which the City certifies in writing will not materially impair the use of the Property; and (g) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the date of recordation of the Lease Agreement and to which the Authority, the Financial Guaranty Insurer and the City agree in writing consent in writing do not reduce the value of the Property.

"Permitted Investments" means any of the following:

(a) Federal Securities;

(b) Federal Housing Administration debentures;

(c) The following listed obligations government-sponsored agencies which are <u>not</u> backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(ii) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes,

(iii) Federal Home Loan Banks (FHL Banks) consolidated debt obligations, and

(iv) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(d) Unsecured certificates of deposit, time deposits, and bankers" acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" or better by S&P and "Prime-1" by Moody's;

(e) Deposits the aggregate amount of which are fully insure by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least $15 million;

(f) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) Money market funds rated "Aam" by S&P, or better and, if rated by Moody's, rated "Aa2" or better.

(h) "State Obligations," which means:

(i) Direct general obligations of any state of the United States of America or any subdivision of agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "A3" by Moody's and at least "A-" by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA-" or better by S&P and "Aa3" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

(iii) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification Report"),

(iv) the case of U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations

(v) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report, and

(vi) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with:

(i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A-" by S&P and "A3" by Moody's, or

(ii) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A-" by S&P and "A3" by Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation, or

(iii) any other entity rated at least "A-" by S&P and "A3" Moody's and acceptable to the Financial Guaranty Insurer (each an "Eligible Provider"), provided that:

(A) (1) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (2) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"),

(B) the trustee or a third party acting solely as agent therefore or for the issuer (the "Custodian") has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market,

(C) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee, the Authority and the Financial Guaranty Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral,

(D) the repurchase agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Financial Guaranty Insurer,

(E) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof,

(F) the repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, notify the Authority, the Trustee and the Financial Guaranty Insurer within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (1) provide a written guarantee acceptable to the Financial Guaranty Insurer, (2) post Eligible Collateral, or (3) assign the agreement to an Eligible Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the trustee (who shall give such direction if so directed by the Financial Guaranty Insurer) repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the issuer or the Trustee;

(k) Investment agreements: with a domestic or foreign bank or corporation the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, or the guarantor is rated at least "AA-" by S&P and "Aa3" by Moody's, and acceptable to the Financial Guaranty Insurer (each an "Eligible Provider"); provided that:

(i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) with respect to the Certificates,

(ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice; the issuer and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid,

(iii) the provider shall send monthly reports to the Trustee, the Authority and the Financial Guaranty Insurer setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider,

(iv) the investment agreement shall state that is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors,

(v) the investment agreement (or guaranty, if applicable) may not be assigned or amended without the prior written consent of the Financial Guaranty Insurer,

(vi) the Authority, the Trustee and the Financial Guaranty Insurer shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms,

(vii) the issuer, the Trustee and the Financial Guaranty Insurer shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (ii) the choice of law of the sate set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (iii) any judgment rendered by a court in the United States would be recognized and enforceable in such country,

(viii) the investment agreement shall provide that if during its term:

(A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", the provider shall, at its option, within ten (10) days of receipt of publication of such downgrade, either (i) provide a written guarantee acceptable to the Financial Guaranty Insurer, (ii) post Eligible Collateral with the Issuer, the trustee or a third party acting solely as agent therefore (the "Custodian") free and clear of any third party liens or claims, or (iii) assign the agreement to an Eligible Provider, or (iv) repay the principal of and accrued but unpaid interest on the investment, and

(B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", the provide must, at the direction of the issuer or the trustee (who shall give such direction if so directed by the Financial Guaranty Insurer), within ten (10) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the issuer or trustee,

(ix) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC ("Eligible Collateral"). In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the trustee, the issuer and the Financial Guaranty Insurer setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral,

(x) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provide under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof, and

(xi) the investment agreement must provide that if during its term: (i) the provided shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the issuer of the trustee (who shall give such direction if so directed by the Financial Guaranty Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the issuer or trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the issuer or trustee, as appropriate.

"*Principal Corporate Trust Office*" means the corporate trust office of the Trustee located at 350 California Street, 11th Floor, San Francisco, CA 94104; *provided however*, that for purposes of redemption, payment, cancellation, surrender, exchange or transfer of Certificates such term means the corporate trust office of the Trustee in Los Angeles, California, or any other such location so designated by the Trustee.

"*Proceeds*," when used with reference to the Certificates, means the face amount of the Certificates, plus accrued interest and original issue premium, if any, less original issue discount, if any.

"*Property*" means, collectively, the Site and the Facility.

"*Rating Category*" means, with respect to any Permitted Investment, one of the generic categories of rating by Moody's applicable to such Permitted Investment, without regard to any refinement or graduation of such rating category by a plus or minus sign or a numeral.

"*Registration Books*" means the records maintained by the Trustee pursuant to the Trust Agreement for registration of the ownership and transfer of ownership of the Certificates.

"*Regular Record Date*" means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

"*Rental Period*" means each twelve-month period during the Term of the Lease Agreement commencing on May 2 in any year and ending on May 1 in the next succeeding year; *provided, however*, that the first Rental Period shall commence on the Closing Date and shall end on May 1, 2009.

"*Reserve Fund*" means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

"*Reserve Fund Financial Guaranty Insurance Policy*" means the financial guaranty insurance policy issued by the Financial Guaranty Insurer for deposit in the Reserve Fund in an amount equal to the Reserve Requirement.

"*Reserve Requirement*" means an amount equal to the least of maximum annual Lease Payments, 125% of average annual Lease Payments, and 10% of the principal amount of the Certificates, which amount shall be $457,500 on the Closing Date. The amount of the Reserve Requirement shall not be reduced unless the Certificates are partially refunded, in which such amount shall be reduced to an amount equal to the maximum annual Lease Payments relating to the Certificates not so refunded, as specified in a certificate of a City Representative delivered to the Trustee.

"*S&P*" means Standard & Poor's Credit Market Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or its successors.

"Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, N.Y. 10041-0099 Attention: Call Notification Department; or to such other addresses and/or such other registered securities depositories holding substantial amounts of obligations of types similar to the Certificates.

"Site" means that certain real property more particularly described in the Site and Facility Lease and in the Lease Agreement.

"Site and Facility Lease" means the Site and Facility Lease, dated as of July 1, 2008, by and between the City, as lessor, and the Authority, as lessee, together with any duly authorized and executed amendments thereto.

"State" means the State of California.

"Term of the Lease Agreement" means the time during which the Lease Agreement is in effect, as provided in the Lease Agreement.

"Trust Agreement" means the Trust Agreement, dated as of July 1, 2008, by and among the City, the Authority and the Trustee, together with any duly authorized amendments thereto.

"Trustee" means Union Bank of California, N.A., or any successor thereto, acting as Trustee pursuant to the Trust Agreement.

SITE AND FACILITY LEASE

The Site and Facility Lease is entered into between the City and the Authority. The City agrees to lease the Site and the Facility to the Authority for a term continuous with the term of the Lease Agreement. The City and the Authority agree that the lease to the Authority of the City's right, title and interest in the Site and the Facility pursuant to the Site and Facility Lease serves the public purposes of the City by enabling the Authority to lease the Site and Facility back to the City.

LEASE AGREEMENT

Deposit of Money

On the Closing Date, the Authority shall cause to be deposited with the Trustee the proceeds of sale of the Certificates. Amounts estimated to be required to pay Delivery Costs shall be deposited in the Delivery Costs Fund, amounts, together with certain other moneys, required to provide for the refunding of the 1996A Certificates shall be transferred to the Escrow Bank for deposit in the 1996A Escrow Fund, and the remaining amounts, together with certain other moneys, required to provide for the refunding of the 1996B Certificates shall be transferred to the Escrow Bank for deposit in the 1996B Escrow Fund.

Payment of Delivery Costs

Payment of Delivery Costs shall be made from the moneys deposited in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Trust Agreement.

Lease

The Authority leases the Property to the City, and the City leases the Property from the Authority, upon the terms and conditions set forth in the Lease Agreement. The leasing of the Property by the City to the Authority pursuant to the Site and Facility Lease shall not affect or result in a merger of the City's leasehold estate pursuant to the Lease Agreement and its fee estate as lessor under the Site and Facility Lease.

Term of Agreement; Possession

The Term of the Lease Agreement shall commence on the Closing Date, and shall end on May 1, 2022, unless such term is extended. If, on May 1, 2022, the Trust Agreement shall not be discharged by its terms or if the Lease Payments payable under the Lease Agreement shall have been abated at any time and for any reason, then the Term of the Lease Agreement shall be extended without the need to execute any amendment to the Lease Agreement until there has been deposited with the Trustee an amount sufficient to pay all obligations due under the Lease Agreement, but in no event shall the Term of the Lease Agreement extend beyond May 1, 2032. If, prior to May 1, 2022, the Trust Agreement shall be discharged by its terms, the Term of the Lease Agreement shall thereupon end. The Trustee shall notify the Authority of the termination of the Lease Agreement pursuant to the Trust Agreement.

Notwithstanding the foregoing, but subject to the provisions of the prior paragraph, the Term of the Lease Agreement shall not end so long as any amounts are owed to the Financial Guaranty Insurer with respect to the Financial Guaranty Insurance Policy or with respect to the Reserve Fund Financial Guaranty Insurance Policy.

The City agrees to accept and take possession of the Property on or prior to the date of recordation of the Lease Agreement. The first Lease Payment shall be due on October 15, 2008.

Lease Payments

Obligation to Pay. The City agrees to pay to the Authority, its successors and assigns, as rental for the use and occupancy of the Property during each Rental Period, the Lease Payments (denominated into components of principal and interest) in the respective amounts specified in the Lease Agreement, to be due and payable on the respective Lease Payment Dates specified in the Lease Agreement. Any amount held in the Lease Payment Fund on any Lease Payment Date (other than amounts resulting from the prepayment of the Lease Payments in part but not in whole and other than amounts required for payment of Certificates not yet surrendered) shall be credited towards the Lease Payment then due and payable; and no Lease Payment need be made on any Lease Payment Date if the amounts then held in the Lease Payment Fund are at least equal to the Lease Payment then required to be paid. The Lease Payments for the Property payable in any Rental Period shall be for the use of the Property for such Rental Period.

Effect of Prepayment. In the event that the City prepays all remaining Lease Payments and all additional payments due under the Lease Agreement in full, the City's obligations under the Lease Agreement shall thereupon cease and terminate including, but not limited to, the City's obligation to pay Lease Payments under the Lease Agreement; subject however, to the provisions of the Lease Agreement in the case of prepayment by application of a security deposit. In the event that the City optionally prepays the Lease Payments in part but not in whole, such prepayment shall be credited entirely towards the prepayment of the Lease Payments as follows: (i) the principal components of each remaining such Lease Payments shall be reduced in such order as shall be selected by the City in integral multiples of $5,000; and (ii) the interest component of each remaining Lease Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed pursuant to the Trust Agreement.

Rate on Overdue Payments. In the event the City should fail to make any of the payments required in the Lease Agreement, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date of default to the date of payment at the rate per annum payable with respect to the Certificates. Such interest, if received, shall be deposited in the Lease Payment Fund or in the Reserve Fund to replenish the Reserve Fund if withdrawals were made therefrom as a result of the default.

Fair Rental Value. The Lease Payments for each Rental Period shall constitute the total rental for the Property for each such Rental Period and shall be paid by the City in each Rental Period for and in consideration of the right of the use and occupancy and the continued quiet use and enjoyment of the Property during each Rental Period. The parties to the Lease Agreement have agreed and determined that the total Lease Payments represent the fair rental value of the Property. In making such determination, consideration has been given to the obligations of the parties under the Lease Agreement, the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the City and the general public.

Source of Payments; Budget and Appropriation. Lease Payments shall be payable from any source of available funds of the City. The City covenants to take such action as may be necessary to include all Lease Payments due under the Lease Agreement in each of its budgets during the Term of the Lease Agreement and to make the necessary annual appropriations for all such Lease Payments and for additional payments due under the Lease Agreement. To that end, the City Council shall direct budgetary staff to include in each annual budget proposal to the City Council an appropriation sufficient to pay Lease Payments and Additional Payments. The City expresses its present intent to appropriate Lease Payments and additional payments due under the Lease Agreement during the Term of the Lease Agreement. The covenants on the part of the City contained in the Lease Agreement shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the City to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreement agreed to be carried out and performed by the City.

The Finance Director and all other officers charged with the duty of preparing and submitting the annual budget of the City to the City Council are hereby irrevocably directed, following any draw on the Reserve Fund Financial Guaranty Insurance Policy because the value of the Property has been reduced below the total unpaid principal component of Lease Payments and the County is permitted to pay less than the total scheduled Lease Payment (an "Abatement Period"), to include in the proposed budget and to request that the City Council include in the final approved budget, and thereby appropriate, any amounts necessary to reinstate the Reserve Fund Financial Guaranty Insurance Policy, including interest due and any other amounts payable to the Financial Guaranty Insurer (collectively, the "Reinstatement Amount"). Such officers shall use their best efforts to obtain such appropriations.

The request for inclusion in the final approved budget and appropriation shall be made in each Fiscal Year following any Abatement Period so long as reimbursement amounts are owed to the Financial Guaranty Insurer. Failure by the Finance Director and other officers to request such inclusion and appropriation shall constitute an Event of Default under the Lease Agreement and the Financial Guaranty Insurer may exercise remedies accordingly.

The decision of the City Council as to whether or not to approve and appropriate any Reinstatement Amount in any given Fiscal Year during any Abatement Period is in the sound discretion of the City Council; the failure of the City Council to approve and appropriate the Reinstatement Amount in any given Fiscal Year during any Abatement Period shall not constitute an Event of Default under the Lease Agreement or under the Trust Agreement.

Assignment. The City understands and agrees that all Lease Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Assignment Agreement, for the benefit of the Owners of the Certificates, and the City assents to such assignment. The Authority directs the City, and the City agrees to pay to the Trustee at the Principal Corporate Trust Office, all payments payable by the City pursuant to the Lease Agreement.

Additional Payments

In addition to the Lease Payments, the City shall pay when due the following additional payments:

(a) Any fees and expenses incurred by the City in connection with or by reason of its leasehold estate in the Property as and when the same become due and payable;

(b) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement;

(c) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the City, the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Lease Agreement or the Trust Agreement;

(d) Any reasonable out-of-pocket expenses of the City in connection with the execution and delivery of the Lease Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Authority in connection with any litigation which may at any time be instituted involving the Lease Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated or thereby, or incurred by the Authority in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

(e) The City agrees to pay or reimburse the Financial Guaranty Insurer, to the extent permitted by law, (i) for all amounts paid by the Financial Guaranty Insurer under the terms of the Financial Guaranty Insurance Policy, and (ii) any and all charges, fees, costs and expenses which the Financial Guaranty Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (A) any accounts established to facilitate payments under the Financial Guaranty Insurance Policy, (B) the administration, enforcement, defense or preservation of any rights in respect the Lease Agreement or the Trust Agreement, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City or any affiliate thereof) relating to the Lease Agreement or the Trust Agreement, any party to the Lease Agreement or the Trust Agreement or the transactions contemplated by the Lease Agreement or the Trust Agreement, (C) the foreclosure against, sale or other disposition of any collateral securing any obligations under the Lease Agreement or the Trust Agreement, or the pursuit of any remedies under the Lease Agreement or the Trust Agreement, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (D) any amendment, waiver or other action with respect to, or related to, the Lease Agreement or the Trust Agreement whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Financial Guaranty Insurer spent in connection with the actions described in clauses (B) through (D) above. In addition, the Financial Guaranty Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Lease Agreement or the Trust Agreement. The City will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JP Morgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus three percent (3%) per annum (the "Reimbursement Rate"). The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JPMorgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as the Financial Guaranty Insurer shall specify.

(f) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant to the Lease Agreement or under law or in equity, the City agrees to pay or reimburse the Financial Guaranty Insurer, to the extent permitted by law, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the Financial Guaranty Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Financial Guaranty Insurer within the meaning of either section 15 of the Securities Act of 1933, as amended, or section 20 of the Securities Exchange Act of 1934, as amended, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by the Lease Agreement or the Trust Agreement by reason of:

(i) any omission or action (other than of or by the Financial Guaranty Insurer) in connection with the offering, execution, sale or delivery of the Certificates;

(ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the City or the City in connection with any transaction arising from or relating to the Lease Agreement or the Trust Agreement;

(iii) the violation by the City of any law, rule or regulation, or any judgment, order or decree applicable to it;

(iv) the breach by the City of any representation, warranty or covenant under the Lease Agreement or the Trust Agreement or the occurrence, in respect of the City, under the Lease Agreement or the Trust Agreement of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

(v) any untrue statement or alleged untrue statement of a material fact contained in any official statement relating to the Certificates or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by the Financial Guaranty Insurer in writing expressly for use therein.

Title

During the Term of the Lease Agreement, the Authority shall hold leasehold title to the Property and shall hold fee title to those portions of the Property which are newly acquired or constructed and any and all additions which comprise fixtures, repairs, replacements or modifications to the Property, except for those fixtures, repairs, replacements or modifications which are added to the Property by the City at its own expense and which may be removed without damaging the Property and except for any items added to the Property by the City pursuant to the Lease Agreement.

If the City prepays the Lease Payments in full or makes the security deposit permitted by the Lease Agreement, or pays all Lease Payments during the Term of the Lease Agreement as the same become due and payable, all right, title and interest of the Authority in and to the Property shall be terminated. The Authority agrees to take any and all steps and execute and record any and all documents reasonably required by the City to consummate any such transfer of title.

Maintenance, Utilities, Taxes and Assessments

Throughout the Term of the Lease Agreement, as part of the consideration for the rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the City and the City shall pay, or otherwise arrange, for the payment of all utility services supplied to the Property which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof. In exchange for the Lease Payments, the Authority agrees to provide only the Property. The City waives the benefits of subsections 1 and 2 of section 1932 of the California Civil Code, but such waiver shall not limit any of the rights of the City under the terms of the Lease Agreement.

The City shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the City affecting the Property or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Lease Agreement as and when the same become due.

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Financial Guaranty Insurer shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority. City shall provide the Authority and the Financial Guaranty Insurer with written notice of any such contest and shall provide such updates on the contest as the Authority or the Financial Guaranty Insurer may reasonably request.

Modification of Property

The City shall, at its own expense, have the right to remodel the Property or to make additions, modifications and improvements to the Property. All additions, modifications and improvements to the Property shall thereafter comprise part of the Property and be subject to the provisions of the Lease Agreement. Such additions, modifications and improvements shall not in any way damage the Property, substantially alter its nature, cause the interest component of Lease Payments to be subject to federal income taxes or cause the Property to be used for purposes other than those authorized under the provisions of State and federal law; and the Property, upon completion of any additions, modifications and improvements made thereto pursuant to the Lease Agreement, shall be of a value which is not substantially less than the value of the Property immediately prior to the making of such additions, modifications and improvements. The City will not permit any mechanic's or other lien to be established or remain against the Property for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements made by the City pursuant to the Lease Agreement; provided that if any such lien is established and the City shall first notify the Authority of the City's intention to do so, the City may in good faith contest any lien filed or established against the Property, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom and shall provide the Authority with full security against any loss or forfeiture which might arise from the nonpayment of any such item, in form satisfactory to the Authority. The Authority will cooperate fully in any such contest, upon the request and at the expense of the City.

Insurance

Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, throughout the Term of the Lease Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Authority, the City and the Trustee and their respective members, officers, agents and employees. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Financial Guaranty Insurer, in the form of self-insurance by the City. Said policy or policies shall provide for indemnification of said parties against direct or consequential loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Property. Said policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and $3,000,000 for personal injury or deaths of two or more persons in each accident or event, and in a minimum amount of $100,000 (subject to a deductible clause of not to exceed $5,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City and may be maintained in the form of insurance maintained through a joint exercise of powers authority created for such purpose or, with the prior written consent of the Financial Guaranty Insurer, in the form of self-insurance by the City. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Fire and Extended Coverage Insurance; No Earthquake Insurance. The City shall maintain, or cause to be maintained throughout the Term of the Lease Agreement, insurance against loss or damage to any part of the Property constituting structures, if any, by fire and lightning, with extended coverage and vandalism and malicious mischief insurance; *provided, however,* that the City shall not be required to maintain earthquake insurance with respect to the Property. Said extended coverage insurance shall, as nearly as practicable, cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of such portion of the Property, if any. Such insurance may be subject to deductible clauses of not to exceed $100,000 for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried by the City and, with the prior consent of the Financial Guaranty Insurer, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The Net Proceeds of such insurance shall be applied as provided in the Lease Agreement. The City may not satisfy the requirements of the Lease Agreement for fire and extended coverage insurance with self-insurance except with the prior written consent of the Financial Guaranty Insurer.

Rental Interruption Insurance. The City shall maintain, or cause to be maintained, throughout the Term of the Lease Agreement rental interruption or use and occupancy insurance to cover loss, total or partial, of the use of any part of the Property during the Term of the Lease Agreement as a result of any of the hazards covered in the insurance required by the Lease Agreement, if any, in an amount at least equal to two times maximum annual Lease Payments. The Net Proceeds of such insurance shall be paid to the Trustee and deposited in the Lease Payment Fund and shall be credited towards the payment of the Lease Payments in the order in which such Lease Payments come due and payable. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the City and, with the prior consent of the Financial Guaranty Insurer, may be maintained in whole or in part in the form of insurance maintained through a joint exercise of powers authority created for such purpose. The City may not satisfy the requirements of the Lease Agreement for rental interruption insurance with self-insurance, except with the prior written consent of the Financial Guaranty Insurer.

Title Insurance. The City shall provide, from moneys in the Delivery Costs Fund or at its own expense, on the Closing Date, an CLTA title insurance policy in the amount of not less than the principal amount of the Certificates, insuring the City's leasehold estate in the Property, subject only to Permitted Encumbrances. A copy of such policy shall be delivered to the Financial Guaranty Insurer.

Insurance Net Proceeds; Form of Policies. Each policy or other evidence of insurance required by the Lease Agreement shall provide that all proceeds thereunder shall be payable to the Trustee as and to the extent required under the Lease Agreement, shall name the Trustee and the Financial Guaranty Insurer as additional insureds and shall be applied as provided in the Lease Agreement. Insurance must be provided by an insurer rated "A" or better by S&P or A.M. Best Company unless waived by the Financial Guaranty Insurer. The City shall pay or cause to be paid when due the premiums for all insurance policies required by the Lease Agreement. Notice of cancellation of any such policy shall be filed with the Financial Guaranty Insurer. The Trustee shall not be responsible for the sufficiency of any insurance required in the Lease Agreement, including any forms of self-insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. The City shall cause to be delivered annually on or before each May 1 to the Trustee and the Financial Guaranty Insurer a certification, signed by a City Representative, stating compliance with the provisions of the Lease Agreement. The Trustee shall be entitled to rely on such certification without independent investigation. The City shall have the adequacy of any insurance reserves maintained by the City or by a joint exercise of powers authority, if applicable, for purposes of the insurance required by the Lease Agreement reviewed at least annually, on or before each September 1, by an independent insurance consultant and shall maintain reserves in accordance with the recommendations of such consultant to the extent moneys are available for such purpose and not otherwise appropriated.

Tax Covenants

Private Activity Bond Limitation. The City shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Lease Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Lease Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Rebate Requirement. The City shall take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Lease Agreement.

No Arbitrage. The City shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

No Condemnation

The City covenants and agrees, to the extent it may lawfully do so, that so long as any of the Certificates remain outstanding and unpaid, the City will not exercise the power of condemnation with respect to the Property. The City further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the City should fall or refuse to abide by such covenant and condemns the Property, the appraised value of the Property shall not be less than the greater of (i) if the Certificates are then subject to redemption, the principal and interest components of the Certificates Outstanding through the date of their redemption, or (ii) if the Certificates are not then subject to redemption, the amount necessary to defease the Certificates to the first available redemption date in accordance with the Trust Agreement.

Eminent Domain

If all of the Property shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, the Term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Property shall be taken permanently, or if all of the Property or any part thereof shall be taken temporarily under the power of eminent domain, (1) the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking and the parties waive the benefit of any law to the contrary, and (2) there shall be a partial abatement of Lease Payments as a result of the application of the Net Proceeds of any eminent domain award to the prepayment of the Lease Payments, in an amount to be agreed upon by the City and the Authority and communicated to the Trustee such that the resulting Lease Payments represent fair consideration for the use and occupancy of the remaining usable portion of the Property, except to the extent of special funds, such as amounts in the Reserve Fund available for the payment of Lease Payments.

Application of Net Proceeds

From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of any portion of the Property constituting structures, if any, by fire or other casualty shall be paid by the City to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund held by the Trustee and applied as set forth in the Trust Agreement.

From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be paid by the City to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

From Title Insurance. The Net Proceeds of any title insurance award shall be paid to the Trustee, as assignee of the Authority under the Assignment Agreement, deposited in the Insurance and Condemnation Fund and applied as set forth in the Trust Agreement.

Abatement of Lease Payments in the Event of Damage or Destruction

Lease Payments shall be abated during any period in which, by reason of damage or destruction, there is substantial interference with the use and occupancy by the City of the Property or any portion thereof to the extent to be agreed upon by the City and the Authority and communicated by a City Representative to the Trustee. The parties agree that the amounts of the Lease Payments under such circumstances shall not be less than the amounts of the unpaid Lease Payments as are then set forth in the Lease Agreement, unless such unpaid amounts are determined, upon consultation with the Financial Guaranty Insurer, to be greater than the fair rental value of the portions of the Property not damaged or destroyed, based upon the opinion of an MAI appraiser with expertise in valuing such properties, or other appropriate method of valuation approved by the Financial Guaranty Insurer, in which event the Lease Payments shall be abated such that they represent said fair rental value. Such abatement shall continue for the period commencing with such damage or destruction and ending with the substantial completion of the work of repair or reconstruction as communicated by a City Representative to the Trustee. In the event of any such damage or destruction, the Lease Agreement shall continue in full force and effect and the City waives any right to terminate the Lease Agreement by virtue of any such damage and destruction. Notwithstanding the foregoing, there shall be no abatement of Lease Payments to the extent that (a) the proceeds of rental interruption insurance or (b) amounts in the Reserve Fund, if cash funded, and/or the Insurance and Condemnation Fund and/or the Lease Payment Fund are available to pay Lease Payments which would otherwise be abated, it being declared that such proceeds and amounts constitute special funds for the payment of the Lease Payments.

Access to the Property

The City agrees that the Authority and any Authority Representative, and the Authority's successors or assigns, and the Financial Guaranty Insurer shall have the right at all reasonable times to enter upon and to examine and inspect the Property. The City further agrees that the Authority, any Authority Representative, and the Authority's successors or assigns and the Financial Guaranty Insurer shall have such rights of access to the Property as may be reasonably necessary to cause the proper maintenance of the Property in the event of failure by the City to perform its obligations under the Lease Agreement.

Release and Indemnification Covenants

The City shall and agrees to indemnify and save the Authority and the Trustee and their officers, agents, directors, employees, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on the Property by the City, (ii) any breach or default on the part of the City in the performance of any of its obligations under the Lease Agreement or the Trust Agreement, (iii) any act or omission of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Property, (iv) any act or omission of any sublessee of the City with respect to the Property, or (v) the authorization of payment of the Delivery Costs. Such indemnification shall include the costs and expenses of defending any claim or liability arising under the Lease Agreement or the Trust Agreement and the transactions contemplated thereby. No indemnification is made in the Lease Agreement for willful misconduct, negligence or breach of duty under the Lease Agreement by the Authority, its officers, agents, directors, employees, successors or assigns.

Assignment by the Authority

The Authority's rights under the Lease Agreement, including the right to receive and enforce payment of the Lease Payments to be made by the City under the Lease Agreement, have been assigned to the Trustee pursuant to the Assignment Agreement.

Assignment and Subleasing by the City

The Lease Agreement may not be assigned by the City. The City may sublease the Property or any portion thereof, but only with the written consent of the Authority and the Financial Guaranty Insurer and subject to, and delivery to the Authority and the Financial Guaranty Insurer of a certificate as to, all of the following conditions:

(a) The Lease Agreement and the obligation of the City to make Lease Payments shall remain obligations of the City;

(b) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority, the Trustee and the Financial Guaranty Insurer a true and complete copy of such sublease;

(c) No such sublease by the City shall cause the Property to be used for a purpose other than as may be authorized under the provisions of the Constitution and laws of the State; and

(d) The City shall furnish the Authority, the Trustee and the Financial Guaranty Insurer with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such sublease does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes.

Amendment of Lease Agreement

Substitution of Site or Facility. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to substitute other land (a "Substitute Site") and/or a substitute facility or substitute Facility (a "Substitute Facility") for the Site (the "Former Site"), or a portion thereof, and/or the Facility (the "Former Facility"), or a portion thereof, provided that the City shall satisfy all of the following requirements (to the extent applicable) which are hereby declared to be conditions precedent to such substitution:

(i) If a substitution of the Site, the City shall file with the Authority, the Trustee and the Financial Guaranty Insurer an amended the Site and Facility Lease which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(ii) If a substitution of the Site, the City shall file with the Authority, the Trustee and the Financial Guaranty Insurer an amended Lease Agreement which adds thereto a description of such Substitute Site and deletes therefrom the description of the Former Site;

(iii) If a substitution of the Facility, the City shall file with the Authority, the Trustee and the Financial Guaranty Insurer an amended Site and Facility Lease which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(iv) If a substitution of the Facility, the City shall file with the Authority, the Trustee and the Financial Guaranty Insurer an amended Lease Agreement which adds thereto a description of such Substitute Facility and deletes therefrom the description of the Former Facility;

(v) The City shall certify in writing to the Authority, the Trustee and the Financial Guaranty Insurer that such Substitute Site and/or Substitute Facility serve the purposes of the City, constitutes property that is unencumbered, subject to Permitted Encumbrances, and constitutes property which the City is permitted to lease under the laws of the State;

(vi) The City delivers to the Trustee, the Authority and the Financial Guaranty Insurer evidence that the value of the Property following such substitution is equal or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to he Trust Agreement applies with respect to the Substitute Site and/or Substitute Facility;

(vii) The Substitute Site and/or Substitute Facility shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(viii) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which adds thereto a description of the Substitute Site and deletes therefrom the description of the Former Site;

(ix) The City shall certify that the Substitute Site and/or the Substitute Facility is of the same or greater essentiality to the City as was the Former Site and/or the Former Facility;

(x) The City shall provide notice of the substitution to any rating agency then rating the Certificates;

(xi) The City shall furnish the Authority and the Trustee with a written opinion of Bond Counsel, which shall be an Independent Counsel, stating that such substitution does not cause the interest components of the Lease Payments to become subject to federal income taxes or State personal income taxes; and

(xii) The Financial Guaranty Insurer shall provide written consent to such substitution.

Release of Site. The City shall have, and is hereby granted, the option at any time and from time to time during the Term of the Lease Agreement to release any portion of the Site, provided that the City shall satisfy all of the following requirements which are hereby declared to be conditions precedent to such release:

(i) The City shall file with the Authority, the Trustee and the Financial Guaranty Insurer an amended Site and Facility Lease which describes the Site, as revised by such release;

(ii) The City delivers to the Trustee, the Authority and the Financial Guaranty Insurer evidence that the value of the Site, as revised by such release, is equal or greater than the Outstanding principal amount of the Certificates and confirms in writing to the Trustee that the indemnification provided pursuant to the Trust Agreement applies with respect to the Site, as revised by such release;

(iii) Such release shall not cause the City to violate any of its covenants, representations and warranties made herein and in the Trust Agreement;

(iv) The City shall obtain an amendment to the title insurance policy required pursuant to the Lease Agreement which describes the Site, as revised by such release;

(v) The City shall provide notice of the release to any rating agency then rating the Certificates; and

(vi) The Financial Guaranty Insurer shall provide written consent to such substitution.

Generally. The Authority and the City may at any time amend or modify any of the provisions of the Lease Agreement, but only (a) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (b) without the consent of any of the Owners, with the prior written consent of the Financial Guaranty Insurer, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City contained in the Lease Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

Events of Default and Remedies

Events of Default. The following shall be "events of default" under the Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in the Lease Agreement, any one or more of the following events:

(a) Failure by the City to pay any Lease Payment or other payment required to be paid at the time specified.

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Lease Agreement or under the Trust Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Trustee or the Owners of not less than five percent (5%) in aggregate principal amount of Certificates then outstanding; *provided, however,* if the failure stated in the notice can be corrected, but not within the applicable period, the Authority, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; *provided further, however,* that no grace period for a covenant default shall be extended for more than 60 days, without the prior written consent of the Financial Guaranty Insurer.

(c) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar acts which may hereafter be enacted.

Remedies on Default. The Trustee, acting at the direction of the Financial Guaranty Insurer, shall have the right to re-enter and re-let the Property and to terminate the Lease Agreement. The Financial Guaranty Insurer shall have the right to control all remedies for default under both the Lease Agreement and the Trust Agreement.

Whenever any Event of Default shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Lease Agreement or in the Trust Agreement to the contrary, there shall be no right under any circumstances to accelerate the Lease Payments or otherwise declare any Lease Payments not then in default to be immediately due and payable. Each and every covenant in the Lease Agreement to be kept and performed by the City is expressly made a condition and upon the breach thereof, the Authority may exercise any and all rights of entry and re-entry upon the Property, and also, at its option, with or without such entry, may terminate the Lease Agreement; provided, that no such termination shall be effected either by operation of law or acts of the parties to the Lease Agreement, except only in the manner expressly provided in the Lease Agreement. In the event of such default and notwithstanding any re-entry by the Authority, the City shall, as expressly provided in the Lease Agreement, continue to remain liable for the payment of the Lease Payments and/or damages for breach of the Lease Agreement and the performance of all conditions therein contained and, in any event such rent and/or damages shall be payable to the Authority at the time and in the manner as provided in the Lease Agreement, to wit:

(a) In the event the Authority does not elect to terminate the Lease Agreement in the manner hereinafter provided for in paragraph (b) below, the City agrees to and shall remain liable for the payment of all Lease Payments and the performance of all conditions contained in the Lease Agreement and shall reimburse the Authority for any deficiency arising out of the re-leasing of the Property, or, in the event the Authority is unable to re-lease the Property, then for the full amount of all Lease Payments to the end of the Term of the Lease Agreement, but said Lease Payments and/or deficiency shall be payable only at the same time and in the same manner as hereinabove provided for the payment of Lease Payments, notwithstanding such entry or re-entry by the Authority or any suit in unlawful detainer, or otherwise, brought by the Authority for the purpose of effecting such re-entry or obtaining possession of the Property or the exercise of any other remedy by the Authority. The City irrevocably appoints the Authority as the agent and attorney-in-fact of the City to enter upon and re-lease the Property in the event of default by the City in the performance of any covenants contained in the Lease Agreement to be performed by the City and to remove all personal property whatsoever situated upon the Property, to place such property in storage or other suitable place within Riverside County, for the account of and at the expense of the City, and the City exempts and agrees to save harmless the Authority from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and re-leasing of the Property and the removal and storage of such property by the Authority or its duly authorized agents in accordance with the provisions contained in the Lease Agreement. The City waives any and all claims for damages caused or which may be caused by the Authority in re-entering and taking possession of the Property as provided in the Lease Agreement and all claims for damages that may result from the destruction of or injury to the Property and all claims for damages to or loss of any property belonging to the City that may be in or upon the Property. The City agrees that the terms of the Lease Agreement constitute full and sufficient notice of the right of the Authority to re-lease the Property in the event of such re-entry without effecting a surrender of the Lease Agreement, and further agrees that no acts of the Authority in effecting such re-leasing shall constitute a surrender or termination of the Lease Agreement irrespective of the term for which such re-leasing is made or the terms and conditions of such re-leasing, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease Agreement shall vest in the Authority to be effected in the sole and exclusive manner hereinafter provided for in paragraph (b) below.

(b) In an Event of Default, the Authority at its option may terminate the Lease Agreement and re-lease all or any portion of the Property. In the event of the termination of the Lease Agreement by the Authority at its option and in the manner provided in the Lease Agreement on account of default by the City (and notwithstanding any re-entry upon the Property by the Authority in any manner whatsoever or the re-leasing of the Property), the City nevertheless agrees to pay to the Authority all costs, loss or damages howsoever arising or occurring payable at the same time and in the same manner as is provided in the Lease Agreement in the case of payment of Lease Payments. Any surplus received by the Authority from such re-leasing shall be credited towards the Lease Payments next coming due and payable. Neither notice to pay rent or to deliver up possession of the premises given pursuant to law nor any proceeding in unlawful detainer taken by the Authority shall of itself operate to terminate the Lease Agreement, and no termination of the Lease Agreement on account of default by the City shall be or become effective by operation of law, or otherwise, unless and until the Authority shall have given written notice to the City of the election on the part of the Authority to terminate the Lease Agreement. The City covenants and agrees that no surrender of the Property and/or of the remainder of the Term of the Lease Agreement or any termination of the Lease Agreement shall be valid in any manner or for any purpose whatsoever unless stated or accepted by the Authority by such written notice.

No Remedy Exclusive. No remedy is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the Lease Agreement, it shall not be necessary to give any notice, other than such notice as may be required in the Lease Agreement or by law.

Security Deposit

Notwithstanding any other provision of the Lease Agreement, the City may, on any date, secure the payment of all or a portion of the Lease Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement, of: (a) in the case of a security deposit relating to all Lease Payments, either (i) cash in an amount which, together with amounts on deposit in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, is sufficient to pay all unpaid Lease Payments, including the principal and interest components thereof, in accordance with the Lease Payment schedule set forth in the Lease Agreement, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Financial Guaranty Insurer), together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Lease Payment Fund, the Insurance and Condemnation Fund and the Reserve Fund, be fully sufficient to pay all unpaid Lease Payments on their respective Lease Payment Dates; or (b) in the case of a security deposit relating to a portion of the Lease Payments, a certificate executed by a City Representative designating the portion of the Lease Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Lease Payments designated in such City Representative's certificate, including the principal and interest components thereof, or (ii) Defeasance Obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters (addressed to the Financial Guaranty Insurer), be fully sufficient to pay the portion of the Lease Payments designated in the aforesaid City Representative's certificate.

In the event of a deposit pursuant as to all Lease Payments and the payment of all fees, expenses and indemnifications owed to the Trustee and the Financial Guaranty Insurer, all obligations of the City under the Lease Agreement shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all payments from the deposit made by the City and the obligations of the City pursuant to the Lease Agreement and title to the Property shall vest in the City on the date of said deposit automatically and without further action by the City or the Authority. Said deposit and interest earnings thereon shall be deemed to be and shall constitute a special fund for the payments and said obligation shall thereafter be deemed to be and shall constitute the installment purchase obligation of the City for the Property. Upon said deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to confirm title to the Property in accordance with the provisions of the Lease Agreement. In addition, the Authority appoints the City as its agent to prepare, execute and file or record, in appropriate offices, such documents as may be necessary to place record title to the Property in the City.

Prepayment

Optional Prepayment. The Authority grants an option to the City to prepay the principal component of the Lease Payments in full, by paying the aggregate unpaid principal components of the Lease Payments, or in part, in a prepayment amount equal to the principal amount of Lease Payments to be prepaid, together with accrued interest to the date fixed for prepayment, without premium.

Said option may be exercised with respect to Lease Payments due on and after August 15, 2010, in whole or in part on any date, commencing August 15, 2009. Said option shall be exercised by the City by giving written notice to the Authority and the Trustee of the exercise of such option at least forty-five (45) days prior to said prepayment date. In the event of prepayment in part, the partial prepayment shall be applied against Lease Payments in such order of payment date as shall be selected by the City. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment. The Trustee agrees to notify the Authority in the event of any prepayment of Lease Payments, as provided in the Trust Agreement.

Notwithstanding the foregoing, the City shall not be permitted to prepay any Lease Payments if any amounts are owed to the Financial Guaranty Insurer with respect to the Financial Guaranty Insurance Policy or the Reserve Fund Financial Guaranty Insurance Policy.

Mandatory Prepayment From Net Proceeds of Insurance, Title Insurance or Eminent Domain. The City shall be obligated to prepay the Lease Payments, in whole on any date or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of an insurance, title insurance or condemnation award with respect to the Property theretofore deposited in the Lease Payment Fund for such purpose. The City and the Authority agree that such Net Proceeds shall be applied first to the payment of any delinquent Lease Payments, and thereafter shall be credited towards the City's obligations under the Lease Agreement. Lease Payments due after any such partial prepayment shall be in the amounts set forth in a revised Lease Payment schedule which shall be provided by, or caused to be provided by, the City to the Trustee and which shall represent an adjustment to the schedule set forth in the Lease Agreement taking into account said partial prepayment.

Information to be Given to the Financial Guaranty Insurer

The City shall provide the Financial Guaranty Insurer with the following information:

(a) Within 120 days after the end of each Fiscal Year, the budget for the succeeding year, annual audited financial statements, and a statement of the amount on deposit in the Reserve Fund as of the last valuation, together with a certificate that no Event of Default has occurred or is continuing;

(b) The official statement or other disclosure document, if any, prepared in connection with the issuance of obligations payable from the City's General Fund;

(c) Any partial or full abatement of the Lease Payment;

(d) Any failure to budget and appropriate Lease Payments;

(e) Any draw on the Reserve Fund; and

(f) such other information as the Financial Guaranty Insurer may reasonably request from time to time.

The City will permit the Financial Guaranty Insurer to discuss the affairs, finances and accounts of the City or any information the Financial Guaranty Insurer may reasonably request regarding the security for the Certificates with appropriate officers of the City, and will use best efforts to enable the Financial Guaranty Insurer to have access to the facilities, books and records of the City on any business day upon reasonable prior notice.

Any reorganization or liquidation plan with respect to the City must be acceptable to the Financial Guaranty Insurer. In the event of any reorganization or liquidation, the Financial Guaranty Insurer shall have the right to vote on behalf of all Owners who hold Certificate guaranteed by the Financial Guaranty Insurer, absent a default by the Financial Guaranty Insurer under the Financial Guaranty Insurance Policy.

ASSIGNMENT AGREEMENT

The Assignment Agreement is entered into between the Authority and the Trustee, pursuant to which the Authority assigns and transfers to the Trustee, for the benefit of the Owners, certain of the rights of the Authority under the Lease Agreement, including the right to receive Lease Payments under the Lease Agreement and the rights and remedies of the Authority under the Lease Agreement to enforce payment of Lease Payments or otherwise to protect and enforce the Lease Agreement in the event of default by the County. Certain rights of the Authority to payment of advances, indemnification and attorneys' fees and expenses are not assigned.

TRUST AGREEMENT

Delivery Costs Fund; Payment of Delivery Costs

There shall be deposited in the Delivery Costs Fund the proceeds of sale of the Certificates required to be deposited therein pursuant to the Trust Agreement and any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

The moneys in the Delivery Costs Fund shall be disbursed by the Trustee to pay the Delivery Costs. Disbursements from the Delivery Costs Fund shall be made by the Trustee on receipt of a sequentially numbered requisition, signed by a City Representative.

The Trustee shall be responsible for the safekeeping and investment (in accordance with the Trust Agreement) of the moneys held in the Delivery Costs Fund and the payment thereof in accordance with the Trust Agreement, but the Trustee shall not be responsible for the truth or accuracy of such requisitions, may rely conclusively thereon and shall be under no duty to investigate or verify any statements made therein.

Upon written notice from a City Representative that all Delivery Costs have been paid, the Trustee shall transfer any moneys then remaining in the Delivery Costs Fund to the Lease Payment Fund and applied for the purposes of such fund, the Delivery Costs Fund shall be closed, the Trustee shall no longer be obligated to make payments for Delivery Costs and all further Delivery Costs shall be paid by the City.

Assignment of Rights in Lease Agreement

The Authority has, in the Assignment Agreement, transferred, assigned and set over to the Trustee certain of its rights but none of its obligations set forth in the Lease Agreement, including but not limited to all of the Authority's rights to receive and collect Lease Payments and all other amounts required to be deposited in the Lease Payment Fund pursuant to the Lease Agreement or pursuant to the Trust Agreement. All Lease Payments and such other amounts to which the Authority may at any time be entitled shall be paid directly to the Trustee and all of the Lease Payments collected or received by the Authority shall be deemed to be held and to have been collected or received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one Business Day after the receipt thereof, and all such Lease Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Lease Payment Fund.

Lease Payment Fund

All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates. So long as any Certificates are Outstanding, neither the City nor the Authority shall have any beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee, including any moneys received by the Trustee for deposit therein pursuant to the Trust Agreement or the Lease Agreement, and any other moneys required to be deposited therein pursuant to the Lease Agreement or the Trust Agreement.

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal and interest with respect to the Certificates as the same shall become due and payable in accordance with the provisions of the Trust Agreement.

Any surplus remaining in the Lease Payment Fund after redemption and/or payment of all Certificates, including accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee and payment of any amounts owed to the Financial Guaranty Insurer, shall be withdrawn by the Trustee and remitted to the City.

Reserve Fund

All moneys at any time on deposit in the Reserve Fund shall be held by the Trustee in trust for the benefit of the Owners of the Certificates, and applied solely as provided in the Trust Agreement.

The Reserve Fund Financial Guaranty Insurance Policy shall be delivered to the Trustee to fund the Reserve Fund. There shall be deposited in the Reserve Fund any other funds from time to time deposited with the Trustee for such purpose and identified in writing to the Trustee.

As long as the Reserve Fund Financial Guaranty Insurance Policy shall be in full force and effect, the City, the Authority and the Trustee agree to comply with the following provisions:

(i) The Trustee shall ascertain the necessity for a claim upon the Reserve Fund Financial Guaranty Insurance Policy and shall provide notice to Financial Guaranty Insurer in accordance with the terms of the Reserve Fund Financial Guaranty Insurance Policy at least two (2) Business Days prior to each Interest Payment Date.

(ii) In the event and to the extent that moneys on deposit in the Lease Payment Fund, plus all amounts on deposit in and credited to the Reserve Fund in excess of the amount of the Reserve Fund Financial Guaranty Insurance Policy, are insufficient to pay the amount of principal and interest coming due, then upon one (1) day after receipt by Financial Guaranty Insurer of a demand for payment in accordance with the Reserve Fund Financial Guaranty Insurance Policy (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Trust Agreement has not been made to the Trustee, Financial Guaranty Insurer will make a deposit of funds in an account with the Trustee sufficient for the payment to the Trustee of amounts which are then due to the Trustee under the Trust Agreement (as specified in the Demand for Payment) up to but not in excess of the maximum amount of the Reserve Fund Financial Guaranty Insurance Policy.

(iii) The Trustee shall, after submitting to Financial Guaranty Insurer the Demand for Payment as provided in (ii) above, make available to Financial Guaranty Insurer all records relating to the funds and accounts maintained under this Trust Agreement.

(iv) The Trustee shall, upon receipt of moneys received from the draw on the Reserve Fund Financial Guaranty Insurance Policy, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand for Payment.

(v) Repayment of draws, expenses and accrued interest (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to one-twelfth (1/12) of the aggregate of Policy Costs related to such draw. If and to the extent that cash has also been deposited in the Reserve Fund, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing under the Reserve Fund Financial Guaranty Insurance Policy, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts.

(vi) If the City shall fail to repay any Policy Costs in accordance with the requirements of subparagraph (v) above, Financial Guaranty Insurer shall be entitled to exercise any and all remedies available at law or under the Trust Agreement other than (i) acceleration of the maturity of the Certificates or (ii) remedies which would adversely affect Owners.

(vii) The Trust Agreement shall not be discharged until all Policy Costs owing to Financial Guaranty Insurer shall have been paid in full.

(viii) As security for the Authority's repayment obligations with respect to the Reserve Fund Financial Guaranty Insurance Policy, the Financial Guaranty Insurer is granted a security interest (subordinate only to that of the Owners and the Trustee as set forth in the Trust Agreement) in all available moneys of the City.

(ix) The Reserve Fund Financial Guaranty Insurance Policy shall terminate as set forth therein.

The Trustee shall, on or before each May 1 and November 1, value investments in the Reserve Fund at market value and transfer any moneys in the Reserve Fund then in excess of the Reserve Requirement; *provided, however* that the Trustee shall not liquidate an investment to make such transfer of excess unless so directed in writing by a City Representative.

If, on any Interest Payment Date, the moneys available in the Lease Payment Fund do not equal the amount of the principal and interest with respect to the Certificates then coming due and payable, the Trustee shall apply the moneys available in the Reserve Fund to make delinquent Lease Payments by transferring the amount necessary for this purpose to the Lease Payment Fund. Upon receipt of any delinquent Lease Payment with respect to which moneys have been advanced from the Reserve Fund, such Lease Payment shall be deposited in the Reserve Fund to the extent of such advance.

If, on any Interest Payment Date, the moneys on deposit in the Reserve Fund and the Lease Payment Fund (excluding amounts required for payment of principal and interest with respect to Certificates not presented for payment) are sufficient to pay all Outstanding Certificates, including all principal and interest, the Trustee shall transfer all amounts then on deposit in the Reserve Fund to the Lease Payment Fund to be applied to the payment of the Lease Payments, and such moneys shall be distributed to the Owners of Certificates in accordance with the Trust Agreement. Any amounts remaining in the Reserve Fund upon payment in full of all Outstanding Certificates and all amounts due the Trustee under the Trust Agreement, or upon provision for such payment as provided in the Trust Agreement, shall be withdrawn by the Trustee and paid to the City.

Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award

(a) Any Net Proceeds of insurance against damage to or destruction of any part of the Property collected by the City in the event of any such damage or destruction shall be paid to the Trustee by the City pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the "Insurance and Condemnation Fund" to be established by the Trustee when deposits are required to be made therein.

(b) Within ninety (90) days following the date of such deposit, the City shall determine and notify the Trustee in writing of its determination either (i) that the replacement, repair, restoration, modification or improvement of the Property is not economically feasible or in the best interest of the City, or (ii) that all or a portion of such Net Proceeds are to be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property.

(c) In the event the City's determination is as set forth in clause (i) of paragraph (b) above, such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund, applied to the prepayment of Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates as provided in the Trust Agreement; *provided, however*, that in the event of damage or destruction of the Property in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement, otherwise such Net Proceeds shall be applied to the replacement, repair, restoration, modification or improvement of the Property; *provided further, however*, that in the event of damage or destruction of the Property in part, such Net Proceeds may be transferred to the Lease Payment Fund and applied to the prepayment of Lease Payments only if the resulting Lease Payments represent fair consideration for the remaining portions of the Property, evidenced by a certificate signed by a City Representative and an Authority Representative.

(d) In the event the City's determination is as set forth in clause (ii) of paragraph (b) above, Net Proceeds deposited in the Insurance and Condemnation Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Property by the City, and disbursed by the Trustee upon receipt of requisitions signed by a City Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the City.

Application of Net Proceeds of Eminent Domain Award

If all or any part of the Property shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are not needed for repair or rehabilitation of the Property, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall transfer such proceeds to the Lease Payment Fund to be credited towards the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

(b) If the City has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Property, the City shall so certify to the Trustee and the Trustee, at the City's written request, shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing with the Trustee of requisitions of the City Representative in the form and containing the provisions set forth in the Trust Agreement. The Trustee shall not be responsible for the representations made in such requisitions and may conclusively rely thereon and shall be under no duty to investigate or verify any statements made therein.

(c) If (i) less than all of the Property shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the City has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Property or the ability of the City to meet any of its obligations with respect to the Property under the Lease Agreement or (ii) all of the Property shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Application of Net Proceeds of Title Insurance Award

The Net Proceeds from a title insurance award shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be transferred to the Lease Payment Fund to be credited towards the prepayment of Lease Payments required to be paid pursuant to the Lease Agreement and applied to the redemption of Certificates in the manner provided in the Trust Agreement.

Moneys in Funds; Investment

Held in Trust. The moneys and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the benefit of the Owners of the Certificates and for the purposes specified in the Trust Agreement and such moneys, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement and shall not be subject to levy, attachment or lien by or for the benefit of any creditor of the Authority, the Trustee, the City or any Owner of Certificates.

Investments Authorized. Moneys held by the Trustee under the Trust Agreement shall, upon written order of a City Representative, be invested and reinvested by the Trustee in Permitted Investments. The Trustee may deem all investments directed by a City Representative as Permitted Investments without independent investigation thereof. If a City Representative shall fail to so direct investments, the Trustee shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof. Such investments, if registrable, shall be registered in the name of and held by the Trustee or its nominee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trustee may act as principal or agent in the making or disposing of any investment and make or dispose of any investment through its investment department or that of an affiliate and shall be entitled to its customary fees therefor. The Trustee is authorized, in making or disposing of any investment permitted by the Trust Agreement, to deal with itself (in its individual capacity) or with one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Allocation of Earnings. Unless and until otherwise directed by the City to the Trustee in writing, all interest or income received by the Trustee on investment of the Lease Payment Fund shall be retained in the Lease Payment Fund. Amounts retained or deposited in the Lease Payment Fund pursuant to the Trust Agreement shall be applied as a credit against the Lease Payment due by the City pursuant to the Lease Agreement on the Lease Payment Date following the date of deposit. All interest received by the Trustee on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Reserve Fund investments may not have maturities extending beyond five years, except for investment agreements or repurchase agreements approved by the Financial Guaranty Insurer. In the event that amounts then on deposit in the Reserve Fund on the valuation date described in the Trust Agreement equal or exceed the Reserve Requirement, such excess shall be transferred to the Lease Payment Fund. Transfers to the Lease Payment Fund from the Reserve Fund shall be made by the Trustee on or prior to each February 1 and August 1. All interest or income in the Delivery Costs Fund shall be retained in the Delivery Costs Fund until the Delivery Costs Fund is closed pursuant to the Trust Agreement.

Such investments shall be valued by the Trustee as frequently as deemed necessary by the Financial Guaranty Insurer, but not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date. Investments purchased with funds on deposit in the Reserve Fund shall have a term to maturity of not greater than five years.

Amendments

The Trust Agreement and the rights and obligations of the Owners of the Certificates, the Lease Agreement and the rights and obligations of the parties thereto, the Site and Facility Lease and the rights and obligations of the parties thereto and the Assignment Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof, without the express consent of the Owner of such Certificate, or (2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of a Lease Agreement, or (3) modify any of the rights or obligations of the Trustee without its written assent thereto. Any such supplemental agreement shall become effective as provided in the Trust Agreement.

The Trust Agreement and the rights and obligations of the Owners of the Certificates and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of the Authority or the City, (2) to cure, correct or supplement any ambiguous or defective provision contained therein and which shall not, in the opinion of nationally recognized bond counsel, adversely affect the interests of the Owners of the Certificates, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interests of the Owners of the Certificates; (4) to make such additions, deletions or modifications as may be necessary or appropriate in the opinion of bond counsel to assure the exclusion from gross income for federal income tax purposes of the interest component of Lease Payments and the interest payable with respect to the Certificates, (5) to add to the rights of the Trustee, or (6) to maintain the rating or ratings assigned to the Certificates. Any such supplemental agreement shall become effective upon execution and delivery by the parties thereto, as the case may be.

The Trust Agreement and the Lease Agreement may not be modified or amended at any time by a supplemental agreement which would modify any of the rights and obligations of the Trustee without its written assent thereto.

Certain Covenants

Compliance With and Enforcement of Lease Agreement. The City covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement. The Authority covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement.

The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of their respective Lease Agreement by the Authority thereunder. The Authority and the City, immediately upon receiving or giving any notice, communication or other document in any way relating to or affecting their respective estates, or either of them, in the Property, which may or can in any manner affect such estate of the City or the Authority, will deliver the same, or a copy thereof, to the Trustee and the Financial Guaranty Insurer.

Observance of Laws and Regulations. The City and the Authority will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City or the Authority, respectively, including its right to exist and carry on business as a public entity, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Budgets. The City shall supply to the Trustee as soon as practicable, but not later than September 15 in each year, a written determination by a City Representative that the City has made adequate provision in its annual budget for the payment of Lease Payments due under the Lease Agreement in the Fiscal Year covered by such budget. The determination given by the City to the Trustee shall be that the amounts so budgeted are fully adequate for the payment of all Lease Payments and Additional Payments due under the Lease Agreement in the annual period covered by such budget.

Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may, upon payment of its fees and expenses, including counsel fees, and receipt of indemnity satisfactory to it, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall or any holder or beneficial owner of the Certificates may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Limitation of Liability

Limited Liability of City. Except for the payment of Lease Payments when due in accordance with the Lease Agreement and the performance of the other covenants and agreements of the City contained in the Lease Agreement and the Trust Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Lease Payments to the Owners by the Trustee, except as expressly set forth in the Trust Agreement.

No Liability of City or Authority for Trustee Performance. Neither the City nor the Authority shall have any obligation or liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under the Trust Agreement.

Indemnification of Trustee. The City shall to the extent permitted by law indemnify and save the Trustee, its officers, employees, directors, affiliates and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses (including allocated costs of internal counsel), arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Property by the Authority or the City, (ii) any breach or default on the part of the Authority or the City the performance of any of their respective obligations under the Lease

Agreement, the Assignment Agreement, the Trust Agreement and any other agreement made and entered into for purposes of the Property, (iii) any act of the Authority or the City or of any of their respective agents, contractors, servants, employees, licensees with respect to the Property, (iv) any act of any assignee of, or purchaser from the Authority or the City or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Property, (v) the authorization of payment of Delivery Costs, (vi) the actions of any other party, including but not limited to the ownership, operation or use of the Property by the Authority or the City including, without limitation, the use, storage, presence, disposal or release of any Hazardous Substances on or about the Property, (vii) the Trustee's exercise and performance of its powers and duties under the Trust Agreement or as assigned to it under the Assignment Agreement, (viii) the offering and sale of the Certificates; (ix) the presence under or about or release from the Property, or any portion thereof, of any substance, material or waste which is or becomes regulated or classified as hazardous or toxic under State, local or federal law, or the violation of any such law by the City; or (x) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, in any official statement or other offering document utilized in connection with the sale of the Certificates. Such indemnification shall include the costs and expenses of defending against any claim or liability arising under the Trust Agreement. No indemnification will be made under the Trust Agreement for willful misconduct or negligence under the Trust Agreement by the Trustee, its officers, affiliates or employees. The City's obligations under the Trust Agreement shall remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trustee.

Assignment of Rights; Remedies. Pursuant to the Assignment Agreement, the Authority has transferred, assigned and set over to the Trustee certain of the Authority's rights in and to the Lease Agreement, including without limitation all of the Authority's rights to exercise such rights and remedies conferred on the Authority pursuant to the Lease Agreement as may be necessary or convenient (i) to enforce payment of the Lease Payments and any other amounts required to be deposited in the Lease Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Authority's rights and take any action to protect the interests of the Trustee or the Certificate Owners in an Event of Default.

If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trustee may, with the consent of the Financial Guaranty Insurer and shall at the written direction of the Financial Guaranty Insurer, and shall upon request of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, with the consent of the Financial Guaranty Insurer, and upon payment of its fees and expenses, including counsel fees, and being indemnified to its satisfaction therefor shall, exercise any and all remedies available pursuant to law or granted pursuant to the Lease Agreement; *provided, however,* that notwithstanding anything in the Trust Agreement or in the Lease Agreement to the contrary, there shall be no right under any circumstances to accelerate the maturities of the Certificates or otherwise to declare any Lease Payment not then in default to be immediately due and payable.

Provisions Relating to the Financial Guaranty Insurer and the Financial Guaranty Insurance Policy

Notices and Other Information. Any notice that is required to be given to an Owner, nationally recognized municipal securities information repositories or state information depositories pursuant to Rule 15c2-12(b) (5) adopted by the Securities and Exchange Commission or to the Trustee pursuant to the Trust Agreement or the Lease Agreement shall also be provided to the Financial Guaranty Insurer, simultaneously with the sending of such notices. In addition, all information furnished by the City pursuant to the Continuing Disclosure Agreement shall also be provided to the Financial Guaranty Insurer, simultaneously with the furnishing of such information. All notices required to be given to the Financial Guaranty Insurer shall be in writing and shall be sent by registered or certified mail addressed to the Assured Guaranty Corp., 1325 Avenue of the Americas, New York, NY 10019, Attention: General Counsel, with a copy to the Financial Guaranty Insurer, Attention: Risk Management Department—Public Finance Surveillance.

The Financial Guaranty Insurer shall have the right to receive such additional information as it may reasonably request.

The City will permit the Financial Guaranty Insurer to discuss the affairs, finances and accounts of the City or any information the Financial Guaranty Insurer may reasonably request regarding the security for the Certificate with appropriate officers of the City, and will use best efforts to enable the Financial Guaranty Insurer to have access to the facilities, books and records of the City on any business day upon reasonable prior notice.

The Trustee shall notify the Financial Guaranty Insurer of any failure of the Authority or the City to provide notices, certificates and other information under the Trust Agreement or the Lease Agreement.

Defeasance. For any defeasance of Certificates, the Financial Guaranty Insurer requires the following items:

(a) An opinion of counsel that the defeasance will not adversely impact the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates.

(b) An escrow agreement and an opinion of counsel regarding the validity and enforceability of the escrow agreement. The escrow agreement shall provide that:

(i) Any substitution of securities shall require verification by an independent certified public accountant and the prior written consent of the Financial Guaranty Insurer.

(ii) The City will not exercise any optional redemption of Certificates secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (A) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (B) as a condition of any such redemption there shall be provided to the Financial Guaranty Insurer a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption.

(iii) The Authority and the City shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the Financial Guaranty Insurer.

Trustee-Related Provisions.

(a) The Financial Guaranty Insurer shall receive prior written notice of any name change of the Trustee or the resignation, removal or termination of the Trustee.

(b) No resignation, removal or termination of the Trustee shall take effect until a successor, acceptable to the Financial Guaranty Insurer, shall be appointed.

(c) The Trustee may be removed at any time at the request of the Financial Guaranty Insurer for any breach of its obligations under the Trust Agreement or the Lease Agreement.

Amendments and Supplements.

(a) With respect to amendments or supplements to the Trust Agreement or the Lease Agreement which do not require the consent of the Owners, the Financial Guaranty Insurer must be given prior written notice of any such amendments or supplements.

(b) With respect to amendments or supplements to the Trust Agreement or the Lease Agreement which do require the consent of the Owners, the Financial Guaranty Insurer's prior written consent is required.

(c) Copies of any amendments or supplements to the Trust Agreement or the Lease Agreement which are consented to by the Financial Guaranty Insurer shall be sent to the rating agencies that have assigned a rating to the Certificates.

(d) Notwithstanding any other provision of the Trust Agreement or the Lease Agreement, in determining whether the rights of Owners will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Trustee shall consider the effect on the Owners as if there was no Financial Guaranty Insurance Policy.

Financial Guaranty Insurer as Third Party Beneficiary. To the extent that the Trust Agreement or the Lease Agreement confer upon or give or grant to the Financial Guaranty Insurer any right, remedy or claim under or by reason of the Trust Agreement or the Lease Agreement, the Financial Guaranty Insurer is explicitly recognized as being a third party beneficiary under the Trust Agreement and may enforce any such right, remedy or claim conferred, given or granted under the Trust Agreement.

Control Rights.

(a) The Financial Guaranty Insurer shall be deemed to be the holder of all of the Certificates for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default, and (b) granting any consent, direction or approval or taking any action permitted by or required under the indenture, resolution or ordinance, as the case may be, to be granted or taken by the holders of such Certificates.

(b) Anything in the Trust Agreement or the Lease Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Financial Guaranty Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners.

Consent Rights of the Financial Guaranty Insurer.

(a) Any provision of the Trust Agreement expressly recognizing or granting rights in or to the Financial Guaranty Insurer may not be amended in any manner that affects the rights of the Financial Guaranty Insurer under the Trust Agreement without the prior written consent of the Financial Guaranty Insurer.

(b) Wherever the Trust Agreement or the Lease Agreement require the consent of Owners, the Financial Guaranty Insurer's consent shall also be required.

Payment Procedure Under the Financial Guaranty Insurance Policy.

(a) At least two (2) Business Days prior to each payment date with respect to the Certificates, the Trustee will determine whether there will be sufficient funds to pay all principal and interest with respect to the Certificates due on the related payment date and shall immediately notify the Financial Guaranty Insurer or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Certificates to which such deficiency is applicable and whether such Certificates will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Financial Guaranty Insurer or its designee.

(b) The Trustee shall, after giving notice to the Financial Guaranty Insurer as provided above, make available to the Financial Guaranty Insurer and, at the Financial Guaranty Insurer's direction, to any fiscal agent, the Registration Books and all records relating to the funds maintained under the Trust Agreement.

(c) The Trustee shall provide the Financial Guaranty Insurer and any fiscal agent with a list of Owners entitled to receive principal or interest payments from the Financial Guaranty Insurer under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Financial Guaranty Insurer or any designee of the Financial Guaranty Insurer to (i) mail checks or drafts to the Owners entitled to receive full or partial interest payments from the Financial Guaranty Insurer, and (ii) pay principal upon Certificates surrendered to the Financial Guaranty Insurer or any designee of the Financial Guaranty Insurer by the Owners entitled to receive full or partial principal payments from the Financial Guaranty Insurer.

(d) The Trustee shall, at the time it provides notice to the Financial Guaranty Insurer of any deficiency pursuant to paragraph (a) above, notify Owners entitled to receive the payment of principal or interest thereon from the Financial Guaranty Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the Financial Guaranty Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the Financial Guaranty Insurer or any fiscal agent, in form satisfactory to the Financial Guaranty Insurer, of an appropriate assignment of the Owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the Financial Guaranty Insurer, they must surrender the related Certificates for payment first to the Trustee, which will note on such Certificates the portion of the principal paid by the Trustee and second to the Financial Guaranty Insurer or its designee, together with an appropriate assignment, in form satisfactory to the Financial Guaranty Insurer, to permit ownership of such Certificates to be registered in the name of the Financial Guaranty Insurer, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the Financial Guaranty Insurer, they must surrender the related Certificates for payment to the Financial Guaranty Insurer or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the Financial Guaranty Insurer, to permit ownership of such Certificates to be registered in the name of the Financial Guaranty Insurer.

(e) In addition, if the Trustee has notice that any Owner has been required to disgorge payments of principal or interest with respect to the Certificates previously Due for Payment (as defined in the Financial Guaranty Insurance Policy) pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Financial Guaranty Insurer or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

(f) The Trustee will be irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners as follows:

(i) If and to the extent there is a deficiency in amounts required to pay interest with respect to the Certificates, the Trustee shall (A) execute and deliver to the Financial Guaranty Insurer, in form satisfactory to the Financial Guaranty Insurer, an instrument appointing the Financial Guaranty Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Financial Guaranty Insurer of the claims for interest to which such deficiency relates and which are paid by the Financial Guaranty Insurer, (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Financial Guaranty Insurance Policy payment from the Financial Guaranty Insurer with respect to the claims for interest so assigned, and (C) disburse the same to such respective holders; and

(ii) If and to the extent of a deficiency in amounts required to pay principal the Certificates, the Trustee shall (A) execute and deliver to the Financial Guaranty Insurer, in form satisfactory to the Financial Guaranty Insurer, an instrument appointing the Financial Guaranty Insurer as agent for such Owner in any legal proceeding related to the payment of such principal and an assignment to the Financial Guaranty Insurer of the Certificate surrendered to the Financial Guaranty Insurer in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Financial Guaranty Insurer is received), (B) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Financial Guaranty Insurance Policy payment therefore from the Financial Guaranty Insurer, and (C) disburse the same to such holders.

(g) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee agree for the benefit of the Financial Guaranty Insurer that:

(i) they recognize that to the extent the Financial Guaranty Insurer makes payments directly or indirectly (e.g., by paying through the Trustee), on account of principal or interest with respect to the Certificates, the Financial Guaranty Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in the financing documents and the Certificates; and

(ii) they will accordingly pay to the Financial Guaranty Insurer the amount of such principal and interest, with interest thereon as provided in the financing documents and the Certificates, but only from the sources and in the manner provided in the Trust Agreement for the payment of principal and interest with respect to the Certificates to Owners, and will otherwise treat the Financial Guaranty Insurer as the owner of such rights to the amount of such principal and interest.

(h) Payments with respect to claims for interest principal with respect to the Certificates disbursed by the Trustee from proceeds of the Financial Guaranty Insurance Policy shall not be considered to discharge the obligation of the Authority or the City with respect to such Certificates, and such Certificates shall remain outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority or the City, and the Financial Guaranty Insurer shall become the owner of such unpaid Certificate and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the Trust Agreement or otherwise; and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority and the City to the Owners shall continue to exist and shall run to the benefit of the Financial Guaranty Insurer, and the Financial Guaranty Insurer shall be subrogated to the rights of such Owners including, without limitation, any rights that such Owners may have in respect of securities law violations arising from the offer and sale of the Certificates

(i) Financial Guaranty Insurer shall be entitled to pay principal or interest with respect to the Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy) and any amounts due with respect to the Certificates as a result of acceleration of the maturity thereof in accordance with this agreement, whether or not the Financial Guaranty Insurer has received a Notice (as defined in the Financial Guaranty Insurance Policy) of Nonpayment or a claim upon the Financial Guaranty Insurance Policy.

(j) In addition, the Financial Guaranty Insurer shall, to the extent it makes any payment of principal or interest with respect to the Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note the Financial Guaranty Insurer's rights as subrogee on the Registration Books, upon receipt of proof of payment of interest thereon to the Owners, and (ii) in the case of claims for principal, the Trustee, if any, shall note the Financial Guaranty Insurer's rights as subrogee on the Registration Books, upon surrender of the Certificates together with receipt of proof of payment of principal thereof.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDED JUNE 30, 2007

THIS PAGE INTENTIONALLY LEFT BLANK

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Council, and City Auditor
City of Alameda, California

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit of the Alameda Power and Telecom, each major fund, and the aggregate remaining fund information of the City of Alameda, California as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the component unit financial statements of the Housing Authority of the City of Alameda, California, which represent 6.18% and 13.05% of the assets and revenues of the reporting entity and 6.84% and 4.98% of capital assets and long-term obligations, respectively. These component unit financial statements were audited by another auditor, whose report thereon has been furnished to us. Our opinion, insofar as it relates to the amounts included for this entity, is based solely on the report of this other auditor.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for 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 as to whether the basic financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and 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 auditor provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the basic 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 units, each major fund, and the aggregate remaining fund information of the City of Alameda, California at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements 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 reports dated October 3, 2007 on our consideration of the City of Alameda internal control structure and on its compliance with laws and regulations.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. 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 we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Alameda. Such information has been subjected to the auditing procedures applied in our 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.

The introductory section and statistical section listed in the table of contents were not audited by us and we do not express an opinion on this information.

October 3, 2007 Maze & Associates

A Professional Corporation

THIS PAGE INTENTIONALLY LEFT BLANK

City of Alameda • California

CITY OF ALAMEDA, CALIFORNIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

This part of the City of Alameda's annual financial report presents management's overview and analysis of the City's financial activities and performance for the fiscal year ended June 30, 2007. The information presented here should be considered in conjunction with additional information presented in the transmittal letter in the Introductory Section at the front of this report, and the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The assets of the City of Alameda exceeded its liabilities at the close of the 2006/07 fiscal year by $313,593,645 (net assets). Of this amount, $33,087,465 is unrestricted and represents assets available for future uses.

- The City's total net assets increased by $17,702,738 as a result of revenues exceeding expenditures primarily attributable to increases in property taxes and investment earnings, and from capital improvement projects additions to capital assets during the year.

- As of June 30, 2007, the City's governmental funds reported combined ending fund balances of $100,183,328. Approximately 39% of this total amount is reserved to indicate that it is not available for new spending because it has already been committed. The remaining amount constitutes unreserved fund balance that is available for spending, and has been designated for a variety of specific future uses.

- At the end of the 2006/07 fiscal year, the unreserved fund balance of the General Fund stood at $16,171,215. This portion is designated by City Council policy for costs associated with economic uncertainties.

- The City's total long-term debt increased by $1,347,414 attributable to the addition of the Federal Housing & Urban Development Section 108 loan partially funding the Civic Center parking garage, offset by $2.9 million in debt retirement.

Finance Department
2263 Santa Clara Avenue, Room 220
Alameda, California 94501-4477
510.747.4881 • Fax 510.747.4890 • TDD 510.522.7538

Printed on Recycled Paper

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Alameda's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information including combining statements in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. They provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

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 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 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 (e.g., uncollected taxes, and earned but unused vacation and other compensated leave).

In the government-wide financial statements, the City's activities are reported in three categories:

- Governmental Activities – including most of the City's services such as public safety, public works and recreation and parks. Property and other taxes, and state subventions finance most of these activities.
- Business-type activities – the City charges fees to customers for use of the golf complex, the sewer system and the ferry service.
- Discretely Presented Component Units – The Housing Authority and Alameda Power & Telecom are legally separate reporting entities but are important because the City is financially accountable for them.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Alameda, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. For governmental activities, these statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. All of the funds of the City of Alameda can be divided into 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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. This information may be useful in evaluating a government's near-term financial 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 government'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 assist the reader with this comparison between governmental funds and governmental activities.

The City of Alameda maintains sixty-seven individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the following funds that are considered to be major funds:

- General Fund
- West End Community Improvement Project Area
- Business Waterfront Improvement Project Area
- Alameda Point Improvement Project Area

- FISC Lease Revenue
- Alameda Reuse and Redevelopment Authority
- Theater/Parking Structure Project
- HOME Repayment
- Capital Improvement Projects
- Other Governmental Funds

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all funds. Budgetary comparison statements have been provided as required supplementary information to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 27-42 of this report.

Proprietary funds. The major proprietary funds the City uses are Ferry Services, Golf Course and Sewer Services. These are used to account for operations financed and operated in a manner similar to a private business.

Proprietary funds provide the same type of information as the government-wide financial statements, but with more detail. The fund financial statement provides separate information for the Ferry Services, Golf Course and Sewer Services.

The basic proprietary fund financial statements can be found on pages 43-46 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for these funds is much like that used for governmental funds. These funds are reported in a separate statement of fiduciary net assets.

The basic fiduciary fund financial statements can be found on pages 47-49 of this report.

Notes to the Financial Statements

The notes 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 financial statements follow the basic financial statements and can be found on pages 51-105 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This information includes budgetary comparison schedules and can be found on pages 107-108 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately preceding the required supplementary information on pages 109-166 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Alameda, assets exceeded liabilities by $313,593,645 at the close of fiscal 2007. In comparison, last year assets exceeded liabilities by $295,890,907. Information about net assets is presented in the summary table below:

Summary of Net Assets
June 30, 2007 and 2006
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other Assets	$130,446	$136,438	$20,707	$21,931	$151,153	$158,368
Capital Assets	272,351	244,086	51,006	51,141	323,358	295,227
Total Assets	**$402,798**	**$380,523**	**$71,713**	**$73,072**	**$474,511**	**$453,596**
Long-term Liabilities	114,645	112,795	9,033	9,535	123,677	122,330
Other Liabilities	36,308	33,991	932	1,384	37,240	35,375
Total Liabilities	**$150,952**	**$146,786**	**$9,965**	**$10,919**	**$160,917**	**$157,705**
Net Assets:						
Invested in Capital Assets, Net of Debt	158,717	149,627	41,974	41,606	200,690	191,233
Restricted	79,816	102,723	-	1,145	79,816	103,869
Unrestricted	13,313	(18,612)	19,775	19,402	33,087	789
Total Net Assets	**$251,846**	**$233,738**	**$61,748**	**$62,153**	**$313,594**	**$295,891**

The largest portion of the City's net assets (63%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to the community. The increase this year of $9.5 million from FY06 is comprised of an increase in capital assets net of depreciation of $28 million partially offset by $18.5 million in related debt. The $28 million in asset additions reflects construction in progress on the Civic Center parking garage and historic theater renovation, Bayport housing and park construction, street resurfacing, Fire, Police and other vehicle and equipment acquisitions, street and sidewalk repairs, Lincoln Middle School Safe Route to Schools traffic improvements, and other capital improvement projects, net of accumulated depreciation and capital asset retirements related to Bridgeside shopping center and library construction.

The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net assets, the portion of the City's net assets (32%) subject to restrictions on how they may be used, decreased $24 million this year primarily due to the progress of the projects mentioned above in Net Assets Invested in Capital Assets Net of Debt from FY06 compared to FY07. As capital work in progress is completed, the restricted assets are reclassified to capital assets and the year-over-year amounts primarily reflect shifts between asset categories.

Unrestricted net assets, the portion of the City's nets assets (5%) available for use, largely reflects the changes due to year-over-year shifts between asset categories related to the capital assets projects mentioned above, while about $8 million is attributable to property tax and investment earnings revenue above expenditures.

Current and other assets decreased $7.2 million largely reflecting a decrease of $11 million in cash and investments due primarily to the construction in progress activity and additions to capital assets mentioned above, partially offset by an increase of $3.4 million in loans receivable related to a loan agreement for renovation of the Historic Alameda Theater and development of a new multiplex cinema, and loans for construction or improvement in low-to-moderate income housing.

Current liabilities increased a total of $1.9 million reflecting increases in Compensated Absences. This increase is the result of salary increases as well as an overlap in the transition from a method of awarding annual vacation at the beginning of the year to pay-period accrual for four of eight bargaining units. These increases were partially offset by lower accrued payroll and accounts payable.

Summary of Changes in Net Assets
June 30, 2007 and 2006
(dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for Services	$ 30,571	$ 30,272	$ 9,911	$ 9,112	$ 40,482	$ 39,384
Operating Grants & Contributions	14,350	16,571	1,991	2,279	16,341	18,850
Capital Grants and Contributions	11,063	15,576			11,063	15,576
General revenues						
Property Taxes	26,138	21,332			26,138	21,332
Incremental property taxes	12,267	11,178			12,267	11,178
Special assessments	2,668	851			2,668	851
Sales Taxes	4,967	4,581			4,967	4,581
Other Taxes	20,065	22,130			20,065	22,130
Motor Vehicle in Lieu fees	5,480	5,983			5,480	5,983
Investment earnings	5,898	2,696	1,004	646	6,902	3,342
Other	346	1,216	147	258	492	1,474
Total Revenues	$133,812	$132,386	$13,053	$12,295	$146,865	$144,681
Program Expenses						
General government	$ 20,160	$ 17,986			$ 20,160	$ 17,986
Police services	25,633	25,256			25,633	25,256
Fire services	23,912	20,521			23,912	20,521
Public Works	4,466	5,374			4,466	5,374
Development services	22,987	14,094			22,987	14,094
Culture and Recreation	7,730	7,115			7,730	7,115
Housing and community services	5,802	3,395			5,802	3,395
Interest on long-term debt	6,308	5,918			6,308	5,918
Ferry Services			3,275	3,479	3,275	3,479
Golf Course			4,646	4,508	4,646	4,508
Sewer Services			4,244	3,756	4,244	3,756
Total Expenses	$116,998	$ 99,659	$12,164	$11,743	$129,162	$111,402
Change in net assets before transfers	$ 16,814	$ 32,727	$ 888	$ 552	$ 17,703	$ 33,279
Transfers, net	1,294	407	(1,294)	(407)	-	-
Change in net assets	18,108	33,134	(405)	145	17,703	33,279
Beginning Net Assets	233,738	200,604	62,153	62,008	295,891	262,612
Ending Net Assets	$251,846	$233,738	$61,748	$62,153	$313,594	$295,891

The City's total net assets increased by $17.7 million as a result of revenues exceeding expenditures primarily attributable to increases in property taxes and investment earnings, and from additions to capital assets from progress on capital improvement projects over the year.

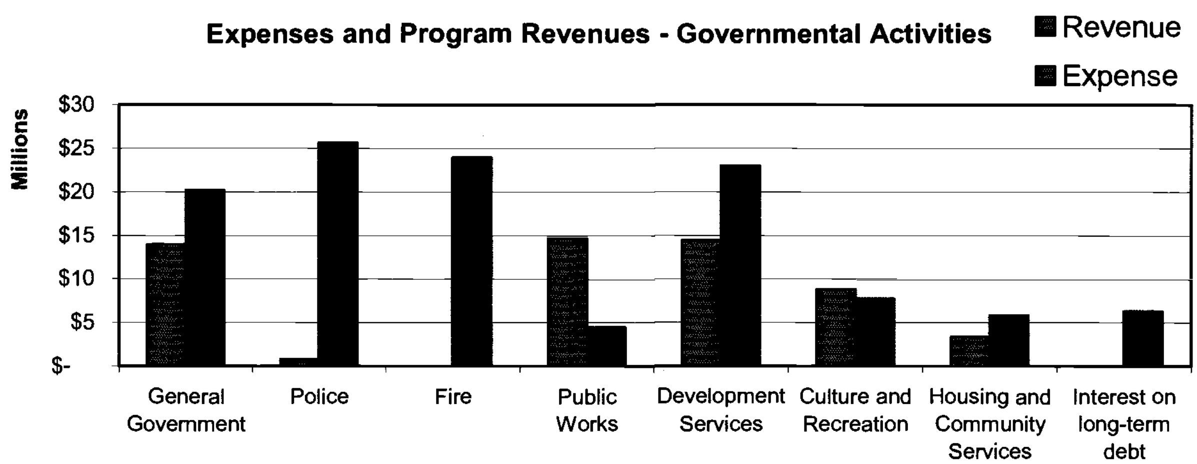
Property taxes (23%), investment earnings (105%), incremental property taxes (10%), and charges for current services (3%) contributed to the overall increase in revenues.

Program expenses increased overall: the largest increases were in Development Services (63%), largely reflecting community improvement and redevelopment projects, as well as salary adjustments. Housing and Community Services (71%) reflects increased Community Development Block Grant projects in-progress, salary adjustments, and other project activity. Increases in the Fire department (17%) are due to pension and other post-employment benefits, overtime, salary increases, and payments to Alameda County for Emergency Medical Services contract charges. General Government (15%) primarily reflects increased salary and benefits.

Expense and Program Revenue - Governmental Activities
2007

	Revenue	Expense
General Government	$13,934,230	$ 20,160,089
Police	767,538	25,632,978
Fire	6,916	23,911,788
Public Works	14,721,022	4,465,955
Development Services	14,413,905	22,986,738
Culture and Recreation	8,793,552	7,730,394
Housing and Community Services	3,347,377	5,802,261
Interest on long-term debt	-	6,307,727
	$55,984,540	$ 116,997,930

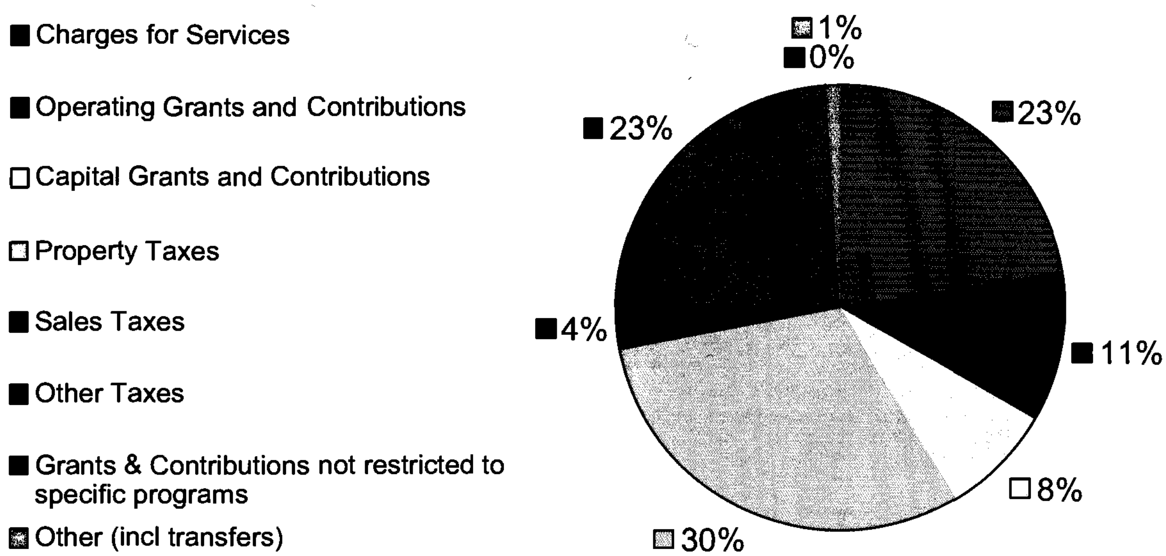
Expenses and Program Revenues - Governmental Activities



Revenues by Source-Governmental Activities
2007

Charges for Services	30,570,941
Operating Grants and Contributions	14,350,320
Capital Grants and Contributions	11,063,279
Property Taxes	41,072,398
Sales Taxes	4,967,130
Other Taxes	31,442,378
Grants & Contributions not restricted to specific programs	-
Other (incl transfers)	1,639,446
	$ 135,105,892

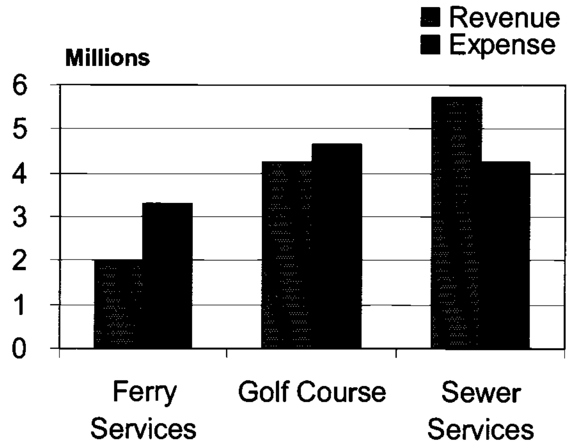
Revenues by Source-Governmental Activities



Business-type activities

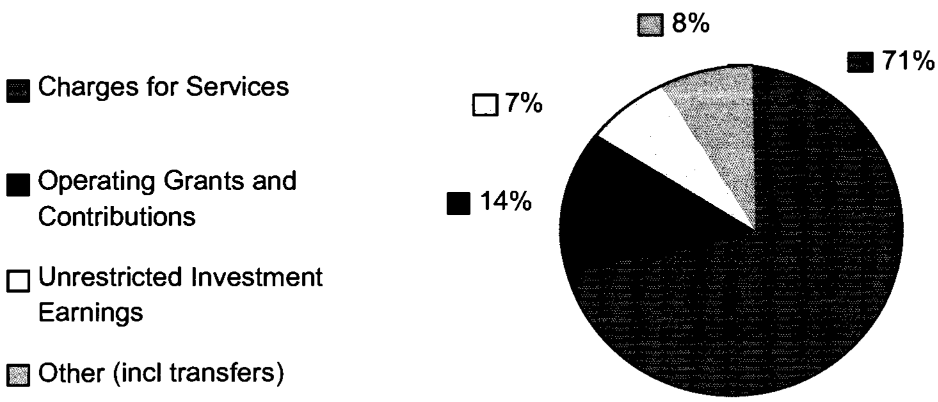
Expense and Program Revenue
Business-type Activity
2007

	Revenue	Expense
Ferry Services	$ 1,982,765	$ 3,274,613
Golf Course	4,226,898	4,645,595
Sewer Services	5,692,296	4,244,145
	$11,901,959	$12,164,353



Revenues by Source
Business-type Activities
2007

Charges for Services	9,911,444
Operating Grants and Contributions	1,990,515
Unrestricted Investment Earnings	1,004,169
Other (incl transfers)	(1,146,999)
	11,759,129



Proprietary Funds

These activities decreased the City's net assets by $405,224 overall. Key elements of this decrease are as follows:

Ferry Services. Net assets of the Ferry Services Fund at June 30, 2007, were $8,928,671 consisting primarily of capital assets of $8,896,730. Grants and transfers of $2.7 million comprise the bulk of funding for Ferry services, with charges for service, interest income and other miscellaneous income bringing total revenues to $2.8 million for the year. Operating expenses, including depreciation of $433,749, totaled $3.3 million resulting in a net decrease in assets of $433,524.

Golf Course. Net assets of the Golf Course Fund at June 30, 2007, were $5,897,801 comprised of net assets invested in capital assets, net of related debt of $3,744,695, and unrestricted assets of $2,153,106 available to fund operations. Golf Course revenues totaled $4,444,503 generated primarily from user fees. Operating expenses totaled $4,628,981 including depreciation. The Fund also transferred out $457,236 to the General Fund and Internal Service Funds for services provided, resulting in a $641,714 decrease in net assets. Changes in management, operations, and increased user fees were implemented during the latter part of the year to address operating deficit challenges for the Golf Enterprise Fund, with strategic long-term options still under consideration.

Sewer Services. Net assets of the Sewer Service Fund at June 30, 2007, were $46,921,659 consisting primarily of net assets invested in capital assets, net of related debt of $29,332,143. The remaining $17,589,516 was available to fund operations.

The Sewer Services fund generated income of $2,313,532 before transfers of $1,643,518 to the General Fund, Capital Improvement Projects, and Internal Service Funds for services provided, for a net change in assets of $670,014.

Financial Analysis of the Government's Funds

As noted earlier, the City of Alameda uses the fund accounting methodology to ensure and demonstrate compliance with finance-related legal requirements.
Governmental funds. The focus of the City of Alameda'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 of Alameda's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Alameda's governmental funds reported combined ending fund balances of $101,183,328, a decrease of $7,312,678 attributable to capital asset improvements such as street resurfacing, construction in progress on various projects, including the Civic Center parking garage, and vehicle and equipment replacements for Public Safety and other service function vehicles. Approximately $45 million or 45% of the combined ending fund balance constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. Approximately 39% of total fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, to pay debt service. The remaining 16% is *unreserved* but designated for specific future uses.

The general fund is the chief operating fund of the City of Alameda. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was $16,133,443, while the total fund balance, including restricted resources, was $22,783,083. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 21% of total general fund expenditures, while total fund balance represents 30% of that same amount.

The fund balance of the City of Alameda's general fund decreased $1,790,643 from the prior year primarily as a result of the City Council's decision to use reserves to address deferred maintenance and equipment replacement, e.g. street resurfacing and Police and Fire vehicle replacements.

The debt service funds have total fund balances of $11,278,959 reserved for the payment of debt service. The aggregate net decrease in fund balances during the current year in the debt service funds was $94,119, reflecting interest and principal payments in excess of transfers in, tax revenues, and interest earned on balances.

Proprietary Funds. The City of Alameda's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets as a percent of total net assets by fund: Ferry, 0.36%; Golf, 37%; Sewer, 38%.

Internal Service Funds. The Internal Service Funds net asset deficit reflects Worker's Compensation Insurance Fund's future claims liabilities maturing over five to ten years. The Risk Management Fund net asset deficit reflects the City Council's decision to initiate litigation in the case of City of Alameda v. Alameda Belt Line Railroad. The outcome has been successful and repayment will occur in future years. Other Internal Service Funds have net assets which partially offset these deficits.

General Fund Budgetary Highlights

During the year there was a $4,318,246 or 6% increase in appropriations between the original and final amended budget. Following are the main components contributing to the increase:

Program/Category	Change in Final Budget from Original Budget		Contributing % of Budget Increase
Fire Department	$ 2,422,957	11%	56%
Police Department	1,160,505	5%	27%
Capital Outlay	402,043	21%	9%
Public Works	348,109	4%	8%
General Government	234,669	3	5%
All Others Combined	(250,037)	-3%	-6%
Total Change in Final Amended Budget	$ 4,318,246	6%	100%

Increases were possible because of additional anticipated revenues and other financing sources, including increased property tax, investment earnings and use of reserves to finance capital improvements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City of Alameda's investment in capital assets for its governmental and business-type activities as of June 30, 2007, amounts to $323 million (net of accumulated depreciation), an increase of approximately $28 million over the prior year. Investment in capital assets includes land, buildings and systems improvements, machinery and equipment, park facilities and streets.

Major additions during the fiscal year reflect construction in progress on the Civic Center parking garage and theater renovation, Bayport housing and park construction, and infrastructure and traffic safety improvements.

Capital Assets (net of depreciation)
($000)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	4,921	4,921	177	177	5,098	5,098
Buildings and systems	137,263	113,643	660	736	137,923	114,379
Infrastructure	62,458	54,424	38,158	37,760	100,616	92,183
Construction in Progress	59,530	64,091	306	42	59,837	64,133
Machinery and equipment	8,179	7,007	345	390	8,524	7,397
Other Improvements	-	-	11,359	12,037	11,359	12,037
Total	$ 272,351	$ 244,086	$ 51,006	$ 51,141	$323,358	$295,227

Additional information about the City's capital assets can be found in Note 5, pages 74-78 of this report.

Long-term Debt

At the end of 2006/07, the City had $124 million in outstanding debt. Outstanding debt includes $68 million in tax increment notes issued for redevelopment purposes, $18.8 million in certificates of participation and $10.1 million in general obligation bonds. Following is a summary schedule of outstanding debt. For detailed information please see Note 7, on pages 79-88.

Outstanding Debt ($000s)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Certificates of Participation	$ 15,290	$ 15,960	$ 3,545	$ 3,785	$ 18,835	$ 19,745
Revenue Bonds	14,995	15,110	-	-	14,995	15,110
Tax Allocation Bonds	68,010	68,700	-	-	68,010	68,700
General Obligation Bonds	10,135	10,300	-	-	10,135	10,300
HUD Section 108 Loan	4,000	-	-	-	4,000	-
Installment Purchase Obligations	1,565	2,030	340	255	1,905	2,285
State Loans	650	695	5,147	5,495	5,797	6,190
Total	$ 114,645	$112,795	$ 9,033	$ 9,535	$ 123,677	$ 122,330

Summary of Long-Term Debt. The City of Alameda's total debt increased 1% during the current fiscal year. The major addition to debt in 2006/07 was a $4 million loan from the Department of Housing and Urban Development for construction of the Civic Center Garage Project, to be repaid from grant and parking garage revenues through 2027. Retirement of other issues of $2.9 million partially offset additions resulting in a net increase of $1.3 million.

Additional information on the City of Alameda's long-term debt can be found in Note 7 on pages 79-88 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

At the time these financial statements were prepared and audited, the City was aware of the following existing circumstances that could significantly affect its financial health in the future:

- At the end of fiscal year 2007, there are salary increase agreements in place with 5 major employee associations. These labor agreements provide for 2 to 4 percent or \$1,387,875 during the ensuing fiscal year. Contract negotiations are in progress or will begin in January 2008 with four remaining employee associations. The outcomes of these negotiations are not known.
- The City offers post-employment health benefits to its retirees. The type and value of this benefit is bargained benefit. Miscellaneous employees receive the minimum payment required by the Public Employees Medical Coverage Health Agreement (PEMCHA) whereas the Safety employees receive the full cost of the PEMCHA provided health insurance and Dental insurance for themselves and their spouse. In January 2007, the City had prepared an actuarial study of these benefits and their future costs. Based on a 4.5 percent return and a 30 year period, the actuarial accrued liability is \$75.4 million.
- Alameda Point and its final conveyance from the Navy to the City will have an impact on the future economic development of the City. The timing of the development process as compared to regular business cycles may have great importance.
- The need to address the funding for unfunded capital improvements continues.

The following economic conditions were considered in preparing the Fiscal Year 2007-2008 Budget:

- The CPI (Consumer Price Index) is expected to remain around 2 percent for 2007-2008
- Energy prices and the slow growth in home sales will add to the sluggish growth in the east bay area
- The Unemployment rate was 4.1 percent, which is below the State's rate of 5 percent

These indicators were taken into account when adopting the general fund budget for fiscal year 2007/2008. Revenues and other resources in the general fund are projected to be \$80.8 million, an increase of 4.8% over the budget for 2006/2007. About one quarter of revenues are estimated to come from Property Taxes. They are estimated to increase by seven percent over the prior year's estimate.

In response to the stagnant economic conditions that the City of Alameda faces, the City's focus will be on preserving basic services and sustaining maintenance of infrastructure and public facilities. Prudent budgeting and reserve policies will enable the City to manage through this period of changing economics. Cost containment and economic development will help with the resource issues, but new resources will be needed to continue current service levels and essential public safety and maintenance services.

REQUEST FOR INFORMATION

This comprehensive Annual Financial Report is designed to provide a general overview of the City of Alameda's finances for all those with an interest in the City's finances. For the convenience of the public, a copy of this report is posted on the City's website (www.ci.alameda.ca.us). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City's Chief Financial Officer, Juelle-Ann Boyer, at 2263 Santa Clara Avenue, Room 220, Alameda, California, 94501.

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term obligations. The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City. This column is followed by two individual columns, which display each discretely presented component unit.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds primarily, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business-type Activities include all its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. It presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues—that is, revenues which are generated directly by these programs—are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities, Business-type Activities, or discretely presented component unit columns, as appropriate, and the Change in Net Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the blended component units: Community Improvement Commission of the City of Alameda, the Alameda Public Financing Authority, the City of Alameda Police and Fire Retirement System Pension Plans 1079 and 1082, and the Alameda Reuse and Redevelopment Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities. The balances and the activities of the discretely presented component units of the City of Alameda Power and Telecom and the Housing Authority of the City of Alameda are included in these statements as separate columns.

This Page Left Intentionally Blank

CITY OF ALAMEDA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Housing Authority	Power & Telecom
ASSETS					
Cash and cash equivalents (Note 2)	$77,730,104	$19,505,336	$97,235,440	$11,020,159	$27,658,729
Restricted cash and investments (Note 2)	25,960,993	46	25,961,039	567,969	19,671,304
Accounts receivable	8,901,315	416,715	9,318,030	80,994	4,641,697
Interest receivable	1,261,708		1,261,708	128,851	189,000
Internal balances (Note 3)	(230,787)	230,787			
Due from other governments	744,166		744,166	125,130	
Loans receivable (Note 4)	14,277,811		14,277,811	243,109	265,559
Materials, parts and supplies		102,204	102,204	8,296	3,482,159
Prepaids, deposits and bond discounts	1,801,148	451,691	2,252,839	55,841	1,616,638
Share of certain NCPA projects and reserve (Note 12)					18,424,997
Capital assets (Note 5):					
Non-depreciable	64,451,815	483,318	64,935,133	11,962,853	5,217,319
Depreciable, net of accumulated depreciation	207,899,634	50,522,936	258,422,570	18,065,640	80,373,144
Management fee buyout					5,544,000
Total Assets	402,797,907	71,713,033	474,510,940	42,258,842	167,084,546
LIABILITIES					
Accounts payable	6,261,003	278,947	6,539,950	315,491	3,302,460
Accrued payroll	1,957,406	52,235	2,009,641	75,482	
Interest payable	1,730,173	154,291	1,884,464	176,428	1,898,111
Claims payable (Note 11)	7,060,423		7,060,423		
Deferred revenue	652,671	193,079	845,750		
Refundable deposits	2,752,233	25	2,752,258	385,537	569,840
Due to other agencies	1,023,716		1,023,716	14,480	
Loans payable (Note 6)	4,739,197		4,739,197		
Compensated absences (Note 1I):					
Current	2,945,322	148,673	3,093,995	133,403	628,121
Long-term	7,105,462	104,966	7,210,428	77,297	
Net pension obligation (Note 10)	80,000		80,000		
Long-term debt (Note 7):					
Due within one year	2,773,116	808,882	3,581,998	299,334	1,357,509
Due in more than one year	111,871,671	8,223,804	120,095,475	16,784,972	79,187,491
Purchased power balancing account (Note 1)					15,345,618
Total Liabilities	150,952,393	9,964,902	160,917,295	18,262,424	102,289,150
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	158,716,508	41,973,568	200,690,076	12,944,187	25,559,258
Restricted for:					
Capital projects	34,430,271		34,430,271	499,918	
Debt service	11,278,959		11,278,959		
Redevelopment projects	27,127,741		27,127,741		
Special revenue projects	6,979,133		6,979,133		
NCPA projects and reserve					18,424,997
Total Restricted Net Assets	79,816,104		79,816,104	499,918	18,424,997
Unrestricted	13,312,902	19,774,563	33,087,465	10,552,313	20,811,141
Total Net Assets	$251,845,514	$61,748,131	$313,593,645	$23,996,418	$64,795,396

See accompanying notes to financial statements

CITY OF ALAMEDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$20,160,089	$13,697,081	$237,149	
Police	25,632,978	179,212	588,326	
Fire	23,911,788		6,916	
Public works	4,465,955	1,488,380	2,529,401	$10,703,241
Development services, planning and bu	22,986,738	13,265,740	1,041,942	106,223
Culture and recreation	7,730,394	1,940,528	6,619,209	233,815
Housing and community services	5,802,261		3,327,377	20,000
Interest on long-term debt	6,307,727			
Total Governmental Activities	116,997,930	30,570,941	14,350,320	11,063,279
Business-type Activities:				
Ferry services	3,274,613	17,726	1,965,039	
Golf course	4,645,595	4,226,422	476	
Sewer services	4,244,145	5,667,296	25,000	
Total Business-type Activities	12,164,353	9,911,444	1,990,515	
Total Primary Government	$129,162,283	$40,482,385	$16,340,835	$11,063,279
Component Units:				
Housing Authority	$25,890,669	$3,368,311	$27,623,882	
Power & Telecom	63,267,230	60,552,680		
Total Component Units	$89,157,899	$63,920,991	$27,623,882	

General revenues:
Taxes:
Property taxes
Incremental property tax
Urban runoff special assessments
Sales taxes
Utility users tax
Transfer tax
Other taxes
Motor vehicle in-lieu, unrestricted
Use of money and properties
Miscellaneous
Transfers (Note 3)

Total general revenues and transfers

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets — Primary Government			Net (Expense) Revenue and Changes in Net Assets — Component Units	
Governmental Activities	Business-type Activities	Total	Housing Authority	Power & Telecom
($6,225,859)		($6,225,859)		
(24,865,440)		(24,865,440)		
(23,904,872)		(23,904,872)		
10,255,067		10,255,067		
(8,572,833)		(8,572,833)		
1,063,158		1,063,158		
(2,454,884)		(2,454,884)		
(6,307,727)		(6,307,727)		
(61,013,390)		(61,013,390)		
	($1,291,848)	(1,291,848)		
	(418,697)	(418,697)		
	1,448,151	1,448,151		
	(262,394)	(262,394)		
(61,013,390)	(262,394)	(61,275,784)		
			$5,101,524	
				($2,714,550)
			5,101,524	(2,714,550)
26,137,534		26,137,534		
12,266,563		12,266,563		
2,668,301		2,668,301		
4,967,130		4,967,130		
8,702,101		8,702,101		
4,177,736		4,177,736		
7,184,959		7,184,959		
5,479,921		5,479,921		
5,897,661	1,004,169	6,901,830	496,214	2,308,658
345,906	146,541	492,447		
1,293,540	(1,293,540)			
79,121,352	(142,830)	78,978,522	496,214	2,308,658
18,107,962	(405,224)	17,702,738	5,597,738	(405,892)
233,737,552	62,153,355	295,890,907	18,398,680	65,201,288
$251,845,514	$61,748,131	$313,593,645	$23,996,418	$64,795,396

This Page Left Intentionally Blank

CITY OF ALAMEDA, CALIFORNIA

FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2007. Individual non-major funds may be found in the Supplemental Information section.

GENERAL FUND

The General Fund is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of the City which are not accounted for in another fund.

WEST END COMMUNITY IMPROVEMENT PROJECT AREA SPECIAL REVENUE FUND

This fund accounts for the tax increment proceeds and associated redevelopment project costs for the West End Community Improvement Project.

BUSINESS AND WATERFRONT IMPROVEMENT PROJECT AREA SPECIAL REVENUE FUND

This fund accounts for the tax increment proceeds and associated redevelopment project costs for the Business and Waterfront Improvement Project.

ALAMEDA POINT IMPROVEMENT PROJECT AREA SPECIAL REVENUE FUND

This fund accounts for the tax increment proceeds and associated redevelopment project costs for the proposed Alameda Point Improvement Project.

FISC LEASE REVENUE SPECIAL REVENUE FUND

This fund accounts for revenue from the Fleet Industrial Supply Center (FISC) lease and related capital improvement expenditures.

ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND

This fund accounts for the lease and rental activities, as well as the general operations associated with the reuse of the Alameda Naval Base.

THEATRE/PARKING STRUCTURE PROJECT SPECIAL REVENUE FUND

This fund accounts for funding resources and expenditures for the reconstruction of the Historic Alameda Theater and the construction of the multi-story Civic Center Garage.

HOME REPAYMENT SPECIAL REVENUE FUND

This fund accounts for County disbursed HOME funds for HOME eligible activities in the City.

CAPITAL IMPROVEMENT PROJECTS FUND

This fund accounts for monies for major capital improvement projects not provided for in one of the other capital projects funds.

CITY OF ALAMEDA
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General	West End Community Improvement Project Area Special Revenue	Business and Waterfront Improvement Project Area Special Revenue	Alameda Point Improvement Project Area Special Revenue	FISC Lease Revenue Special Revenue
ASSETS					
Cash and cash equivalents (Note 2)	$14,414,486	$2,034,827	$8,306,053	$509,392	$847,170
Restricted cash and investments (Note 2)	6,000	8,281,530			
Accounts receivable	4,343,081	35,822	558,320	2,497	191,310
Interest receivable	1,258,103				
Due from other funds (Note 3)	445,565				
Advances to other funds (Note 3)	3,658,995				
Due from other governments					
Loans receivable (Note 4)	2,446,204	632,390	1,590,800		
Prepaids and deposits	544,441				
Total Assets	$27,116,875	$10,984,569	$10,455,173	$511,889	$1,038,480
LIABILITIES					
Accounts payable	$1,526,445	$1,144,042	$609,381	$240,386	$147,283
Accrued payroll	1,801,197	7,493	11,386	4,576	33,146
Due to other funds (Note 3)					
Due to other agencies			1,023,716		
Advances from other funds (Note 3)				1,258,995	2,400,000
Deferred revenue	646,266	632,390	1,590,800		
Refundable deposits	322,112	-			63,735
Loans payable (Note 6)					4,739,197
Total Liabilities	4,296,020	1,783,925	3,235,283	1,503,957	7,383,361
FUND BALANCES (Note 9)					
Fund balance					
Reserved for:					
Capital improvement					
Debt service					
Low and moderate income housing		798,683	5,947,261	320,813	
Prepaids, loans receivable, and advances to other funds	6,649,640				
Unreserved:					
Designated for:					
Capital improvements					
Special Revenue Funds					
Capital Projects Funds					
Undesignated, Reported in:					
General Fund	16,171,215				
Special Revenue Funds		8,401,961	1,272,629	(1,312,881)	(6,344,881)
Capital Projects Funds					
Total Fund Balances (Deficits)	22,820,855	9,200,644	7,219,890	(992,068)	(6,344,881)
Total Liabilities and Fund Balances	$27,116,875	$10,984,569	$10,455,173	$511,889	$1,038,480

See accompanying notes to financial statements

	Alameda Reuse and Redevelopment Authority Special Revenue	Theater/Parking Structure Project Special Revenue	HOME Repayment Special Revenue	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
	$9,583,970	$6,904,215		$4,542,645	$29,686,935	$76,829,693
		1,814,397		1,919,601	13,939,465	25,960,993
	140,662		$593	1,651,862	1,771,478	8,695,625
					3,605	1,261,708
						445,565
						3,658,995
				744,166		744,166
		2,800,000	3,401,691		3,406,726	14,277,811
					1,095,732	1,640,173
	$9,724,632	$11,518,612	$3,402,284	$8,858,274	$49,903,941	$133,514,729
	$312,975	$1,037,288		$483,082	$553,371	$6,054,253
	14,987			1,781	74,379	1,948,945
					369,785	369,785
						1,023,716
	300,000					3,958,995
		2,800,000	$3,401,691		3,413,130	12,484,277
	557,318	815,044		937,246	56,778	2,752,233
						4,739,197
	1,185,280	4,652,332	3,401,691	1,422,109	4,467,443	33,331,401
					12,237,894	12,237,894
					11,278,959	11,278,959
					1,228,373	8,295,130
					987,474	7,637,114
				7,436,165		7,436,165
					6,833,432	6,833,432
					1,394,997	1,394,997
						16,171,215
	8,539,352	6,866,280	593		7,237,576	24,660,629
					4,237,793	4,237,793
	8,539,352	6,866,280	593	7,436,165	45,436,498	100,183,328
	$9,724,632	$11,518,612	$3,402,284	$8,858,274	$49,903,941	$133,514,729

This Page Left Intentionally Blank

CITY OF ALAMEDA
Reconciliation of
GOVERNMENTAL FUNDS -- FUND BALANCES
with
GOVERNMENTAL NET ASSETS
JUNE 30, 2007

Total fund balances reported on the governmental funds balance sheet	$100,183,328
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	271,549,844
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance, central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	900,411
Accounts receivable	205,690
Prepaids and deposits	160,975
Capital assets	801,605
Internal balances	(6,567)
Accounts payable	(206,750)
Accrued payroll	(8,461)
Claims payable	(7,060,423)
Long-term debt	(562,395)
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	11,831,606
LONG-TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Interest payable	(1,730,173)
Net pension obligation	(80,000)
Long-term debt	(114,082,392)
Compensated absences	(10,050,784)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$251,845,514

See accompanying notes to financial statements

CITY OF ALAMEDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	General	West End Community Improvement Project Area Special Revenue	Business and Waterfront Improvement Project Area Special Revenue	Alameda Point Improvement Project Area Special Revenue	FISC Lease Revenue Special Revenue
REVENUES					
Property taxes	$21,050,628	$5,033,710	$5,848,874	$1,383,979	
Other local taxes	24,435,752		596,554		
Licenses and permits	4,269,513				
Revenues from other agencies	8,920,739	23,827			$6,512,769
Charges for current services	6,690,872				11,850
Fines and forfeitures	813,381				
Use of money and property	1,408,311	737,713	315,138	24,823	1,181,094
Affordable housing fee					
Other	142,038		687,900		264,675
Total Revenues	67,731,234	5,795,250	7,448,466	1,408,802	7,970,388
EXPENDITURES					
Current:					
General government	6,959,510	3,341,153	1,334,320	220,370	
Police	25,244,920				
Fire	23,634,196				
Public works	6,205,167				
Development services, planning and building	3,543,549				938,362
Culture and recreation	3,895,407				
Housing and community services		727,037	1,352,727	327,344	
Capital outlay	1,568,247	698	1,863		8,478,129
Debt service:					
Principal	222,117	137,500	22,500		
Interest and fiscal charges	45,204	137,694	24,363	75,540	216,112
Total Expenditures	71,318,317	4,344,082	2,735,773	623,254	9,632,603
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,587,083)	1,451,168	4,712,693	785,548	(1,662,215)
OTHER FINANCING SOURCES (USES)					
Proceeds from issuance of loan					
Proceeds from sale of property	12,838				
Transfers in (Note 3)	6,623,244	1,528			2,942,430
Transfers (out) (Note 3)	(4,801,870)	(11,336,179)	(1,333,745)	(761,125)	(1,937,111)
Total Other Financing Sources (Uses)	1,834,212	(11,334,651)	(1,333,745)	(761,125)	1,005,319
NET CHANGE IN FUND BALANCES	(1,752,871)	(9,883,483)	3,378,948	24,423	(656,896)
BEGINNING FUND BALANCES (DEFICITS)	24,573,726	19,084,127	3,840,942	(1,016,491)	(5,687,985)
ENDING FUND BALANCES (DEFICITS)	$22,820,855	$9,200,644	$7,219,890	($992,068)	($6,344,881)

See accompanying notes to financial statements

	Alameda Reuse and Redevelopment Authority Special Revenue	HOME Repayment Special Revenue	Theater/Parking Structure Project Special Revenue	Capital Improvement Projects	Other Governmental Funds	Total Governmental Funds
					$6,621,548	$39,938,739
					1,093,245	26,125,551
					12,350	4,281,863
	$284,221		$258,700	$5,378,612	8,418,325	29,797,193
	44,834			45,458	3,159,896	9,952,910
					179,212	992,593
	11,405.154	$81,626	469,505	232,104	2,806,615	18,662,083
					158,747	158,747
	141,000			19,644	23,517	1,278,774
	11,875,209	81,626	728,205	5,675,818	22,473,455	131,188,453
					1,906,876	13,762,229
						25,244,920
						23,634,196
					1,687,391	7,892,558
	7,901,265		16,129,232			28,512,408
					2,726,527	6,621,934
		81,033			3,761,448	6,249,589
				11,995,444	1,623,532	23,667,913
				6,256	1,530,250	1,918,623
			20,164	566	5,772,319	6,291,962
	7,901,265	81,033	16,149,396	12,002,266	19,008,343	143,796,332
	3,973,944	593	(15,421,191)	(6,326,448)	3,465,112	(12,607,879)
			4,000,000			4,000,000
					12,188	25,026
	211,047		18,287,471	6,406,546	8,386,272	42,858,538
	(2,108,872)			(1,469,462)	(17,839,999)	(41,588,363)
	(1,897,825)		22,287,471	4,937,084	(9,441,539)	5,295,201
	2,076.119	593	6,866,280	(1,389,364)	(5,976,427)	(7,312,678)
	6,463.233			8,825,529	51,412,925	107,496,006
	$8,539,352	$593	$6,866,280	$7,436,165	$45,436,498	$100,183,328

CITY OF ALAMEDA
Reconciliation of the
NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
with the change in
GOVERNMENTAL NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($7,312,678)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	30,589,506
Other capitalized expenditures are therefore added back to fund balance	8,056,212
Depreciation expense is deducted from fund balance (Depreciation expense is net of internal service fund depreciation of $106,375 which has already been allocated to serviced funds)	(7,224,036)
Net retirements of capital assets are deducted from fund balance	(3,199,235)
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Proceeds from the issuance of debt are deducted from fund balance	(4,000,000)
Repayment of debt principal is added back to fund balance	1,918,623
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Deferred revenue	3,339,089
Interest payable	(79,626)
Net pension obligation	428,000
Compensated absences	(3,178,890)
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	(1,229,003)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$18,107,962

See accompanying notes to financial statements

CITY OF ALAMEDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Property taxes	$20,883,496	$20,883,495	$21,050,628	$167,133
Other local taxes	27,888,463	25,388,467	24,435,752	(952,715)
Licenses and permits	4,467,253	4,617,253	4,269,513	(347,740)
Revenues from other agencies	7,152,630	9,739,974	8,920,739	(819,235)
Charges for current services	7,979,799	7,524,761	6,690,872	(833,889)
Fines and forfeitures	731,850	731,850	813,381	81,531
Use of money and property	1,862,440	1,862,666	1,408,311	(454,355)
Other revenue			142,038	142,038
Total Revenues	70,965,931	70,748,466	67,731,234	(3,017,232)
EXPENDITURES:				
Current:				
General government	7,129,237	7,363,906	6,959,510	404,396
Police	24,509,350	25,669,855	25,244,920	424,935
Fire	21,819,312	24,242,269	23,634,196	608,073
Public works	7,939,002	8,287,111	6,205,167	2,081,944
Planning and building	4,390,149	4,017,661	3,543,549	474,112
Culture and recreation	4,067,093	4,121,242	3,895,407	225,835
Capital outlay	1,891,104	2,293,147	1,568,247	724,900
Debt service:				
Principal	137,347	207,366	222,117	(14,751)
Interest and fiscal charges	12,145	10,428	45,204	(34,776)
Total Expenditures	71,894,739	76,212,985	71,318,317	4,894,668
NET CHANGE IF FUND REVENUES	(928,808)	(5,464,519)	(3,587,083)	1,877,436
OTHER FINANCING SOURCES (USES)				
Transfers in	7,345,618	8,292,176	6,623,244	(1,668,932)
Transfers (out)	(8,026,716)	(10,790,627)	(4,801,870)	5,988,757
Sale of capital assets		21,293	12,838	(8,455)
Total other financing sources (uses)	(681,098)	(2,477,158)	1,834,212	4,311,370
NET CHANGE IN FUND BALANCE	(1,609,906)	(7,941,677)	(1,752,871)	6,188,806
Beginning fund balance	24,573,726	24,573,726	24,573,726	
Ending fund balance	$22,963,820	$16,632,049	$22,820,855	$6,188,806

See accompanying notes to financial statements

CITY OF ALAMEDA
WEST END COMMUNITY IMPROVEMENT PROJECT AREA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property taxes	$4,252,870	$5,320,090	$5,033,710	($286,380)
Revenues from other agencies			23,827	23,827
Use of money and property			737,713	737,713
Total Revenues	4,252,870	5,320,090	5,795,250	475,160
EXPENDITURES:				
Current:				
General government	1,751,082	4,180,035	3,341,153	838,882
Housing and community services		750,000	727,037	22,963
Capital outlay			698	(698)
Debt service:				
Principal retirements		137,500	137,500	
Interest and fiscal charges		137,694	137,694	
Total Expenditures	1,751,082	5,205,229	4,344,082	861,147
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,501,788	114,861	1,451,168	1,336,307
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000		1,528	1,528
Transfers (out)	(3,372,030)	(23,196,077)	(11,336,179)	11,859,898
Total other financing sources (uses)	(3,122,030)	(23,196,077)	(11,334,651)	11,861,426
NET CHANGE IN FUND BALANCE	($620,242)	($23,081,216)	(9,883,483)	$13,197,733
Beginning fund balance			19,084,127	
Ending fund balance			$9,200,644	

See accompanying notes to financial statements

CITY OF ALAMEDA
BUSINESS AND WATERFRONT IMPROVEMENT PROJECT AREA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Property taxes	$5,290,408	$5,163,619	$5,848,874	$685,255
Other taxes		469,749	596,554	126,805
Use of money and property		62,291	315,138	252,847
Charges for services		600,000	687,900	87,900
Other	700,000	700,000		(700,000)
Total Revenues	5,990,408	6,995,659	7,448,466	452,807
EXPENDITURES:				
Current:				
General government	2,869,277	3,965,246	1,334,320	2,630,926
Housing and community services		1,433,943	1,352,727	81,216
Capital outlay	16,000	16,122	1,863	14,259
Debt service:				
Principal retirements		22,500	22,500	
Interest and fiscal charges		24,364	24,363	1
Total Expenditures	2,885,277	5,462,175	2,735,773	2,726,402
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,105,131	1,533,484	4,712,693	3,179,209
OTHER FINANCING SOURCES (USES)				
Transfers in		369,606		(369,606)
Transfers (out)	(2,698,514)	(1,703,380)	(1,333,745)	369,635
Total other financing sources (uses)	(2,698,514)	(1,333,774)	(1,333,745)	29
NET CHANGE IN FUND BALANCE	$406,617	$199,710	3,378,948	$3,179,238
Beginning fund balance			3,840,942	
Ending fund balance			$7,219,890	

See accompanying notes to financial statements

CITY OF ALAMEDA
ALAMEDA POINT IMPROVEMENT PROJECT AREA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property taxes	$325,145	$1,383,294	$1,383,979	$685
Use of money and property		4,541	24,823	20,282
Total Revenues	325,145	1,387,835	1,408,802	20,967
EXPENDITURES:				
Current:				
General government	128,729	263,500	220,370	43,130
Housing and community services	67,955	327,344	327,344	
Debt service:				
Interest and fiscal charges		37,768	75,540	(37,772)
Total Expenditures	196,684	628,612	623,254	5,358
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	128,461	759,223	785,548	26,325
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	100,000		(100,000)
Transfers (out)	(118,915)	(785,780)	(761,125)	24,655
Total other financing sources (uses)	(18,915)	(685,780)	(761,125)	(75,345)
NET CHANGE IN FUND BALANCE	$109,546	$73,443	24,423	($49,020)
Beginning fund balance (deficit)			(1,016,491)	
Ending fund balance (deficit)			($992,068)	

See accompanying notes to financial statements

CITY OF ALAMEDA
FISC LEASE REVENUE
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Property tax		$1,165,811		($1,165,811)
Revenues from other agencies	$10,664,205	9,498,394	$6,512,769	(2,985,625)
Charges for current services	620,115	620,115	11,850	(608,265)
Use of money and property	775,000	775,000	1,181,094	406,094
Other	386,787	386,787	264,675	(122,112)
Total Revenues	12,446,107	12,446,107	7,970,388	(4,475,719)
EXPENDITURES:				
Current:				
Development services, planning and building	4,318,813	5,149,247	938,362	4,210,885
Capital outlay		8,531,217	8,478,129	53,088
Debt service:				
Interest and fiscal charges	3,875,512	144,000	216,112	(72,112)
Total Expenditures	8,194,325	13,824,464	9,632,603	4,191,861
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,251,782	(1,378,357)	(1,662,215)	(283,858)
OTHER FINANCING SOURCES (USES)				
Transfers in		15,000	2,942,430	2,927,430
Transfers (out)	(503,916)	(850,874)	(1,937,111)	(1,086,237)
Total other financing sources (uses)	(503,916)	(835,874)	1,005,319	1,841,193
NET CHANGE IN FUND BALANCE	3,747,866	(2,214,231)	(656,896)	1,557,335
Beginning fund balance			(5,687,985)	
Ending fund balance			($6,344,881)	

See accompanying notes to financial statements

CITY OF ALAMEDA
ALAMEDA REUSE AND REDEVELOPMENT AREA
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Revenue from other agencies			$284,221	$284,221
Charges for current services			44,834	44,834
Use of money and property	$10,869,808	$10,869,808	11,405,154	535,346
Other			141,000	141,000
Total Revenues	10,869,808	10,869,808	11,875,209	1,005,401
EXPENDITURES:				
Current:				
Development services, planning and building	9,712,585	10,011,819	7,901,265	2,110,554
Total Expenditures	9,712,585	10,011,819	7,901,265	2,110,554
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,157,223	857,989	3,973,944	3,115,955
OTHER FINANCING SOURCES (USES)				
Transfers in			211,047	211,047
Transfers (out)	(2,927,985)	(2,678,643)	(2,108,872)	569,771
Total other financing sources (uses)	(2,927,985)	(2,678,643)	(1,897,825)	780,818
NET CHANGE IN FUND BALANCE	($1,770,762)	($1,820,654)	2,076,119	$3,896,773
Beginning fund balance			6,463,233	
Ending fund balance			$8,539,352	

See accompanying notes to financial statements

CITY OF ALAMEDA
HOME REPAYMENT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Use of money and property		$81,033	$81,626	$593
Total Revenues		81,033	81,626	593
EXPENDITURES:				
Current:				
Development services, planning and building	$305,371	81,033	81,033	
Total Expenditures	305,371	81,033	81,033	
NET CHANGE IN FUND BALANCE	(305,371)		593	$593
Beginning fund balance				
Ending fund balance			$593	

See accompanying notes to financial statements

CITY OF ALAMEDA
THEATER/PARKING STRUCTURE PROJECT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budgeted			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES:				
Property tax		$1,129,878		($1,129,878)
Revenue from other agencies	$8,139,878	7,010,000	$258,700	(6,751,300)
Use of money and property	18,817	18,817	469,505	450,688
Total Revenues	8,158,695	8,158,695	728,205	(7,430,490)
EXPENDITURES:				
Development services, planning and building	27,831,000	27,831,000	16,129,232	11,701,768
Debt service:				
Interest and fiscal charges			20,164	(20,164)
Total Expenditures	27,831,000	27,831,000	16,149,396	11,681,604
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(19,672,305)	(19,672,305)	(15,421,191)	4,251,114
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of loan	11,027,015	11,027,015	4,000,000	7,027,015
Transfers in	8,676,254	2,729,994	7,156,013	(4,426,019)
Transfers in from the City		5,946,260	11,131,458	(5,185,198)
Total other financing sources (uses)	19,703,269	19,703,269	22,287,471	(2,584,202)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$30,964	$30,964	6,866,280	$6,835,316
Beginning fund balance				
Ending fund balance			$6,866,280	

See accompanying notes to financial statements

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

FERRY SERVICES

This fund accounts for all financial transactions relating to the City's ferry services including but not limited to the contractual payments to the operators and ferry vessel acquisition and maintenance.

GOLF COURSE

The City operates two 18-hole and one 9-hole municipal golf courses. This fund accounts for all financial transactions relating to these golf facilities, including but not limited to operations and maintenance.

SEWER SERVICES

The City operates its own sewer system and this fund accounts for all financial transactions relating to this municipal activity including, but not limited to operations, maintenance, financing and related debt services, billing and collection.

CITY OF ALAMEDA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities- Internal Service Funds
	Ferry Services	Golf Course	Sewer Services	Totals	
ASSETS					
Current Assets					
Cash and cash equivalents (Note 2)		$2,249,275	$17,256,061	$19,505,336	$900,411
Accounts receivable	$130,244	9,047	277,424	416,715	205,690
Materials, parts and supplies		102,204		102,204	
Prepaids, deposits and bond discounts		3,798	447,893	451,691	160,975
Total Current Assets	130,244	2,364,324	17,981,378	20,475,946	1,267,076
Noncurrent Assets					
Restricted cash and investments (Note 2)			46	46	
Advances to other funds (Note 3)		300,000		300,000	
Capital assets (Note 5):					
Non-depreciable		460,118	23,200	483,318	
Depreciable, net	8,896,730	3,624,878	38,001,328	50,522,936	801,605
Total Non-current assets	8,896,730	4,384,996	38,024,574	51,306,300	801,605
Total Assets	9,026,974	6,749,320	56,005,952	71,782,246	2,068,681
LIABILITIES					
Current Liabilities:					
Accounts payable	29,065	148,062	101,820	278,947	206,750
Claims payable (Note 11)					7,060,423
Accrued payroll		35,367	16,868	52,235	8,461
Interest payable			154,291	154,291	
Due to other funds (Note 3)	69,213			69,213	6,567
Deferred revenue		193,079		193,079	
Refundable deposits	25			25	
Compensated absences (Note 1I)		134,710	118,929	253,639	
Long-term debt - current (Note 7)		201,362	607,520	808,882	192,821
Total Current Liabilities	98,303	712,580	999,428	1,810,311	7,475,022
Long-term debt - noncurrent (Note 7)		138,939	8,084,865	8,223,804	369,574
Total Liabilities	98,303	851,519	9,084,293	10,034,115	7,844,596
NET ASSETS (Note 9)					
Invested in capital assets, net of related debt	8,896,730	3,744,695	29,332,143	41,973,568	432,031
Unrestricted	31,941	2,153,106	17,589,516	19,774,563	(6,207,946)
Total Net Assets (Deficit)	$8,928,671	$5,897,801	$46,921,659	$61,748,131	($5,775,915)

See accompanying notes to financial statements

CITY OF ALAMEDA
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds				Governmental Activities-Internal Service Funds
	Ferry Services	Golf Course	Sewer Services	Totals	
OPERATING REVENUES					
Charges for services	$17,726	$4,226,422	$5,667,296	$9,911,444	$6,647,056
Miscellaneous	83,401	43,317	19,823	146,541	
Total Operating Revenues	101,127	4,269,739	5,687,119	10,057,985	6,647,056
OPERATING EXPENSES					
General, administrative and selling	$59,210	339,574	658,438	1,057,222	553,144
Wages and benefits		2,375,794	1,538,622	3,914,416	651,346
Insurance					4,428,027
Contractual services	2,596,695	959,028	690,106	4,245,829	1,686,196
Depreciation	433,749	352,805	959,172	1,745,726	106,375
Supplies and maintenance	177,111	601,780	119,751	898,642	485,273
Total Operating Expenses	3,266,765	4,628,981	3,966,089	11,861,835	7,910,361
Operating Income (Loss)	(3,165,638)	(359,242)	1,721,030	(1,803,850)	(1,263,305)
NONOPERATING REVENUES (EXPENSES)					
Operating grants and contributions	1,965,039	476	25,000	1,990,515	
Interest income	225	117,491	845,558	963,274	50,413
Rent and other		40,895		40,895	
Interest, fiscal charges and lease (expense)	(7,848)	(16,614)	(278,056)	(302,518)	(39,476)
Total Nonoperating Revenues (Expenses)	1,957,416	142,248	592,502	2,692,166	10,937
Income (Loss) Before Contributions and Transfers	(1,208,222)	(216,994)	2,313,532	888,316	(1,252,368)
Transfers in (Note 3)	774,698	32,516		807,214	99,266
Transfers (out) (Note 3)		(457,236)	(1,643,518)	(2,100,754)	(75,901)
Change in net assets	(433,524)	(641,714)	670,014	(405,224)	(1,229,003)
BEGINNING NET ASSETS (DEFICITS)	9,362,195	6,539,515	46,251,645	62,153,355	(4,546,912)
ENDING NET ASSETS (DEFICITS)	$8,928,671	$5,897,801	$46,921,659	$61,748,131	($5,775,915)

See accompanying notes to financial statements

CITY OF ALAMEDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities-Enterprise Funds				
	Ferry Services	Golf Course	Sewer Services	Totals	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from (payments to) customers	($29,117)	$4,264,523	$5,693,480	$9,928,886	$6,504,457
Payments to suppliers	(2,667,301)	(1,535,885)	(1,246,647)	(5,449,833)	(4,399,397)
Payments to employees	(59,210)	(2,672,510)	(2,150,959)	(4,882,679)	(707,266)
Claims paid					(2,760,022)
Cash Flows from Operating Activities	(2,755,628)	56,128	2,295,874	(403,626)	(1,362,228)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating grants and contributions	1,986,063	476	25,000	2,011,539	
Interfund payments	2,490			2,490	6,567
Transfers in	774,698	32,516		807,214	23,365
Transfers (out)		(457,236)	(1,643,518)	(2,100,754)	
Cash Flows from Noncapital Financing Activities	2,763,251	(424,244)	(1,618,518)	720,489	29,932
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets, net		(254,836)	(1,355,791)	(1,610,627)	(149,550)
Proceeds from capital debt		200,609		200,609	
Principal payments on capital debt		(114,996)	(588,054)	(703,050)	(334,859)
Interest paid	(7,848)	(16,614)	(376,919)	(401,381)	(39,476)
Cash Flows from Capital and Related Financing Activities	(7,848)	(185,837)	(2,320,764)	(2,514,449)	(523,885)
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted investments			1,145,425	1,145,425	
Interest income	225	117,491	845,558	963,274	50,413
Rent and other		40,895		40,895	
Cash Flows from Investing Activities	225	158,386	1,990,983	2,149,594	50,413
Net Cash Flows		(395,567)	347,575	(47,992)	(1,805,768)
Cash and investments at beginning of period		2,644,842	16,908,486	19,553,328	2,706,179
Cash and investments at end of period		$2,249,275	$17,256,061	$19,505,336	$900,411
Reconciliation of Operating Income (Loss) to Cash Flows from Operating Activities:					
Operating income (loss)	($3,165,638)	($359,242)	$1,721,030	($1,803,850)	($1,263,305)
Adjustments to reconcile operating income to cash flows from operating activities:					
Depreciation	433,749	352,805	959,172	1,745,726	106,375
Change in assets and liabilities:					
Accounts receivable and refundable deposits	(130,244)	(1,418)	6,361	(125,301)	(142,599)
Materials, parts and supplies		(25,132)		(25,132)	
Prepaids and deposits	118,642		42,658	161,300	(6,972)
Due from other governments					
Deposits		(3,798)		(3,798)	
Accounts payable	(12,137)	29,896	(479,448)	(461,689)	(213,444)
Claims payable					157,105
Accrued payroll		5,435	3,574	9,009	612
Deferred revenue		20,159		20,159	
Compensated absences		37,423	42,527	79,950	
Cash Flows from Operating Activities	($2,755,628)	$56,128	$2,295,874	($403,626)	($1,362,228)

See accompanying notes to financial statements

FIDUCIARY FUNDS

Trust funds are used to account for assets held by the City as a trustee agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the Entity-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

Pension Trust Funds are used to account for the resources accumulated by the City for the payment of pension benefits on behalf of retirees in the City's pension plans.

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments.

CITY OF ALAMEDA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2007

	Trust Funds	Agency Funds
ASSETS		
Restricted cash and investments (Note 2)	$0	$51,366,818
Accounts receivable		162,166
Total Assets	0	51,528,984
LIABILITIES		
Refundable deposits		139,641
Due to members		386,509
Due to assessment districts		51,002,834
Total Liabilities	0	$51,528,984
NET ASSETS		
Reserved for:		
Employees' pension benefits	0	
Total Net Assets	$0	

See accompanying notes to financial statements

CITY OF ALAMEDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Pension Trust Funds
ADDITIONS	
Employer contributions	$3,062,594
Total Additions	3,062,594
DEDUCTIONS	
Retirements and other benefits	3,057,157
Contractual services	5,437
Total Deductions	3,062,594
CHANGE IN NET ASSETS	
NET ASSETS (DEFICIT), BEGINNING OF YEAR	
NET ASSETS, END OF YEAR	

See accompanying notes to financial statements

This Page Left Intentionally Blank

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Alameda, California occupies the island of Alameda in the San Francisco Bay. The City operates under the Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, development services, public improvements, planning and zoning and general administration services.

A. Reporting Entity

The City is governed by a five-member council elected by City residents. The City is legally separate and fiscally independent which means it can issue debt, set and modify budgets and fees and sue or be sued. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the basic financial statements to emphasize it is legally separate from the government.

PRIMARY GOVERNMENT

The financial statements of the primary government of the City of Alameda include the activities of the City as well as the Community Improvement Commission of the City of Alameda, Alameda Public Finance Authority, the City of Alameda Police and Fire Retirement System Pension Plans 1079 and 1082, and the Alameda Reuse and Redevelopment Authority all of which are controlled by and dependent on the City. While these are separate legal entities, their financial activities are integral to those of the City. Their financial activities have been aggregated and merged (termed "blending") with those of the primary government of the City in the accompanying financial statements.

BLENDED COMPONENT UNITS

The Community Improvement Commission of the City of Alameda was established to assist in the clearance and rehabilitation of City areas determined to be in a declining condition. The Commission has the same governing board as the City, all accounting and administrative functions are performed by City staff and the Commission receives advances from the City to finance operations. The financial activities of the Commission have been included in the West End Community Improvement Project Area, Business and Waterfront Improvement Project Area, Alameda Point Improvement Project Area Special Revenue Funds, and Community Improvement Commission Subordinate Tax Allocation Bonds, Community Improvement Commission 2003 Tax Allocation Bonds BWIP, and Community Improvement Commission 2003 Tax Allocation Bonds Debt Service Funds.

The Alameda Public Financing Authority is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Community Improvement Commission Subordinate Tax Allocation Bonds, and Community Facility District Special Tax Bonds Debt Service Funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Alameda Reuse and Redevelopment Authority (ARRA) is a separate government entity whose purpose is to assure the effective transition of the Alameda Naval Air Station from federal ownership to local ownership. The ARRA is responsible for the development of an Interim Reuse Strategy, taking title to base lands, and implementation of the Community Reuse Plan. The ARRA is recognized by the Department of Defense as the responsible entity for submitting and completing the Community Reuse Plan for the 1997 decommissioning of the Naval Air Station. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Alameda Reuse and Redevelopment Authority Special Revenue, Debt Service and Capital Projects Funds.

DISCRETELY PRESENTED COMPONENT UNITS

The two component units below are legally separate from the City. However, City Council appoints the members of their governing boards, approves their budgets and, in the case of the Housing Authority of the City of Alameda, provides financial assistance.

The Housing Authority of the City of Alameda, California was established to provide housing for the City's low-and-moderate-income residents. The financial activities of the Authority have been included discretely in the Housing Authority Component Unit columns of the Statement of Net Assets and Statement of Activities.

Alameda Power and Telecom (Alameda P&T), was established to provide electricity to the City of Alameda. The Charter was amended in 1998 to allow provision of telecommunications services as well. The financial activities of the Alameda P&T are discretely included in the Alameda P&T Component Unit columns of the Statement of Net Assets and Statement of Activities.

Component unit financial statements for the Housing Authority may be obtained from the Housing Authority of Alameda, 701 Atlantic Avenue, Alameda, CA 94501. Component unit financial statements for the Alameda P&T may be obtained from the City of Alameda Power & Telecom, 2000 Grand Street, Alameda, CA 94501. Component unit financial statements for all other component units may be obtained from the City of Alameda, Finance Department, 2263 Santa Clara, Alameda, CA 94501.

B. Basis of Presentation

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government, the City and its blended component units. These statements include the financial activities of the overall City government, except for fiduciary activities.

Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. *Operating* revenues, such as charges for services, and expenses, such as contractual services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as investment earnings, and expenses, such as interest expenses, result from nonexchange transactions or ancillary activities.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. Major governmental and business-type funds are identified and presented separately in the fund financial statements. All other funds, called non-major funds, are combined and reported in a single column, regardless of their fund-type. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

GENERAL FUND - The General Fund is used for all general revenues of the City not specifically levied or collected for other City funds and the related expenditures. The general fund accounts for all financial resources of a governmental unit which are not accounted for in another fund.

WEST END COMMUNITY IMPROVEMENT PROJECT AREA SPECIAL REVENUE FUND - This fund accounts for the tax increment proceeds and associated redevelopment project costs for the West End Community Improvement Project.

BUSINESS AND WATERFRONT IMPROVEMENT PROJECT AREA SPECIAL REVENUE FUND - This fund accounts for the tax increment proceeds and associated redevelopment project costs for the Business and Waterfront Improvement Project.

ALAMEDA POINT COMMUNITY IMPROVEMENT PROJECT AREA SPECIAL REVENUE FUND - This fund accounts for the tax increment proceeds and associated redevelopment project costs for the proposed Alameda Point Improvement Project.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FISC LEASE SPECIAL REVENUE FUND – This Fund accounts for revenue from the Fleet Industrial Supply Center (FISC) lease and related capital improvement expenditures.

ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND - This fund accounts for the lease and rental activities, as well as the general operations associated with the reuse of the Alameda Naval Base.

HOME REPAYMENT SPECIAL REVENUE FUND - This fund accounts for County disbursed HOME funds for HOME eligible activities in the City.

THEATER/PARKING STRUCTURE PROJECT SPECIAL REVENUE FUND – This fund accounts for resources and expenditures for the reconstruction of the Historic Alameda Theater and the construction of the multi-story Civic Center Garage.

CAPITAL IMPROVEMENT PROJECTS FUND - This fund accounts for monies for major capital improvement projects not provided for in one of the other capital projects funds.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

FERRY SERVICES - This fund accounts for all financial transactions relating to the City's ferry services including but not limited to the contractual payments to the operators and ferry vessel acquisition and maintenance.

GOLF COURSE - The City operates two 18-hole and one 9-hole municipal golf courses. This fund accounts for all financial transactions relating to these golf facilities, including but not limited to operations and maintenance.

SEWER SERVICES - The City operates its own sewer system and this fund accounts for all financial transactions relating to this municipal activity including, but not limited to operations, maintenance, financing and related debt service, billing and collection.

The City also reports the following fund types:

Internal Service Funds - The funds account for central stores, central garage, technology services, workers' compensation insurance and claims, risk management insurance and claims, unemployment insurance and post-employment benefits, all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds - Pension Trust Funds and Agency Funds are used to account for assets held by the City as an agent for the Police and Fire Pension Plans, certain assessment districts in the City, the Waste Management Joint Refuse Rate Review Committee, and the Mastic Senior Center to provide services and facilities which enhance the quality of lives of senior citizens.. The financial activities of these funds are excluded from the Government-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide and proprietary financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred,* regardless of when the related cash flows take place.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are generally collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on governmental long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are taxes, special assessments, intergovernmental revenues, use of money and property revenue, charges for services, fines and penalties, and license and permit revenues. Sales taxes collected and held by the State at year-end on behalf of the City are also recognized as revenue.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, except for revenues from electricity and sewer customers, which are recognized based on cycle billings. Revenues for services provided but not billed at the end of a fiscal period are not material and are not accrued.

The City follows those Financial Accounting Standard Board Statements issued on or before November 30, 1989 unless they conflict with Governmental Accounting Standards Board Statements.

E. Budgets and Budgetary Accounting

The City adopts a budget biennially for all funds. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted by the City Council, and controlled at the department level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The City Council may amend the budget by motion during the fiscal year. The City Manager is authorized to transfer budgeted amounts between departments and line items within any fund. However, any revisions which alter the total expenditures of any fund must be approved by the City Council. Transfers between funds must be approved by the City Council. All appropriations lapse at year end. Supplemental changes in appropriations were adopted by City Council and have been included in the budget versus actual statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for Capital Project Funds which budget on a project length basis and therefore are not comparable on an annual basis.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end lapse and must be reappropriated as part of the following year budget.

F. Materials, Parts and Supplies

Materials, parts and supplies are held for consumption and are valued at average cost. Enterprise fund supplies consist of materials and supplies for the golf shop which are held for resale to the public. General fund supplies are recorded as expenditure at the time individual supply items are purchased.

G. Deferred Compensation Plans

City employees may defer a portion of their compensation under four separate, optional City sponsored deferred compensation plans created in accordance with Internal Revenue Code Section 457. Under these Plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plans.

The City has a Deferred Compensation Plan administration agreement with ICMA, PERS, Nationwide Retirement Solutions, Inc., and ITT Hartford Life Insurance Companies to provide for the administration and management of employees deferred compensation plan assets. These agreements incorporate changes in the laws and IRS regulations governing deferred compensation plan assets, which require plan assets to be held for the exclusive benefit of plan participants and their beneficiaries. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

H. Post Employment Benefits Other than Pensions

GASB Statement No. 45 (GASB 45") of the Governmental Accounting Standards Board, *Accounting by Employers for Other Postemployment Benefits* ("OPEB"), requires state and local governments to account for and report their costs associated with post-employment healthcare benefits and other non-pension benefits. GASB 45 generally requires that employers account for and report the annual cost of the OPEBs and the outstanding obligations and commitments related to OPEBs in essentially the same manner as they currently do for pensions. Under previous rules, OPEBs generally were administered on a pay-as-you-go basis and were not reported as a liability on governmental financial statements. Only current payments to exiting retirees were recorded as an expense.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 45 requires that state and local governments adopt actuarial methodologies to determine annual OPEB costs. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. GASB 45 does not require that the unfunded liabilities actually be funded, only that employers account for unfunded accrued liability and compliance in meeting the Annual Required Contribution (the sum of the present value of future benefits being earned by current employees plus amortization of benefits already earned by current and former employees but not yet provided for). Actuarial valuations will be required every two years. The City is aware of and is actively working to assess the accounting implications of GASB Statement No 45, if any, which will be applicable to its financial statements beginning in Fiscal Year 2008-09. The City expects to be in compliance with the reporting requirements of GASB 45 by such date.

As of January 1, 2005, the date of the latest actuarial valuation, there were 247 retirees and 685 active employees. The present value of all expected future benefits based on certain actuarial assumptions (a measure of the total liability or obligation) was $108,720,000. The Actuarial Accrued Liability or obligation for benefits earned through the valuation date was $70,012,000. The Annual Required Contribution, the value of benefits being earned during a year plus the amortized unfunded liability, was $6,675,000. The City of Alameda funds this program on a pay-as-you-go basis. During the year ended June 30, 2007, benefits totaling $1,510,899 were paid.

I. Compensated Absences

The liability for compensated absences includes the vested portions of vacation, sick leave and compensated time off. For all governmental funds, a liability of these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. The remaining portion is recorded as a liability in the Statement of Net Assets. Proprietary funds' liability for compensated absences is recorded in each proprietary fund. The liability for compensated absences is determined annually.

Compensated absences activity for the year ended June 30, 2007 is as follows:

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Subtotal	Housing Authority	Alameda Power & Telecom	Total
Beginning Balance	$6,871,894	$173,689	$7,045,583	$139,564	$530,715	$7,715,862
Additions	6,124,212	228,623	6,352,835	71,136	272,326	6,696,297
Payments	(2,945,322)	(148,673)	(3,093,995)		(174,920)	(3,268,915)
Ending Balance	$10,050,784	$253,639	$10,304,423	$210,700	$628,121	$11,143,244
Current Portion	$2,945,322	$148,673	$3,093,995	$133,403	$628,121	$3,855,519

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. *Property Tax*

Alameda County assesses properties and bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided that they become available as defined above.

Secured property tax is due in two installments, on November 1 and March 1, and becomes a lien on those dates. It becomes delinquent after December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue and receivables in the fiscal year of levy, provided that they are collected within the fiscal year or within forty five days of year-end.

K. *Purchased Power Balancing Account*

The Purchased Power Balancing Account is used by Alameda P&T to help stabilize rates over the short term. Specifically, the balancing account accumulates differences between the actual cost of purchased power and the revenues designated for recovery of such costs. Deferred amounts are refunded to or recovered from customers through authorized rate adjustments. The effect of using the balancing account is that unanticipated changes in sales levels and purchased power costs do not immediately affect Alameda P&T's rate payers because they are included in operating expenses as they are matched by revenues.

L. *Transfer from Alameda P&T*

The City Charter provides that Alameda P&T transfer to the City's General Fund certain excess earnings as defined in the Charter. During fiscal year 2007, there were no excess earnings to be transferred. However, the Public Utilities Board by resolution has directed that $2,500,000 be contributed to the City's General Fund. In accordance with these provisions, Alameda P&T contributed $2,500,000 to the City's General Fund during the year ended June 30, 2007.

M. *New Funds*

During fiscal year 2007, the City established the following funds:

Fund	Purpose
Theatre/Parking Structure Project Special Revenue Fund	This fund accounts for resources and expenditures for the reconstruction of the Historic Alameda Theater and the construction of the multi-story Civic Center Garage.
Historical Advisory Board Special Revenue Fund	This fund accounts for all fines, fees or other monies arising out of the administration of the City Historical Advisory Board and their expenditures.
HUD 108 Debt Service Fund	This fund accounts for debt service for HUD 108 loan for Parking Garage Project.
Mastick Senior Center Agency Fund	This fund accounts for asset held for Mastic Senior Center Advisory Board to provide services and facilities which enhance the quality of life of senior citizens

NOTE 2 - CASH AND INVESTMENTS

The City's dependence on property tax receipts, which are received semi-annually, requires it to maintain significant cash reserves to finance operations during the remainder of the year. The City pools cash from all sources and all funds except Cash with Fiscal Agents, the Alameda P&T and the Housing Authority so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

Investment income is allocated among funds on the basis of average month-end cash and investment balances in these funds. Investments are carried at fair value.

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the City employs the Trust Department of a bank as the custodian of certain City managed investments, regardless of their form.

The City's investments are carried at fair value, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash and cash equivalents are considered to be liquid assets for purposes of measuring cash flows. Restricted cash and investments are not included for cash flow purposes.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements. Cash and investments as of June 30, 2007 are as follows:

Cash and investments available for operations:	
City	$97,235,440
Housing Authority	11,020,159
Alameda Power & Telecom	27,658,729
Restricted cash and investments:	
City	25,961,039
Housing Authority	567,969
Alameda Power & Telecom	19,671,304
Total cash and investments of primary government and component units	182,114,640
Restricted cash and investments in Fiduciary Funds (separate statement)	51,366,818
Total cash and investments	$233,481,458

NOTE 2 - CASH AND INVESTMENTS (Continued)

Cash and investments as of June 30, 2007 consist of the following:

Cash on hand	$14,360
Deposits with financial institutions	8,179,515
Investments	225,287,583
Total cash and investments	$233,481,458

C. *Investments Authorized by the California Government Code and the City's Investment Policy*

The City's investment policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City; and approved percentages and maturities are not exceeded. The table also identifies certain provisions of the California Government Code, or the City's Investment Policy where the City's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

The City's investment policy and the California Government Code allow the City to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	270 Days	N/A	20%	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	$40,000,000 per account	$40,000,000 per account
U.S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	5 Years	N/A	75%	25% in each U.S. Agency
Bankers' Acceptances	180 Days	N/A	30%	30%
Commercial Paper	270 Days	A1, P1	25%	No Limit
Negotiable Certificates of Deposit	5 Years	AA	30%	No Limit
Time Certificates of Deposit	5 Years	N/A	30%	No Limit
Medium-Term Corporate Notes	5 Years	A	30%	No Limit
Money Market Mutual Funds	N/A	AAA	20%	No Limit
County Agency Investment Fund	Upon Demand	N/A	15%	No Limit
California Asset Management Program (CAMP)	Upon Demand	N/A	No Limit	No Limit

The Housing Authority's investment policy and the California Government Code allow the Authority to invest in the following, provided the credit ratings of the issuers are acceptable to the Housing Authority; and approved percentages and maturities are not exceeded. The table also identifies certain provisions of the California Government Code, or the Housing Authority's Investment Policy where the Housing Authority's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the Housing Authority, rather than the general provisions of the California Government Code or the Housing Authority's investment policy.

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Housing Authority's investment policy and the California Government Code allow the Housing Authority to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	N/A	N/A	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	No Limit	No Limit
U. S. Treasury Bonds, Notes and Bills	5 Years	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	5 Years	N/A	No Limit	No Limit
Bankers Acceptances	270 days	N/A	40%	30%
Negotiable Certificates of Deposit	5 Years	AA	30%	No Limit
Time Certificates of Deposit	5 Years	N/A	30%	No Limit
Medium Term Corporate Notes	5 Years	N/A	30%	No Limit
Money Market Mutual Funds	N/A	AAA	20%	No Limit
County Agency Investment Fund	Upon Demand	N/A	30%	No Limit
Reverse Repurchase Agreements	N/A	N/A	No Limit	No Limit

Alameda P&T's investment policy and the California Government Code allow Alameda P&T to invest in the following, provided the credit ratings of the issuers are acceptable to Alameda P&T; and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or Alameda P&T's investment policy where Alameda P&T's Investment Policy is more restrictive, that addresses interest rate risk, credit risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of Alameda P&T, rather than the general provisions of the California Government Code or Alameda P&T's investment policy.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Alameda P&T's investment policy and the California Government Code allow Alameda P&T to invest in the following:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Municipal Bonds	5 years	N/A	No Limit	No Limit
U.S. Treasury Obligations	5 years	N/A	No Limit	No Limit
State of California Obligations	5 years	N/A	No Limit	No Limit
CA Local Agency Obligations	5 years	N/A	No Limit	No Limit
U.S. Agency Securities (A)	5 years	N/A	No Limit	No Limit
Bankers Acceptances	180 days	N/A	40%	30%
Commercial Paper	270 days	A1	25%	10%
Negotiable Certificates of Deposit	5 years	N/A	30%	No Limit
Repurchase Agreements	1 year	N/A	No Limit	No Limit
Reverse Repurchase Agreements (requires City Council approval)	92 days	N/A	20 % of base value	No Limit
Medium Term Corporate Notes	5 years	Top three ratings categories	30%	No Limit
Mutual Funds	N/A	Top rating category	20%	10%
Money Market Mutual Funds	N/A	Top rating category	20%	10%
Collateralized Bank Deposits	N/A	N/A	No Limit	No Limit
Mortgage Pass-Through Securities	5 Years	Top rating category	20%	No Limit
County Pooled Investment Funds	N/A	N/A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	$40,000,000 per account	$40,000,000 per account

(A) Securities issued by agencies of the federal government such as the Federal Farm Credit Bank (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), and the Federal Loan Mortgage Corporation (FHLMC)

NOTE 2 - CASH AND INVESTMENTS (Continued)

D. *Investments Authorized by Debt Agreements*

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment In One Issuer
Repurchase Agreements	30 days	Top Four Rating Categories	No Limit	No Limit
U.S. Treasury Bonds, Notes and Bills	No Limit	N/A	No Limit	No Limit
U.S. Agency and U.S. Government Sponsored Enterprise Securities	No Limit	No Limit	No Limit	No Limit
State Obligations	No Limit	Not lower than their bond rating	No Limit	No Limit
Commercial Paper	No Limit	A-1+	No Limit	No Limit
Negotiable Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Time Certificates of Deposit	No Limit	N/A	No Limit	No Limit
Corporate Notes and Bonds	No Limit	Not lower than their bond rating	No Limit	No Limit
Guaranteed Investment Contracts	No Limit	Not lower than their bond rating	No Limit	No Limit
Shares of Beneficial Interest	No Limit	Top Rating Category	No Limit	No Limit
Money Market Mutual Funds	No Limit	AAm	20%	No Limit
Bankers' Acceptances	365 days	A-1+	30%	30%
Municipal Bonds*	No Limit	AAA	No Limit	No Limit
California Local Agency Investment Fund (LAIF)	Upon Demand	N/A	$40,000,000 per account	$40,000,000 per account
Investment Agreements	No Limit	N/A	No Limit	No Limit

* Comprises only debt issued by special assessment districts in the City of Alameda

NOTE 2 - CASH AND INVESTMENTS (Continued)

The Housing Authority must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if the Housing Authority fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with the Housing Authority's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
For U.S. Department Housing and Urban Development Funds				
Repurchase Agreements	N/A	N/A	No Limit	No Limit
U.S. Government Obligations and Agencies	N/A	N/A	No Limit	No Limit
State of California Obligations	N/A	N/A	No Limit	No Limit
Commercial Paper	N/A	N/A	No Limit	No Limit
Bankers Acceptances	270 days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Time Deposits	N/A	N/A	No Limit	No Limit
Qualified Financial Institution General Obligations	Upon Demand	AAA	No Limit	No Limit
Money Market Mutual Funds	N/A	AAA	20%	No Limit
U.S. Treasury Bills, Notes and Bonds	N/A	N/A	No Limit	No Limit
For Non U.S. Department Housing and Urban Development Funds				
Prime Commercial Paper	180 days	Highest Ranking	15%	30%
Medium Term Notes	5 years	A	30%	No Limit
City of Alameda Bonds	N/A	N/A	No Limit	No Limit
State of California Obligations	N/A	N/A	No Limit	No Limit
U.S. Government Obligations and Agencies	N/A	N/A	No Limit	No Limit
Bankers Acceptances	270 days	N/A	40%	30%
Certificates of Deposit	N/A	N/A	30%	No Limit
Repurchase Agreements	N/A	N/A	No Limit	No Limit
Money Market Mutual Funds	N/A	N/A	No Limit	No Limit
Trust Indentures	N/A	N/A	No Limit	No Limit
Mortgage and Equipment Lease Obligations	5 years	AA	30%	No Limit

NOTE 2 - CASH AND INVESTMENTS (Continued)

Alameda P&T must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if Alameda P&T fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Alameda P&T's ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage Allowed	Maximum Investment In One
U.S. Treasury Obligations	N/A	N/A	No Limit	No Limit
State Obligations	N/A	N/A	No Limit	No Limit
U.S. Agency Securities (A)	N/A	N/A	No Limit	No Limit
Commercial Paper	180 days	A	10%	No Limit
Certificates of Deposit	N/A	A-1	No Limit	No Limit
Bankers Acceptances	N/A	A-1	No Limit	No Limit
Money Market Mutual Funds	N/A	AA	No Limit	No Limit
Repurchase Agreements	30 days	A	No Limit	No Limit
California Local Agency Investment Fund	N/A	N/A	$40,000,00 0 per	$40,000,000 per account

(A) Securities issued by agencies of the federal government such as the Federal Farm Cre
the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNM
the Federal Home Loan Mortgage Corporation (FHLMC)

NOTE 2 - CASH AND INVESTMENTS (Continued)

E. Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Generally the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity at June 30, 2007:

Investment Type	12 Months or less	One to Five Years	Six to Ten Years	More than Ten Years	Total
U.S. Government-Sponsored Enterprise Agencies					
Non-callable	$3,493,714	$35,891,266			$39,384,980
Callable	1,656,369				1,656,369
Corporate Securities					
Non-callable	3,140,167	8,710,370			11,850,537
Callable	1,611,578				1,611,578
Guaranteed Investment Contracts		2,183,580	$8,911,411	$6,952,946	18,047,937
US Treasury Notes and Bills	1,673,429	12,068,531			13,741,960
Money Market Mutual Funds	5,317,299				5,317,299
California Local Agency Investment Fund	36,723,675				36,723,675
California Asset Management Program	3,836,529				3,836,529
Letter of Credit	245,640				245,640
Certificate of Deposits	508,287	1,016,556			1,524,843
Municipal Bonds	3,870,000	24,220,000	6,385,000		34,475,000
Total Investments	$62,076,687	$84,090,303	$15,296,411	$6,952,946	168,416,347
Cash deposits with banks and on hand					6,146,950
Total Cash and Investments					$174,563,297

Information about the sensitivity of the fair values of Housing Authority's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Housing Authority's investments by maturity:

	12 Months or less
Investments :	
Certificates of Deposit	$746,335
US Treasury Notes and Bills	655,458
Local Agency Investment Fund	8,883,472
Total Investments	$10,285,265

NOTE 2 - CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of Alameda P&T's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of the Alameda P&Ts investments by maturity:

	12 Months or less
Investments :	
U.S. Bank Cash equivalents, mutual funds of U.S. Securities	$3,915,665
Investment Agreement	11,700,191
U.S. Treasury Bond Stripped Principal Payment	976,414
U.S. Treasury Stripped Interest Payment	3,079,034
Money Market	483,697
Local Agency Investment Fund	18,445,807
Federal Agency Issue:	
Federal Home Loan Bank	3,447,348
Certificate of Deposits	4,537,815
Total Investments	46,585,971
Cash with Banks and Petty Cash	744,062
Total Cash and Investments	$47,330,033

The Alameda Public Financing Authority repurchased several outstanding Special Assessment Debt issues and holds them as investments. These investments were specifically authorized by City Council. At June 30, 2007, these investments comprised the following: $20,765,000 of Alameda Marina Village 89-1 Assessment Bonds; and $13,710,000 of Harbor Bay Business Assessment District 92-1 Revenue Bonds Series 1998. These investments are reported with Municipal Bonds in the table above.

The City, Alameda P&T and the Housing Authority are voluntary participants in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City, Alameda P&T and the Housing Authority report their investments in LAIF at the fair value amounts provided by LAIF, which is the same as the value of the pool share. At June 30, 2007 the fair value approximated is the City, Alameda P&T and the Housing Authority's cost. The balance available for withdrawal on demand is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2007, these investments have an average maturity of 176 days.

NOTE 2 - CASH AND INVESTMENTS (Continued)

F. *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2007 for each City's investment type as provided by Standard and Poor's except as noted:

Investment Type	AAA	AAAm	AAAm-	AA	AA+	AA-	A+	A-1+	Total
U.S. Government-Sponsored									
Enterprise Agencies									
Non-callable	$39,006,832							$378,148	$39,384,980
Callable	1,656,369								1,656,369
Corporate Securities									
Non-callable	2,237,118			$2,385,156	$592,933	$5,254,077	$1,381,253		11,850,537
Callable					1,611,578				1,611,578
Money Market Mutual Funds	5,060,915	$53,849	$202,535						5,317,299
California Asset Management Program		3,836,529							3,836,529
Totals	$47,961,234	$3,890,378	$202,535	$2,385,156	$2,204,511	$5,254,077	$1,381,253	$378,148	63,657,292
Not rated:									
California Local Agency Investment Fund									36,723,675
Letter of Credit									245,640
Municipal Bonds									34,475,000
Certificate of Deposits									1,524,843
Guaranteed Investment Contracts									18,047,937
Total not rated									91,017,095
Exempt:									
US Treasury Notes and Bills									13,741,960
Total Investments									$168,416,347

Presented below is the actual rating as of June 30, 2007 for each Housing Authority investment type:

Investment Type	
Not rated:	
Certificates of Deposit	$746,335
California Local Agency Investment Fund	8,883,472
Exempt:	
US Treasury Notes and Bills	655,458
Total Investments	$10,285,265

NOTE 2 - CASH AND INVESTMENTS (Continued)

Presented below is the actual rating as of June 30, 2007 for each Alameda P&T investment type as provided by Standard and Poor's:

Investments with Fiscal Agent	
AAA:	
U.S. Bank Cash equivalents, mutual funds of U.S. Securities	$3,915,665
Federal Agency Issue:	
Federal Home Loan Bank	3,447,348
A1+:	
Certificate of Deposits	3,109,975
Not rated:	
Certificate of Deposits	1,427,840
Money Market	483,697
Investment Agreement	11,700,191
Local Agency Investment Fund	18,445,807
Exempt:	
U.S. Treasury Bond Stripped Principal Payment	976,414
U.S. Treasury Stripped Interest Payment	3,079,034
Total Investments	$46,585,971

G. *Concentration of Credit Risk*

The City's investment policy regarding the amount that can be invested in any one issuer is stipulated by the California Government Code. However, the City is required to disclose investments that represent a concentration of five percent or more of investments in any one issuer, held by individual City Funds in the securities of issuers other than U. S. Treasury securities, mutual funds and external investment pools. At June 30, 2007, those investments consisted of (dollars in thousands):

Reporting Unit	Issuer	Investment Type	Reported Amount
Entity-wide:			
Government Activities	Federal Home Loan Mortgage Corporation	U.S. Government-Sponsored Enterprise Agencies	$12,910,199
	Federal National Mortgage Association	U.S. Government-Sponsored Enterprise Agencies	13,596,073
	Federal Home Loan Bank	U.S. Government-Sponsored Enterprise Agencies	10,206,499
	AIG Matched Funding Corporation	Guaranteed Investment Contract	9,364,569
	Special Assessment Districts in the City of Alameda	Municipal Bonds	34,475,000
Major Fund:			
General Fund	Federal Home Loan Mortgage Corporation	U.S. Government-Sponsored Enterprise Agencies	12,910,199
General Fund	Federal National Mortgage Association	U.S. Government-Sponsored Enterprise Agencies	13,191,526
General Fund	Federal Home Loan Bank	U.S. Government-Sponsored Enterprise Agencies	10,206,499
West End Community Improvement Project Area Special Revenue Fund	AIG Matched Funding Corporation	Guaranteed Investment Contract	4,505,342
Nonmajor Governmental Funds	AIG Matched Funding Corporation	Guaranteed Investment Contract	3,230,955
Agency Funds	Special Assessment Districts in the City of Alameda	Municipal Bonds	34,475,000
Agency Funds	CDC Funding	Guaranteed Investment Contract	3,519,282

NOTE 2 - CASH AND INVESTMENTS (Continued)

H. *Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations*

The City's investments include Mortgage Backed Securities with a fair value at June 30, 2007 of $1,772,842 that are sensitive to interest rate fluctuations, to a greater degree than already indicated in the information provided above. These securities are subject to early repayment in a period of declining interest rates, which could reduce expected cash flows. The fair value of these investments reflects this potential impact.

The City's investments include a Federal National Mortgage Association investment of $1,656,369 with a maturity of February 17, 2009 and a Corporate Note investment of $1,611,578 with a maturity of February 6, 2009. The investments has embedded call feature, and is callable November 9, 2007 and August 6, 2007, respectively.

Alameda P&T's investments include a Federal Home Loan Bank investment of $749,535 with a maturity date of November 14, 2007. The investment has embedded call feature, and is callable August 14, 2007

NOTE 3 - INTERFUND TRANSACTIONS

A. *Current Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2007 the amounts of current interfund balances were as follows:

Due From Other Funds	Due To Other Funds	
General Fund	Ferry Services Enterprise Fund	69,213
	Non-Major Governmental Funds	369,785
	Post Employment Internal Service Fund	6,567
	Total Due to General Fund	$445,565

B. *Long-Term Advances*

The General Fund advanced $1,258,995 to the Alameda Point Improvement Project Area Special Revenue Fund. The advance is to be repaid in future years from the proceeds of incremental property taxes as funds become available. The General Fund advance bears interest at 6% for fiscal year 2007.

The General Fund has advanced $2,400,000 to the FISC Lease Special Revenue Fund to pay for the public safety of former Navy property. The advance bears interest at 6% and is to be repaid in the future from lease revenue as funds become available.

The Golf Course Enterprise Fund advanced the Alameda Reuse and Redevelopment Authority Special Revenue Fund $300,000 in fiscal year 2001 for pre-development activities in connection with the Golf Course at Alameda Point. This loan is to be repaid upon the development of the golf course.

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

C. *Transfers Between City Funds*

With Council approval, resources may be transferred from one City fund to another. Transfers between City funds during fiscal year 2007 were as follows:

Fund Receiving Transfers	Fund Making Transfer	Amount Transferred	
General Fund	West End Community Improvement Project Area Special Revenue Fund	$240,893	
	Business Waterfront Improvement Project Area Special Revenue Fund	422,127	
	Alameda Point Community Improvement Project Area Special Revenue Fund	2,783	
	FISC Lease Revenue Special Revenue Fund	205,718	
	Alameda Reuse and Redevelopment Authority Special Revenue Fund	2,108,872	
	Capital Improvement Projects Capital Project Fund	206,421	
	Golf Course Fund	285,024	
	Sewer Services Fund	326,895	
	Non-Major Governmental Funds	2,809,411	
	Internal Service Funds	15,100	
West End Community Improvement Project Area Special Revenue Fund	FISC Lease Revenue Special Revenue Fund	1,528	
Theater Parking Special Revenue Fund	West End Community Improvement Project Area Special Revenue Fund	7,156,013	
	FISC Lease Revenue Special Revenue Fund	1,000,000	
	Capital Improvement Projects Capital Project Fund	1,229,994	
	Parking Meter Special Revenue Fund	500,000	
	Non-Major Governmental Funds	8,401,464	
FISC Lease Revenue Special Revenue Fund	General Fund	15,000	
	West End Community Improvement Project Area Special Revenue Fund	1,000,000	
	Alameda Point Community Improvement Project Area Special Revenue Fund	758,325	
	Sewer Services Fund	1,169,105	
Alameda Reuse and Redevelopment Authority Special Revenue Fund	FISC Lease Revenue Special Revenue Fund	28,345	A
	Non-Major Governmental Funds	182,702	A
Capital Improvement Projects Capital Project Fund	General Fund	2,167,270	A
	West End Community Improvement Project Area Special Revenue Fund	38,011	A
	Sewer Services Fund	128,194	A
	Non-Major Governmental Funds	4,012,270	A
	Internal Service Funds	60,801	A
Ferry Services Enterprise Fund	Non-Major Governmental Funds	774,698	C
Golf Course Enterprise Fund	General Fund	32,516	
Non-Major Governmental Funds	General Fund	2,587,083	B
	West End Community Improvement Project Area Special Revenue Fund	2,895,454	B
	Business Waterfront Improvement Project Area Special Revenue Fund	908,536	B
	FISC Lease Revenue Special Revenue Fund	700,874	D
	Capital Improvement Projects Capital Project Fund	33,047	
	Golf Course Fund	134,199	
	Sewer Services Fund	8,120	
	Non-Major Governmental Funds	1,118,959	B
Internal Service Funds	West End Community Improvement Project Area Special Revenue Fund	5,809	
	Business Waterfront Improvement Project Area Special Revenue Fund	3,082	
	Alameda Point Community Improvement Project Area Special Revenue Fund	17	
	FISC Lease Revenue Special Revenue Fund	645	
	Golf Course Fund	38,013	
	Sewer Services Fund	11,204	
	Non-Major Governmental Funds	40,496	
		$43,765,018	

The reasons for these transfers are set forth below:

(A) To fund capital projects
(B) To fund indirect costs and debt services
(C) To fund ferry services
(D) To transfer proceeds according to a profit participation agreement

NOTE 3 - INTERFUND TRANSACTIONS (Continued)

D. *Internal Balances*

Internal balances are presented in the Entity-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

E. *Alameda P&T Advances*

As of June 30, 2007, the Electric Services Fund had advanced $43,616,313 to the Telecommunications Services Fund over the past seven years to finance the expansion and operations of the telecommunication services. The advance bears interest at 4%. Repayment is to commence within 20 years from the recording date of each advance installment and is to be paid in 10 equal annual installments. The first payment is scheduled for fiscal year 2020

NOTE 4 - LOANS RECEIVABLE

A. *Housing Rehabilitation and Affordable Housing Loans*

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to homeowners or developers who agree to spend these funds in accordance with the City's terms. Some of these loans may be forgiven at the completion of the loan term if all the stipulated conditions are met. Other loans and notes are expected to be repaid in full. The balance of these loans has been offset by deferred revenue, as they are not expected to be repaid during the coming fiscal year. The balance of the loans receivable arising from these programs at June 30, 2007 was $6,199,672. Included in this balance was $1,088,600 receivable from the Housing Authority, as discussed in Note 7.

B. *Alameda Development Corporation*

During the year ended June 30, 2000, the Community Improvement Commission entered into an agreement with the Alameda Development Corporation, a non-profit corporation, to loan the corporation funds to be used to develop housing units for persons with very low to low annual incomes. The loan is secured by a deed of trust and bears interest at 5% for 59 years. In February, 2006 the loan was amended and restated to include additional funding and allow forgiveness and reconveyance of the loan as each unit is completed and sold to a qualified household. The balance of this loan has been offset by deferred revenue as it is not expected to be repaid during the coming fiscal year. As of June 30, 2007, the balance of the loan was $1,740,000.

C. *Affordable Housing Project*

The Commission entered into a Participation Agreement with Resources for Community Development (Developer) to develop fifty-two units of Affordable Rental Housing and ten units of Ownership Housing. Under the terms of the Agreement, the Commission would provide $3,615,000 of housing funds for construction costs. In addition, the City pledged $400,000 of HOME funds for a portion of the pre-development cost and developer fees. As of June 30, 2007, the Commission had loaned $1,000,000 to the Developer.

NOTE 4 - LOANS RECEIVABLE (Continued)

D. Loan to Property Owner

The City imposed a nuisance abatement lien on certain real property located on Pacific Avenue. The City incurred costs of abatement on the property in the amount of $120,820. The total amount is due to the City from the property owner and bears interest at a rate of 6% per annum. The property was sold and the loan was repaid in fiscal 2007.

E. Microenterprise Assistance Program

The City has engaged in a loan program designed to provide financial and technical assistance to low-and-moderate-income entrepreneurs of Alameda to develop, strengthen and stabilize very small businesses. The loans accrue interest at 2% per year with repayment over ten years. At the City's option, loan payments may be deferred for up to three years. The balance of the loans receivable arising from this program at June 30, 2007 was $91,935.

F. Loan to Alameda P&T

On December 16, 2003 at the request of the Public Utilities Board, the Alameda City Council loaned $2,200,000 to Alameda P&T for the purpose of the construction of a hybrid fiber-optic/coaxial telecom network. The loan is interest free and is to be repaid on June 1, 2009. As of June 30, 2007 the remaining principal balance was $2,200,000.

G. Alameda P&T Loans to the City

The City entered into a loan agreement with Alameda P&T for the replacement of deteriorated street lights. Through June 30, 2007, Alameda P&T had expended $627,300 for street light replacement and the City had made payments of $402,000. Annual installments of $40,000 are scheduled until the loan is repaid. At June 30, 2007 the outstanding balance was $225,300.

In April 2003, the City reached an agreement with Alameda P&T to study the best method to replace historic streetlight poles. The original agreement was for a $70,000 loan to be paid back over ten years. However, on August 17, 2004 the street light system was transferred to Alameda P&T after incurring study related costs of $36,868. The loan principal was reduced by $34,089 to reflect only the costs incurred prior to the transfer. The City agreed to pay annual payments ranging from $8,160 to $3,116 through July 1, 2009. Annual loan payments include interest at the rate of 2.89%. At June 30, 2007 the outstanding balance was $11,097.

The City entered into a loan agreement with Alameda P&T for $79,000 to construct underground streetlights located within Underground Districts #21 and #16 and owned by the City maintained by the City's Public Works department. The loan carries an interest rate of 2% and is to be repaid in annual installments through fiscal year 2009. The City transferred the streetlights to AP&T which reduced the loan to $54,000 on August 2005. The new loan amount is the cost that the City had spent on the streetlights prior to the transfer. At June 30, 2007 the outstanding balance was $18,662.

The City entered into a loan agreement with Alameda P&T in April 2005 for $21,000 to provide the City's Recreation and Parks department's new facility at 2226 Santa Clara Avenue with telecommunications capabilities. The loan is to be repaid over four years with equal installments of $5,250 and has a zero percent interest rate. The first payment was made on June 1, 2005. At June 30, 2007 the outstanding balance was $10,500.

NOTE 4 - LOANS RECEIVABLE (Continued)

H. *Multiplex Cinema*

As part of a Disposition and Development Agreement as discussed on Note 14C, the Community Improvement Commission has entered into a loan agreement with Alameda Entertainment Associates, L.P. in March 2007 for $2,800,000 for the renovation of the Historic Alameda Theatre and development of a new multiplex cinema. Repayment of $1,400,000 of this loan will begin in the seventh operating year for twenty years with equal monthly installments. The remaining $1,400,000 will be repaid by percentage rental amounts from gross operating revenues as established in the Disposition Developer Agreement. As of June 30, 2007, the balance of the loan was $2,800,000.

I. *City Manager Loan*

On June 21, 2005, the City Council approved the appointment of the current City Manager and authorized the execution of an Employment Agreement that outlines the terms and conditions of employment, including a Housing Assistance Agreement. The terms of the Agreement may be amended by action of the City Council.

The original Housing Assistance Agreement was structured using an equity share concept. However, this structure made it difficult to coordinate with a traditional loan. On April 18, 2006, the City Council amended the Housing Assistance Agreement restructuring it from an equity share concept to a more traditional loan. Additionally, a Loan Agreement and a Subordinate Deed of Trust were required. The amount of the assistance, $250,000, did not change with the restructuring. The interest rate is established at one-half percent above the current Local Agency Investment Fund rate in order to protect the General Fund's assets. On July 3, 2006, the Amended and Restated Housing Assistance Agreement was executed, funds transferred and repayment established through payroll withholding. As of June 30, 2007, the balance of the loan was $246,204.

NOTE 5 – CAPITAL ASSETS

Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than $10,000. All capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Electric Plant	30 years
Buildings and Improvements	40-80 years
Ferry Boat	30 years
Machinery, Furniture and Equipment	4-40 years
Infrastructure	15-75 years

NOTE 5 – CAPITAL ASSETS (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A. Capital Asset Additions and Retirements

City capital asset activities for the year ended June 30, 2007 is as follows:

	Balance at June 30, 2006	Additions	Retirements	Transfers	Balance at June 30, 2007
Governmental activities					
Capital assets not being depreciated:					
Land	$4,921,331				$4,921,331
Construction in progress	64,090,570	$36,506,397	($3,199,235)	($37,867,248)	59,530,484
Total capital assets not being depreciated	69,011,901	36,506,397	(3,199,235)	(37,867,248)	64,451,815
Capital assets being depreciated:					
Buildings	194,169,746			26,321,533	220,491,279
Machinery and equipment	22,950,327	2,288,871	(130,757)		25,108,441
Infrastructure:					
Streets	71,553,829			9,702,599	81,256,428
Landscape	19,749,243			1,265,950	21,015,193
Storm drains	18,199,392			93,485	18,292,877
Portable water	1,490,959				1,490,959
Parks	4,091,575			483,681	4,575,256
Marina facilities	24,285,397				24,285,397
Total capital assets being depreciated	356,490,468	2,288,871	(130,757)	37,867,248	396,515,830
Less accumulated depreciation:					
Buildings	(80,526,769)	(2,701,469)			(83,228,238)
Machinery and equipment	(15,942,974)	(1,117,230)	130,757		(16,929,447)
Infrastructure:					
Streets	(45,289,403)	(2,128,706)			(47,418,109)
Landscape	(12,795,149)	(610,444)			(13,405,593)
Storm drains	(6,476,084)	(287,540)			(6,763,624)
Portable water	(1,188,566)	(19,352)			(1,207,918)
Parks	(1,691,366)	(164,452)			(1,855,818)
Marina facilities	(17,506,231)	(301,218)			(17,807,449)
Total accumulated depreciation	(181,416,542)	(7,330,411)	130,757		(188,616,196)
Net capital assets being depreciated	175,073,926	(5,041,540)		37,867,248	207,899,634
Governmental activity capital assets, net	$244,085,827	$31,464,857	($3,199,235)		$272,351,449

NOTE 5 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2006	Additions	Retirements	Balance at June 30, 2007
Business-type activities				
Capital assets, not being depreciated:				
Land and improvement	$176,899			$176,899
Construction in progress	42,081	$264,338		306,419
Total capital assets not being depreciated	218,980	264,338		483,318
Capital assets, being depreciated:				
Buildings	930,093		($64,909)	865,184
Sewer lines	57,706,916	1,332,591		59,039,507
Streets	188,016			188,016
Storm drains	314,356			314,356
Golf improvements	4,255,123		(97,526)	4,157,597
Ferry boats	12,758,250			12,758,250
Office furniture and equipment	2,551,213	164,007	(179,658)	2,535,562
Net capital assets being depreciated	78,703,967	1,496,598	(342,093)	79,858,472
Less accumulated depreciation for:				
Buildings	(194,111)	(12,206)	1,423	(204,894)
Sewer lines	(20,277,458)	(925,199)		(21,202,657)
Streets	(117,319)	(4,821)		(122,140)
Storm drains	(54,745)	(4,191)		(58,936)
Golf improvements	(1,549,054)	(157,925)	11,703	(1,695,276)
Ferry boats	(3,427,771)	(433,749)		(3,861,520)
Office furniture and equipment	(2,161,136)	(207,635)	178,658	(2,190,113)
Total accumulated depreciation	(27,781,594)	(1,745,726)	191,784	(29,335,536)
Net capital assets being depreciated	50,922,373	(249,128)	(150,309)	50,522,936
Business-type activity capital assets, net	$51,141,353	$15,210	($150,309)	$51,006,254

B. *The Housing Authority's Capital Assets*

Housing Authority capital asset activities for the year ended June 30, 2007 is as follows.

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets, not being depreciated:				
Land	$7,746,433	$4,640,000	($423,580)	$11,962,853
Capital assets, being depreciated:				
Buildings & Improvements	30,583,062	$953,702		31,536,764
Equipment	200,988			200,988
Net capital assets being depreciated	30,784,050	953,702		31,737,752
Less accumulated depreciation:	(12,842,198)	(829,914)		(13,672,112)
Net Capital Assets being depreciated	17,941,852	123,788		18,065,640
Total capital assets, net	$25,688,285	$4,763,788	($423,580)	$30,028,493

NOTE 5 - CAPITAL ASSETS (Continued)

C. *Alameda P&T's Capital Assets*

Alameda P&T capital asset activities for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions Adjustments	Retirements Adjustments	Transfers	Balance June 30, 2007
Capital assets not being depreciated:					
Land and Rights	$758,676				$758,676
Construction Work in Progress	4,788,904	$5,657,483		($5,987,744)	4,458,643
Total capital assets not being depreciated	5,547,580	5,657,483		(5,987,744)	5,217,319
Capital assets being depreciated:					
Utility Plant	105,225,635		($1,740,709)	5,812,069	109,296,995
Service Center Building	7,843,584				7,843,584
Machinery and Equipment	8,691,076			12,945	8,704,021
Transportation Equipment	2,300,566		(123,489)		2,177,077
Computer Equipment	2,969,120			162,730	3,131,850
Furniture and Fixtures	599,845				599,845
Total capital assets being depreciated	127,629,826		(1,864,198)	5,987,744	131,753,372
Less accumulated depreciation for:					
Utility Plant	35,393,475	4,578,838	(464,188)		39,508,125
Service Center Building	2,199,526	186,249			2,385,775
Machinery and Equipment	4,047,891	583,404			4,631,295
Transportation Equipment	1,573,627	117,675	(123,489)		1,567,813
Computer Equipment	2,839,022	115,534			2,954,556
Furniture and Fixtures	308,626	24,038			332,664
Total accumulated depreciation	46,362,167	5,605,738	(587,677)		51,380,228
Total depreciable assets	81,267,659	(5,605,738)	(1,276,521)	5,987,744	80,373,144
Business activity capital assets, net	$86,815,239	$51,745	($1,276,521)		$85,590,463

NOTE 5 - CAPITAL ASSETS (Continued)

D. *Capital Asset Contributions*

Some capital assets may be acquired using Federal and State grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

E. *Depreciation Allocation*

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General government	$243,971
Police	304,946
Fire	302,618
Public works	3,421,093
Development services	2,225,446
Culture and recreation	832,337
Total Governmental Activities	$7,330,411
Business-Type Activities	
Ferry Services	$433,749
Golf Course	352,805
Sewer Services	959,172
Total Business-Type Activities	$1,745,726
Discretely Presented Component Units:	
Housing Authority of City of Alameda	$829,914
Alameda Power & Telecom	$5,605,738

NOTE 6 – LOAN PAYABLE

On April 4, 2003, the City entered into a loan agreement with a developer for the Bayport Residential Project. Under the agreement, the developer would provide funding up to $28,800,000 for the redevelopment of the former U.S. Navy East Housing, Fleet Industrial Supply Center Annex (FISCA), and Fleet Industrial Supply Center (FISC). The repayment of the loan is financed by tax increment revenues from the Alameda Landing Project. The City expects to repay this loan in fiscal 2010.

The City's loan payable activities for the year ended June 30, 2007 was as follows:

Beginning balance	$2,802,487
Additions	7,882,647
Retirements	(5,945,937)
Ending balance	4,739,197

NOTE 7 – LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets which will have useful lives equal to or greater than the related debt.

Bond Discounts and Issuance Costs

Bond discounts and issuance costs of long-term debt issues are amortized over the life of the related debt.

The City's long-term debt activities for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Current Portion
Governmental Activity Debt:					
Certificates of Participation:					
1996 Police Building	$1,790,000		$140,000	$1,650,000	$145,000
1996 Library/Golf	3,875,000		155,000	3,720,000	165,000
2002 City Hall	10,295,000		375,000	9,920,000	385,000
Total Certificates of Participation	15,960,000		670,000	15,290,000	695,000
1992 Revenue Bonds	1,670,000		115,000	1,555,000	125,000
2002 Subordinate Tax Allocation Bonds	3,860,000		450,000	3,410,000	525,000
2003 General Obligation Bonds	10,300,000		165,000	10,135,000	175,000
2003 Tax Allocation Refunding Bonds	18,535,000		200,000	18,335,000	430,000
2003 Tax Allocation Bonds	46,305,000		40,000	46,265,000	50,000
2003 ARRA Demand Revenue Bonds	13,440,000			13,440,000	240,000
Equipment Purchase Agreements	897,254		231,522	665,732	234,501
Loans Payable	1,019,288	$4,000,000	103,729	4,915,559	119,033
Leases Payable	808,390		174,894	633,496	179,582
Total Governmental Activity Debt	$112,794,932	$4,000,000	$2,150,145	$114,644,787	$2,773,116
Business-Type Activity Debt:					
1995 Certificates of Participation	$3,785,000		$240,000	$3,545,000	$250,000
State Construction Loan	160,693		18,898	141,795	19,539
State Water Resources Control Board	1,552,835		110,665	1,442,170	113,764
State Revolving Fund Loan, 1998	1,619,708		106,318	1,513,390	109,083
State Revolving Fund Loan, 1999	771,274		46,065	725,209	47,308
State Revolving Fund Loan, 2004	1,390,929		66,108	1,324,821	67,826
Equipment Purchase Agreements	254,688	$200,609	114,996	340,301	201,362
Total	$9,535,127	$200,609	$703,050	$9,032,686	$808,882

NOTE 7 – LONG-TERM DEBT (Continued)

A. *Housing Authority Long Term Debt*

The Housing Authority's long-term debt activity for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Retirements	Balance June 30, 2007
ARCS Commercial Co. L.P.	$6,706,488	$91,716	$6,614,772
PMC Financial Services	9,114,532	177,259	8,937,273
Notes Payable - City of Alameda	1,088,600		1,088,600
Notes Payable - Other	456,495	12,834	443,661
Total	$17,366,115	$281,809	$17,084,306

B. *Alameda P&T Long-Term Debt*

Alameda P&T's long-term debt consists of the Certificates of Participation issues discussed in Note F below. The Alameda P&T long-term debt issues and transactions were as follows:

	Original Issue Amount	Balance June 30, 2006	Balance June 30, 2007	Current Portion
Electric System Revenue Taxable COPs, Series 2000AT	$29,500,000	$29,500,000	$29,500,000	
Electric System Revenue COPs, Series 2000A	9,545,000	9,545,000	9,545,000	
Telecom System Revenue Taxable COPs, Series 2002A	6,300,000	6,300,000	6,300,000	$1,357,509
Telecom System Revenue Bond Anticipation Notes, Series 2004	33,000,000	33,000,000	33,000,000	
Loan from City of Alameda	2,200,000	2,200,000	2,200,000	
Total long-term debt		$80,545,000	$80,545,000	$1,357,509

Alameda P&T is required to maintain amounts of cash and investments with trustees or fiscal agents under the terms of the Series 2000A Certificates of Participation, as discussed at Note 6F.

NOTE 7 – LONG-TERM DEBT (Continued)

C. *Debt Service Requirements - City, Housing Authority and Alameda P&T*

Annual debt service requirements are shown below for all long-term debt:

					Discretely Presented Component Units			
					Governmental Activities Housing Authority		Business-Type Activities Alameda P&T	
	Governmental Activities		Business-Type Activities					
For the Year Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	$2,773,116	$6,008,248	$808,882	$321,135	$299,342	$681,086	$1,357,509	$6,259,851
2009	2,984,378	5,884,723	671,281	296,739	316,655	667,130	40,142,491	5,774,686
2010	3,126,913	5,737,826	693,505	270,870	334,979	652,371		2,366,945
2011	3,119,360	5,549,640	721,015	244,952	354,364	636,762		2,366,945
2012	3,319,360	5,382,934	718,064	218,376	374,869	620,255	975,000	3,335,070
2013-2017	18,627,660	24,139,450	3,827,476	689,183	2,225,970	2,818,403	6,010,000	10,685,777
2018-2022	21,382,000	19,201,342	1,492,784	95,088	2,949,190	2,237,303	8,400,000	8,557,390
2023-2027	24,537,000	13,130,812	99,679	2,591	3,881,100	1,469,075	11,450,000	5,520,523
2028-2032	27,225,000	6,389,742			4,060,619	520,596	12,210,000	1,437,359
2033-2037	7,550,000	367,208			1,336,941	49,555		
2038-2042					46,846			
2043-2047					41,221			
2048-2052					33,638			
2053-2057					828,572			
2058-2062								
Total	$114,644,787	$91,791,925	$9,032,686	$2,138,934	$17,084,306	$10,352,536	$80,545,000	$46,304,546

D. *Description of the City's Long-Term Debt Issues*

Some of the City's debt is in the form of Certificates of Participation, which are a type of debt secured by lease payments made by the City under non-cancelable lease agreements. The cost of the assets securing these leases and the balance of the debt evidenced by these Certificates of Participation have been included in the City's financial statements as these leases are in essence financing arrangements with ownership of the financed assets reverting to the City at their conclusion.

1996 Police Building Refinancing and Equipment Financing Certificates of Participation - The City issued Certificates of Participation in the original principal amount of $2,770,000, and bearing interest at 4.00-6.125%, on July 16, 1996 as a sale and leaseback agreement under a non-cancelable lease extending to August 1, 2015. The proceeds from the sale of the Bonds were used to refund City's 1990 COP's Police Building and Equipment Financing Project COPs. Under this lease, the City makes semi-annual payments February 1 and August 1 from the Police and Fire Impact fund and asset seizure revenues to pay the principal and interest on the 1996 Certificates of Participation. The cost of the building and the balance of the debt evidenced by the Police Building Refinancing and Equipment Financing Certificates of Participation have been included in the City's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the City at its conclusion.

NOTE 7 - LONG-TERM DEBT (Continued)

1996 Library and Golf Course Upgrade and Renovation Certificates of Participation - The City issued Certificates of Participation in the original principal amount of $4,900,000, and bearing interest at 3.90-5.75%, on December 1, 1996 to finance the seismic upgrade and renovation of the Carnegie Library building and certain golf course facilities under a non-cancelable lease of these facilities extending to December 1, 2021. Under this lease, the City makes semi-annual payments June 1 and December 1 from any source of available funds of the City which are sufficient to pay the principal and interest on the 1996 Certificates of Participation. Ownership of the leased premises reverts to the City at the end of the lease. The balance of the debt evidenced by the Library and Golf Course Upgrade and Renovation Certificates of Participation have been included in the City's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the City at its conclusion.

2002 City Hall Refinancing Project Certificates of Participation – The City issued Certificates of Participation in the original principal amount of $11,370,000, and bearing interest at 2.25-4.75%, on September 10, 2002 to refund the City's outstanding $10,565,000 1995 City Hall Seismic Upgrade and Renovation Project Certificates of Participation. The 1995 COP was to finance the seismic upgrade and renovation of City Hall and certain fire station facilities under a non-cancelable lease of these facilities extending to May 1, 2025. Under this lease, the City makes semi-annual payments May 1 and November 1 from vehicle licensing fees, which are sufficient to pay the principal and interest on the 2002 Certificates of Participation. Ownership of the leased premises reverts to the City at the end of the lease. The balance of the debt evidenced by the 2002 Certificates of Participation have been included in the City's financial statements as this lease is in essence a financing arrangement, with ownership of the financed assets reverting to the City at its conclusion. Principal and interest are payable semi-annually each November 1 and May 1 through 2025.

The refunding proceeds of the 2002 Bonds were used to purchase non-callable US government securities which were deposited in an irrevocable trust to provide for all future debt service payments of the 1995 COPs. Accordingly, the trust account assets and the liability for the refunded portion of the 1995 COPs are not included in the financial statements.

The balance of the City's debt are in various forms as follows:

1992 Revenue Bonds - On April 1, 1992, the Alameda Public Financing Authority issued $2,740,000 original principal amount of 1992 Revenue Bonds, bearing interest at 5.80-6.80%. The proceeds from the sale of the Bonds were used to refund the West End Improvement Project 1985 Tax Allocation Bonds. The Community Improvement Commission's tax increment revenue is pledged for the repayment of these bonds. Principal and interest are payable semi-annually each April 1 and October 1 through 2016.

2002 Community Improvement Commission Subordinate Taxable Tax Allocation Bonds – On March 1, 2002, the Community Improvement Commission issued Tax Allocation Bonds in the principal amount of $4,640,000, bearing interest at 6.05-7.75%. The proceeds, in part, were used to repay a loan from the City to the Community Improvement Commission related to the Commission's Business and Waterfront Improvement Project. The bonds are payable from tax increment revenues receivable by the Commission with respect to the Project Area. Principal and interest are payable semi-annually on February 1 and August 1 through February 2012.

NOTE 7 – LONG-TERM DEBT (Continued)

2003 General Obligation Bonds – On November 7, 2000 the voters approved the issuance of General Obligation Bonds, which the City issued on March 25, 2003, in the principal amount of $10,600,000, plus a reoffering premium of $268,000, to finance the acquisition and construction of a new main library and improvements to two branch libraries within the City. The bonds bear interest at 2.00-5.00%. The repayment of the bonds is secured by all revenue of the City. Principal payments are due annually on August 1. Interest payments are due semi-annually on February 1 and August 1 through August 1, 2033.

2003 Community Improvement Commission Tax Allocation Refunding Bonds – On October 1, 2003, the Community Improvement Commission issued Tax Allocation Refunding Bonds related to the Business and Waterfront Improvement Area in the original principal amount of $18,535,000, with Series 2003 C issued in the amount of $17,510,000 and Series 2003 D in the amount of $1,025.000. The bonds bear interest at 2.00-6.62%. The proceeds were used to retire the 2002 Financing Authority Variable Rate Revenue Bonds. The Bonds are payable from tax increment revenues receivable by the Commission with respect to the Project Area. Principal is payable annually on February 1 with interest payable semi-annually on February 1 and August 1 through February 2032.

2003 Community Improvement Commission Tax Allocation Bonds – On December 1, 2003, the Community Improvement Commission issued Series 2003 A1 and A2 Tax Allocation Bonds in the amount of $37,390,000 and Series 2003 B Subordinated Tax Allocation Bonds in the amount of $9,205,000 for a total original principal amount of $46,595,000, for the Commission's merged improvement areas. The bonds bear interest at 2.00-5.85%. The proceeds are to finance certain redevelopment projects, to repay the City a loan of $2,200,000 for the project area and to finance $12,200,000 of demolition cost incurred in the project area. The Series 2003 A1 and A2 are secured by a pledge of certain tax increment revenues for the Commission's Merged Project Area. The Series 2003 B are secured by a subordinate pledge of tax revenues. Interest is payable semiannually on March 1 and September 1 through 2033. Principal is payable annually on March 1 through 2033.

2003 ARRA Demand Revenue Bonds (Alameda Point Improvement Project) – On December 1, 2003, the Alameda Public Financing Authority issued Revenue Bonds in the original principal amount of $13,440,000 at a variable rate of interest determined on a weekly basis. The proceeds from the bonds were used to refund the 1999 ARRA Revenue Bonds which were issued to finance the costs of certain improvements at Alameda Point and to finance professional services for land use planning and other activities required in the redevelopment process at Alameda Point. Repayment of these bonds is from rental revenues paid to ARRA from certain land, buildings, fixtures and equipment. Interest is payable on the first business day of each month.

Loans Payable - The City entered into a loan with Alameda P&T for $70,000 on April 14, 2003 to conduct a study and renewal recommendation for the 1929 "Historic Street Lights" to be conducted by Alameda P&T. However, on August 17, 2004 the street lights were transferred to Alameda P&T after incurring study related costs of $36,868. The loan principal was reduced by $34,089 to reflect only the costs incurred prior to the transfer. The City agreed to pay annual payments of $4,297 through 2010. At June 30, 2007 the outstanding balance was $11,097.

The City entered into a loan with Alameda P&T for the replacement of deteriorated street lights. Through June 30, 2007, Alameda P&T had expended $627,300 for street light replacement, and the City had made payments of $402,000. Annual installments of $40,000 are scheduled until the loan is repaid. At June 30, 2007 the outstanding balance was $225,300.

NOTE 7 – LONG-TERM DEBT (Continued)

The City entered into a loan with Alameda P&T for $79,000 to construct underground streetlights owned by the City's Underground Districts #21 and #16 and maintained by the City's Public Works department. The loan carries an interest rate of 2% and is to be repaid in annual installments through fiscal year 2009. The loan was reduced to $54,000 on August 2005. At June 30, 2007 the outstanding balance was $18,662.

The City entered into a loan with Alameda P&T in April 2005 for $21,000 to provide the City's Recreation and Parks Department's new facility at 2226 Santa Clara Avenue with telecommunications capabilities. The loan is to be repaid over four years with equal installments of $5,250 and has a zero percent interest rate. At June 30, 2007 the outstanding balance was $10,500.

ERAF Loan Program – In April 2006, the Community Improvement Commission borrowed $695,000 from California Statewide Communities Development Authority to pay for Educational Revenue Augmentation Fund (ERAF) due to Alameda County. Both principal and interest payments are made semi-annually through March 2016.

HUD Section 108 Loan – In September 2006, the Community Improvement Commission borrowed $4,000,000 from the Department of Housing and Urban Development for the construction of the Alameda Theater Garage Project. The loan bears interest of 4.99% to 5.77% and is to be repaid in annual installments through fiscal 2027 from grant and parking garage revenues.

1995 Sewer System Refinancing & Improvement Certificates of Participation - On December 14, 1995, the City issued Certificates of Participation in the original principal amount of $5,850,000, bearing interest at 4.05-5.15%. $5,035,792 of the proceeds plus $434,355 from the 1988 refunded debt reserves were used to set up an escrow account to make principal and interest payments on the 1988 refunded debt through March 1, 1998 and to redeem the 1988 COPs at 103% on March 1, 1998. The remaining $815,000 of the proceeds is to be used for new Sewer Fund Projects relating to the closure of the Alameda Naval Air Station. The COPs mature on March 1, 2018. The installment payments are made from the net revenues of the Sewer Services Enterprise Fund.

State Construction Loan - On May 2, 1989, the City entered into a loan with the State of California State Water Resources Control Board for $400,431 at 3.39% interest to construct facilities for the control and prevention of water pollution. The loan is payable from Sewer Service Enterprise Fund operating revenues. The City agreed to make annual payments of $24,349 through December 1, 2013.

State Water Resources Control Board- On February 8, 1996, the City entered into a loan with the State of California State Water Resources Control Board for up to $2,324,502 at 2.8% interest, of which all has been drawn down. The purpose of the loan is to provide funding to install sanitary sewer facilities. The loan is payable from Sewer Service Enterprise Fund operating revenues. The City agreed to make annual payments of $154,144 through August 5, 2017.

State Revolving Fund Loan - The City entered into a contract on July 1, 1998 to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is $2,292,025, of which all has been drawn down. This loan bears interest at 2.6% per year for a term of twenty years.

NOTE 7 – LONG-TERM DEBT (Continued)

State Revolving Fund Loan - The City entered into a contract on September 29, 1999 to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is $1,193,529 and shall bear interest at 2.7% per year for a term of twenty years. As of June 30, 2007, the City has drawn down $1,030,513 of the loan.

State Revolving Fund Loan - The City entered into a contract on August 12, 2004 to borrow funds from the State Water Resources Control Board. The funds are being used for a Sewer Replacement Project to replace sewers to correct infiltration and inflow. The maximum loan amount is $1,840,292 and shall bear interest at 2.6% per year for a term of twenty years. As of June 30, 2007, the City has drawn down $1,530,442 of the loan.

Equipment Purchase Agreements - On November 3, 1994 the City entered into a non-cancelable lease agreement in the amount of $450,000 with U.S. Bank to acquire a fire truck. The City agreed to pay the lease in monthly payments of $3,875 for 180 months. Ownership of the fire truck reverts to the City at the end of the lease. Since the lease is in essence a financing arrangement, the cost of the fire truck and the amount of the lease have been included in the City's financial statements.

On April 18, 2001 the City entered into a non-cancelable lease agreement in the amount of $404,934 with Textron Financial Corporation to acquire certain electric golf equipment. The City agreed to pay the lease in monthly payments of $8,270 for 36 months. On April 5, 2004 the City traded-in the golf equipment in exchange for a new lease agreement with Textron Financial Corporation in the amount of $444,077. Under the new lease agreement the City agreed to pay $9,203 for 36 months. Ownership of the golf equipment reverts to the City at the end of the lease. Since the lease is essentially a financing agreement, the cost of the golf equipment and the amount of the lease have been included in the City's financial statements.

On April 1, 2003 the City entered into a non-cancelable lease agreement in the amount of $674,467 with Bank of Alameda to acquire two fire trucks. The City agreed to pay the lease in quarterly payments of $21,597 for ten years. Ownership of the fire trucks reverts to the City at the end of the lease. Since the lease is in essence a financing arrangement, the costs of the fire trucks and the amount of the lease have been included in the City's financial statements.

On May 7, 2003 the City entered into a non-cancelable lease agreement in the amount of $948,040 with Bank of Alameda to acquire a telephone system. The City agreed to pay the lease in monthly payments of $19,003 for 84 months. Ownership of the equipment reverts to the City at the end of the lease. Since the lease is in essence a financing arrangement, the costs of the telephone system and the amount of the lease have been included in the City's financial statements.

On December 15, 2005 the City entered into a lease agreement in the amount of $336,874 with the California First Leasing Corporation to acquire accounting system upgrades, a Fire Record Management System and a Storage Area Network. Included in the lease amount are license fees, training, installation, and data conversion costs. The City agreed to pay the lease in annual payments of $122,222 for three years. Ownership of the software and hardware reverts to the City at the end of the lease. Since the lease is in essence a financing arrangement, the capital costs and the amount of the lease have been included in the City's financial statements.

NOTE 7 – LONG-TERM DEBT (Continued)

On October 15, 2006, the City entered into a lease agreement in the amount of $200,609 with Wells Fargo Financial Leasing, Inc. to acquire various golf maintenance equipment. The City agreed to pay the lease in monthly payments of $3,798 for 60 months. Ownership of the equipment reverts to the City at the end of the lease. Since the lease is essentially a financing arrangement, the costs of the golf equipment and the amount of the lease have been included in the City's financial statements.

E. *Housing Authority Notes Payable*

The deed of trust note dated April 1, 2005 of $6,800,000 for the Parrot and Eagle Village Apartments with ARCS Commercial Co. L.P. accrues interest at a variable rate based upon the weekly short term bond reset rate. The note requires payments of principal and interest in amounts at least totaling $340,016. The note matures April 15, 2035. The outstanding balance on the note at June 30, 2007 was $6,614,772.

Four other notes are secured by deeds of trust on six properties located throughout the City of Alameda. These notes were issued during the fiscal years ended June 30, 1997 and June 30, 2004. These notes have a balance owing of $443,661 as of June 30, 2007. The notes have interest rates ranging from 5.05% to 6.72% per annum and require annual principal and interest payments totaling $37,298.

Issued during the fiscal year ended June 30, 1997 were two deferred loans from the City of Alameda. These loans were issued for $518,600 and carry no interest rate. They are secured by deeds of trust on nine properties located in Alameda, California. One of the notes is deferred until January 1, 2027. Varying semiannual payments are due on each loan from the deferral date through January 1, 2027.

A promissory note agreement for $570,000 was entered into with the City of Alameda on June 18, 1998. This note bears interest at 3% per annum. Both interest and principal payments on this loan are deferred until the note's due date of June 30, 2057.

The mortgage note payable to PMC Financial Services was entered into on August 25, 1998. It is payable in monthly installments of $56,705, including principal and interest at 5.57%. Final payment is due February 1, 2031. The outstanding balance on this loan at June 30, 2007 was $8,937,273.

F. *Alameda Power & Telecom Certificates of Participation and Bonds Payable*

Electric System Revenue Taxable Certificates of Participation, Series 2000AT -- On April 6, 2000, Alameda P&T issued $29,500,000 of Certificates of Participation, Series 2000AT. Proceeds were used to refinance certain obligations of the Electric System with respect to NCPA. The Series 2000AT matures semi-annually through July 1, 2030 with annual principal debt service commencing on July 1, 2011. The certificates bear interest at an auction rate fluctuating around the one-month LIBOR rate. On July 24, 2001, Alameda P&T entered into a Swap agreement with UBS Warburg to establish a set interest rate of 6.23% on the certificates. Interest amounts are payable monthly. All principal and interest payments are to be made from Alameda P&T's operating revenues and are secured by a pledge of these revenues.

The continuing disclosure agreement required notification that the Crossover Date has not occurred as of December 31, 2002. Crossover Date means the date that each of the following conditions is satisfied, whereupon the 2000AT payments will no longer be secured by any pledge of Net Revenues other than Distribution System Net Revenues, but instead will be secured solely by a prior pledge of Distribution System Net Revenues:

NOTE 7 – LONG-TERM DEBT (Continued)

I. The Distribution System will have been operated as an enterprise separate and distinct from the rest of the Electric System for at least one full fiscal year, and Distribution System assets, liabilities, revenues and expenses have been determined and reported in accordance with sound accounting principles;

II. The pro forma ratio of Distribution System Net Revenues to Maximum Annual Distribution System Service for the prior two fiscal years is not less than 1.10 to 1.00; and

III. The Bond Insurer consents to the transfer of security from Net Revenues to Distribution System Net Revenues; provided, however, that such consent is required if and only if such transfer directly causes the then underlying rating, if any, on the 2000AT Certificates to be downgraded or withdrawn.

Electric System Revenue Certificates of Participation, Series 2000A – On April 1, 2000 Alameda P&T issued $9,545,000 of Electric System Revenue Certificates of Participation, Series 2000A bearing interest at 5% to 5.75%. Proceeds were used to defease the remaining outstanding 1992 Certificates of Participation, finance certain electric system improvements, and pay cost of delivery of the 2000A certificates. The Series 2000A Certificates of Participation mature annually through July 1, 2030. Principal amounts are payable annually July 1 commencing July 1, 2011. Interest amounts are payable semiannually on January 1 and July 1.

Alameda P&T is required to maintain amounts of cash and investments with trustees or fiscal agents under the term of the Series 2000A Certificates of Participation, as discussed at Note 2.

The continuing disclosure agreement required notification that work related to the acquisition, construction and installation of the Electric System improvements projects provided for by this financing began in fiscal year 2001.

Telecom System Revenue Taxable Certificates of Participation, Series 2002A – Alameda P&T purchased VECTREN Communications Services, Inc.'s (VCS) right to operate the System and to receive any Management fee for the purchase price of $6,300,000 under an installment sale agreement in which periodic payments of principal and interest will be paid to VCS. Simple interest shall accrue at the rate of five percent per annum of the purchase price from the effective date of the agreement, which is June 28, 2002. Subject to the availability of telecommunications net system revenues, Alameda P&T will repay this obligation with five equal installments. The payment due on May 1, 2006 of $1,582,905 is deferred until fiscal year 2009. Pursuant to Telecom System Revenue Bond Anticipation Notes Series 2004 trust agreements, Alameda P&T accrued $377,780 of additional interest payable in fiscal year 2007. The Management fee is amortized over 15 years and the amortization expense was $462,000 in fiscal year 2007.

Telecom System Revenue Bond Anticipation Notes, Series 2004 – On April 8, 2004, Alameda P&T issued $33,000,000 of Revenue Bond Anticipation Notes. Proceeds were used to pay the balance of the Certificates of Participation 2000B, to finance additional costs of the construction, equipping and improvement of the Telecom System and to establish a reserve to pay capitalized interest on the Notes through their maturity dates. The Notes mature on June 1, 2009. The Notes bear interest at 7% and interest payments are made semi-annually on December 1 and June 1 from funds provided by the capitalized interest reserve.

NOTE 7 - LONG TERM DEBT (Continued)

Loan from City of Alameda – On December 16, 2003 at the request of the Public Utilities Board, the Alameda City Council authorized a loan of $2,200,000 to Alameda P&T for the purpose of construction of the hybrid fiber-optic/coaxial telecom system. The loan is interest free and is due on June 1, 2009.

G. *KQED, Inc.*

On May 1, 1990 the City acted as a financial intermediary in order to assist the public television station KQED, Inc. in issuing $17,200,000 in variable rate demand bonds. The bonds are payable solely from revenues collected by KQED, Inc. The City has not included these bonds in its basic financial statements since it is not legally or morally obligated for the repayment of the bonds.

NOTE 8 - SPECIAL ASSESSMENT DEBT WITHOUT CITY'S COMMITMENT

Paragon Gateway Community Facilities District #2, Harbor Bay Community Facilities District #1 (Harbor Bay Business Park), and the Alameda Public Financing Authority (Marina Village Assessment District Bond Refinancing), have also issued debt, but the City has no legal or moral liability with respect to the payment of this debt, which is secured only by assessments on the properties in these Districts.

At June 30, 2007, these Districts' outstanding debt amounted to $50,515,000.

NOTE 9 – NET ASSETS AND FUND BALANCES

A. *Net Assets*

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three categories. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in capital assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low-and-moderate-income purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. *Fund Balance*

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance, which has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved.

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period, such as for general contingencies or capital projects. Such plans are subject to change and may never be legally authorized or result in expenditures.

NOTE 9 – NET ASSETS AND FUND BALANCES (Continued)

The funds below had fund balance deficits or net asset deficits in the amounts shown at June 30, 2007. Future revenues are expected to offset these deficits.

Special Revenue Funds:	
Alameda Point Improvement Project Area	$992,068
FISC Lease Revenue	6,344,881
Narcotics Assets Seizure	42,561
Internal Service Funds:	
Workers' Compensation Insurance	5,456,354
Risk Management Insurance	964,598

Expenditures in Excess of Budget

The funds below incurred expenditures or expenses in excess of their budgets in the amounts below as the result of unanticipated disbursements for the year ended June 30, 2007. Sufficient funds were available to fund these expenditures.

General Fund:	
Debt Service: Principal	$14,751
Debt Service: Interest and fiscal charges	34,776
Special Revenue Funds:	
West End Community Improvement Project Area	
Capital outlay	698
Alameda Point Improvement Project Area	
Debt Service: Interest and fiscal charges	37,772
FISC Lease Revenue	
Debt service: Interest and fiscal charges	72,112
Theatre/Parking Structure Project	
Debt service: Interest and fiscal charges	20,164
Tidelands	
General government	22,766
Athletic Recreation	
Capital outlay	555
Debt Service Fund	
Alameda Point Improvement Project 2003 Revenue Bond	196,197
Capital Projects Funds	
Capital Improvement Projects	
Debt service: Principal	6,256
Debt service: Interest and fiscal charges	566
Library Construction	
Capital outlay	111,959
Community Facility District #2	
Capital outlay	1,482
Harbor Bay Isle 92-1 Special Assessment District	
Capital outlay	70,002
Marina Village 89-1 Special Assessment District	
Capital outlay	15,735
Alameda Point Improvement Project 2003 Revenue Bonds	
Capital outlay	1,376

NOTE 10 - PENSION PLANS

A. CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS) an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service, equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2007, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3.000%	2.000%
Required employee contribution rates	9.000%	7.000%
Required employer contribution rates	29.557%	12.677%

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability.

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3.00%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

NOTE 10 - PENSION PLANS (Continued)

The Plans' actuarial value (which differs from market value) and funding progress over the most recently available past three years is set forth below at their actuarial valuation date of June 30:

Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	$185,987,125	$141,110,783	$44,876,342	75.9%	$20,549,153	218.4%
2004	198,572,604	150,663,110	47,909,494	75.9%	20,542,771	233.2%
2005	213,699,436	163,233,739	50,465,697	76.4%	21,213,748	237.9%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Actuarial Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
2003	$133,411,431	$120,299,862	$13,111,569	90.2%	$31,168,669	42.1%
2004	143,447,821	127,047,861	16,399,960	88.6%	32,848,338	49.9%
2005	154,416,758	137,051,641	17,401,117	88.8%	31,220,941	55.6%

Audited annual financial statements are available from CALPERS at PO Box 942709, Sacramento, CA 94229-2709.

Actuarially required contributions for fiscal years 2007, 2006, and 2005 were $10,513,857, $11,569,361, and $10,106,802. The City made these contributions as required, together with certain immaterial amounts required as the result of the payment of overtime and other additional employee compensation.

B. Police and Fire Pension Plans

The City sponsors and administers two single employer defined benefit retirement plans for its police and fire department retirees. Police and fire employees who entered service before 1953 participate in Plan 1079, a closed plan consisting of 45 participants, all of whom are retired employees or beneficiaries. Employees with 25 or more years of service receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the retiree one year prior to the date of retirement. Employees retired after 10 but before 25 years of service receive monthly pension benefits in the proportion that the number of years service bears to 25. Qualified surviving spouses receive the retirees' monthly pension benefits for life. Upon remarriage, the qualified surviving spouse receives one-half of the retiree's monthly pension benefits. Employees who became disabled from service-related causes receive monthly pension benefits equal to one-half the monthly salary paid to current City employees of the rank held by the disabled employee on the date of their disability, reduced by any workers' compensation benefits received.

Plan 1082 is a closed plan consisting of two retired employees who receive monthly pension benefits of $2,119 and $1,328, respectively, adjusted annually by a maximum of 2% per year cost-of-living adjustment. Upon the death of a retiree, the qualified spouse receives one-half of the retiree's monthly pension benefit for life or until remarriage.

NOTE 10 - PENSION PLANS (Continued)

C. *Funding Policy*

Although Plans 1079 and 1082 may have some allocated assets, the City's contribution policy is to fund the plans on a pay-as-you-go basis. The annual required contribution equals the greater of:

- 15 year amortization of the unfunded actuarial accrued liability, or
- actual benefits paid during the year

D. *Annual Pension Cost*

Government Accounting Standards Board Statement No. 27 (Statement 27) requires the City to determine the plan's annual pension cost based on the most recent actuarial valuation. The annual pension cost equals the plan's annual required contribution, adjusted for historical differences between the annual required contribution and amounts contributed. The actuary has determined the City's annual required contribution as the greater of (a) a 15-year amortization of the unfunded actuarial liability or, (b) actual benefit payments made for the year.

For fiscal year ending June 30, 2007, the City's annual required contribution was $3,020,348 for Plan 1079 and $56,200 for Plan 1082. These amounts are more than the City's actual contributions of $3,016,190 for Plan 1079 and $40,967 for Plan 1082. The required contributions were determined based on a projection of the January 1, 2005 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 4.0% investment return (net of administrative expenses), (b) the CalPERS 1997 – 2002 Experience Study table for Males and Females, (c) projected annual benefit increases of 5% a year for Plan 1079 and cost-of-living adjustment of 2% per year for Plan 1082. Both (a) and (c) include a 2% annual inflation component. At June 30, 2007, the City had a net pension obligation of $80,000, which was reported on the Statement of Net Assets.

E. *Trend Information - Plans 1079 and 1082*

The following table provides nine years of historical information of the Annual Pension Cost:

Plan 1079:

Fiscal Year Ending	Annual Pension Cost (APC) (000's omitted)	Percentage of APC Contributed	Net Pension Obligation (000's omitted)
6/30/2005	$2,699	116%	($9)
6/30/2006	3,478	89%	377
6/30/2007	3,069	98%	49

Plan 1082:

Fiscal Year Ending	Annual Pension Cost (APC) (000's omitted)	Percentage of APC Contributed	Net Pension Obligation (000's omitted)
6/30/2005	$69	57%	$145
6/30/2006	26	154%	131
6/30/2007	73	58%	31

NOTE 10 - PENSION PLANS (Continued)

** Annual Pension Cost information for fiscal years before July 1, 1999 was provided by the City.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
Plan 1079						
6/30/2005	$0	$30,839,000	$30,839,000	0%	N/A	N/A
6/30/2006	0	27,927,000	27,927,000	0%	N/A	N/A
6/30/2007	0	25,871,000	25,871,000	0%	N/A	N/A
Plan 1082						
6/30/2005	$0	$843,000	$843,000	0%	N/A	N/A
6/30/2006	0	832,000	832,000	0%	N/A	N/A
6/30/2007	0	776,000	776,000	0%	N/A	N/A

Audited financial statements are available from the City of Alameda at 2263 Santa Clara Avenue, Room 220, Alameda, California 94501.

F. *Other Retirement Systems*

The Omnibus Budget Reconciliation Act of 1990 (OBRA) mandates that public sector employees who are not members of their employer's existing retirement system as of January 1, 1992 be covered by either Social Security or an alternative plan. Effective January 1, 1995, the City contracted with the Public Agency Retirement System (PARS), to maintain a defined contribution plan. This Plan covers part-time, seasonal and temporary employees and all employees not covered by another retirement system. All eligible employees that are covered by the Plan are fully vested. Employer liabilities are limited to the amount of current contributions.

Under PARS, employees contribute 6% and the City contributes 1.5% of the employee's salary each pay period. For the fiscal year ending June 30, 2007, total contributions of $42,352 were made based on a total amount of covered compensation of $2,823,448.

Two of the City's part-time employees elected to be covered under Social Security, which requires these employees and the City to each contribute 6.2% of the employees' pay. Total contributions to Social Security during the year ended June 30, 2007 amounted to $5,770 of which the City paid one-half.

Effective May 3, 2001 the City adopted the PARS Retirement Enhancement Plan for Council appointed employees as of that date and the PARS Excess Benefit Plan for two council appointed employees as of that date as part of the City Retirement Program. Under the Enhancement Plan specific appointed employees will be entitled to receive retirement benefits of 3% at age 55 or age 50 as well as medical and disability benefits upon retirement.

NOTE 10 - PENSION PLANS (Continued)

Effective September 1, 2001, the City adopted a Money Purchase Plan for a limited group of employees and appointees as a part of the City Retirement Program, which includes the Housing Authority and Alameda P&T. The employees include all department directors. The appointees include the City Clerk and the City Attorney. Under the Money Purchase Plan, the employer contributes 1% of the individual's salary and the employee contributes a mandatory 2% of their salary. This plan is qualified under Section 401(a) of the Internal Revenue Code. Each participant has a plan account to which contributions are made. Plan benefits are based on the total amount of money in the account at retirement. Since the assets held under these plans are not the City's property and are not subject to claims by general creditors of the City, they have been excluded from these financial statements.

NOTE 11 - RISK MANAGEMENT

The City, the Housing Authority and Alameda P&T manage risk by participating in the public entity risk pools described below and by retaining certain risks.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

The City and ARRA are members of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to $25,000,000. The City and ARRA both have self-insured retention of $500,000 per claim. Once the self-insured retention is met CJPRMA becomes responsible for payment of all claims up to the limit. During the fiscal year ended June 30, 2007, the City contributed $793,828 for coverage during the current year and received a refund of $148,225 of prior year excess contributions.

The City, Alameda P&T and ARRA are members of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) which covers workers' compensation claims up to statutory limits. The City, Alameda P&T and ARRA have self-insured retention of up to $250,000 per claim. During the fiscal year ended June 30, 2007, the City, Alameda P&T and ARRA contributed $491,645, $110,973, and $0 respectively, for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

The Housing Authority is a member of the Housing Authorities Risk Retention Pool (HARRP) which covers property liability claims up to $65,000,000 after a $1,000 deductible per claim, as well as general liability claims to $2,000,000 and auto liability claims to $1,000,000, neither of which require a deductible. During the fiscal year ended June 30, 2007 the Authority contributed $55,379 for current year coverage.

NOTE 11 - RISK MANAGEMENT (Continued)

The Housing Authority is a member of the California Housing Workers' Compensation Authority (CHWCA) which covers workers' compensation claims up to statutory limits. The Housing Authority is not subject to any deductible under this coverage. During the fiscal year ended June 30, 2007 the Housing Authority contributed $116,936 for current year coverage.

The Alameda P&T has purchased commercial insurance against general liability claims. This policy has a self-insured retention of $1,000,000.

The following types of loss risks are covered by the above authorities under the terms of their respective joint-powers agreements and through commercial insurance policies as follows:

	Coverage Limits		
Type of Coverage	City	Housing Authority	Alameda P&T
Liability	$25,000,000	$3,000,000	$35,000,000
Auto - Physical damage	Actual Cash Value	2,000,000	1,500,000
Workers' Compensation	Statutory	Statutory	Statutory
All Risk Fire & Property except earthquake and flood	Replacement Cost	10,000,000	300,000,000
Boiler & Machinery	Replacement Cost		20,000,000
Computer Software and Police Vehicle Computers	5,660,000		5,320,000

B. *Insurance Internal Service Funds*

The Governmental Accounting Standards Board (GASB) requires municipalities to record their liability for uninsured claims and to reflect the current portion of this liability as an expenditure in their financial statements. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible, or uninsured portion of these claims.

The City's liability for uninsured general liability claims, including claims incurred but not reported is reported in the City's Risk Management Insurance Internal Service Fund. The liability is based on an independent actuarial study prepared biennially and was computed as follows for the years ended June 30:

	2007	2006
Beginning balance	$946,865	$1,557,767
Liability for current fiscal year claims	109,573	641,667
Increase (decrease) in estimated liability for prior year claims	154,794	(1,183,054)
Claims paid in current year	(25,390)	(69,515)
Ending balance	$1,185,842	$946,865

NOTE 11 - RISK MANAGEMENT (Continued)

The change in the Workers' Compensation Insurance Internal Service Fund's claims liability, including claims incurred but not reported as estimated by the City's Risk Manager, is based on historical trend information provided by its third party administrators and was computed as follows at June 30:

	2007	2006
Beginning balance	$5,956,453	$5,236,498
Liability for current fiscal year claims	762,536	972,871
Increase (decrease) in estimated liability for prior year claims	(2,763,966)	1,855,023
Claims paid in current year	1,919,558	(2,107,939)
Ending balance	$5,874,581	$5,956,453

The City has not significantly reduced its insurance coverage from the prior year. Furthermore, settlements have not exceeded insurance coverage for the past three fiscal years.

NOTE 12 – ALAMEDA P&T JOINT VENTURES

A. *General*

Alameda P&T participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of Alameda P&T and the other participating entities unless assumed by them.

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the board.

Alameda P&T is a member of NCPA, a joint powers agency which operates under a joint powers agreement among 18 public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the member's position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

Amounts paid by Alameda P&T to NCPA during the years ended June 30, 2007 and 2006 for purchased power were $27,729,141 and $25,859,213, respectively. Amounts paid reflect that NCPA invoiced amounts include payments received by NCPA from the Certificates of Participation 2000AT trustee for Alameda P&T's costs.

NOTE 12 – ALAMEDA P&T JOINT VENTURES (Continued)

Alameda P&T receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine Alameda P&T's equity in NCPA as a whole. NCPA reports only Alameda P&T's share of its General Operating Reserve, comprised of cash and investments, and Alameda P&T's share of those Projects in which Alameda P&T is a participant. These amounts are reflected in the financial statements as Equity in Certain NCPA Projects and Reserve.

Effective July 1, 1998, Alameda P&T restated its Retained Earnings to include its equity in NCPA projects and reserve, and its Statement of Revenues and Expenses to include the effects of changes in its equity in NCPA projects and reserve. These changes are set forth below:

	Fiscal Year Ended June 30	
	2007	2006
Beginning balance	$16,198,069	$13,213,781
Increase in equity in NCPA projects	2,226,928	2,984,288
Ending balance	$18,424,997	$16,198,069

Alameda P&T's interest in NCPA Projects and Reserve, as computed by NCPA, is set forth below.

	June 30	
	2007	2006
General Operating Reserve	$15,915,878	$13,838,260
Associated Member Services	285,497	285,498
Net book value of amounts contributed to fund		
Alameda P&T's share of NCPA power projects:		
Geothermal Projects/Power Line	1,255,049	1,184,385
Calaveras Hydroelectric Project	891,334	539,705
Combustion Turbine Project No. 1	7,416	61,588
Combustion Turbine Project No. 2	69,823	288,633
	$18,424,997	$16,198,069

The General Operating Reserve represents Alameda P&T's portion of funds which resulted from the settlement in prior years of issues with financial consequences and reconciliations of several prior years' budgets for programs. These funds are available on demand and earn interest, but Alameda P&T has left them with NCPA as a reserve against contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

B. *Projects in which Alameda P&T is a Participant*

Geothermal Projects

A purchased power agreement with NCPA obligates Alameda P&T for 17.05407% of the debt service for two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2 located in the Geysers area in Northern California. Alameda P&T is obligated to pay 16.8825% of the operating costs of both plants.

NOTE 12 – ALAMEDA P&T JOINT VENTURES (Continued)

NCPA has continued to monitor the geothermal steam production wells while pursuing alternatives for improving and extending steam field reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, while meeting all electric system obligations including those to NCPA. In January 1996, NCPA issued $167,940,000 (1996 Refunding Series B), and $5,420,000 (1996 Taxable Series C) in variable rate revenue bonds, the proceeds of which were used to refund a portion of the 1987 Refunding Series A Revenue Bonds. In August 1998, NCPA remarketed $121,590,000 (1996 Refunding Series A) of revenue bonds changing the interest rate from a weekly interest rate to a long-term rate. Alameda P&T is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2007, the book value of this Project's plant, equipment and other assets was $144,795,307 while its long-term debt totaled $76,490,554, and other liabilities totaled $31,717,565. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to $18,453,921 at that date.

Geothermal Public Power Line

In 1983, NCPA, Sacramento Municipal Utility District, the City of Santa Clara and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line (GPPL) which would carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners could receive it for transmission to their load centers. NCPA has an 18.5% share of this Project and Alameda P&T has a 30.359% participation in NCPA's share. In 1989, the development of the proposed Geothermal Public Power Line was discontinued because NCPA was able to contract for sufficient transmission capacity to meet its needs in the Geysers. However, because the project financing provided funding for an ownership interest in a PG&E transmission line, a central dispatch facility and a performance bond pursuant to an Interconnection Agreement with PG&E, as well as an ownership interest in the proposed GPPL, NCPA issued $16,000,000 in long-term, fixed-rate revenue bonds in November 1989 to defease the remaining variable rate refunding bonds used to refinance this project. In December 1998, NCPA issued $9,920,000 in fixed rate revenue bonds, the proceeds of which were used to refund outstanding transmission project revenue bonds and to pay costs of issuance of the debt. Alameda P&T is obligated to pay its 30.359% share of the related debt service, but debt service costs are covered through NCPA billing mechanisms that allocate the costs to members based on use of the facilities and services.

At June 30, 2007, the book value of this Project's plant, equipment and other assets was $3,346,061 while its long-term debt totaled $2,523,170, and other liabilities totaled $822,897. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to $1,015,832 at that date.

NOTE 12 – ALAMEDA P&T JOINT VENTURES (Continued)

Calaveras Hydroelectric Project

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project, during the initial 50-year Federal Energy Regulatory Commission license period, and to finance its construction. Debt service payments by NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. In April 2002, NCPA issued $86,620,000 (2002 Refunding Series A for $43,310,000 and 2002 Refunding Series B for $43,310.000) in variable rate demand bonds for the purpose of providing funds, together with available funds, to refund a portion of the bonds issued in 1992 in order to realize debt service savings. In March 2003, NCPA issued $55,040,000 (2003 Refunding Series A for $49,130,000 and 2003 Refunding Series B for $5,910,000) in variable rate demand bonds for the purpose of providing funds, together with other available moneys, to refund a portion of NCPA's outstanding Hydroelectric Project Number One Revenue Bonds, 1993 Refunding Series A, in order to realize debt service savings. Under its power purchase agreement with NCPA, Alameda P&T is obligated to pay 10% of this Project's debt service and operating costs. At June 30, 2007, the book value of this Project's plant, equipment and other assets was $508,146,517 while its long-term debt totaled $473,191,061 and other liabilities totaled $22,942,565 Alameda P&T's share of the Project's long-term debt and other liabilities amounted to $49,613,363 at that date.

Combustion Turbine Project No. 1

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities including Alameda, began full commercial operation in June 1986, providing reserve and peaking power. In December 1989, NCPA issued $68,958,257 in fixed rate revenue bonds, the proceeds of which were used to defease the bonds then outstanding. In December 1998, NCPA issued $43,165,000 in fixed rate revenue bonds, the proceeds of which were used to refund outstanding revenue bonds and to pay costs of issuance of the debt. Under the NCPA power purchase agreement, Alameda P&T is obligated to pay 13.092% of this Project's debt service and operating costs. At June 30, 2007, the book value of this Project's plant, equipment and other assets was $18,212,266 while its long-term debt totaled $11,700,893 and other liabilities totaled $4,372,886. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to $2,104,379 at that date.

Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

Alameda P&T is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued $152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi system facilities. In January 1999, NCPA issued $67,875,000 in fixed rate revenue bonds to refund a portion of outstanding Capital Facilities Bonds and to pay debt service (consisting of interest only) on the 1999 Bonds through August 1, 2002 and a portion of the interest due on the 1999 Bonds on February 1, 2003, and to pay costs of the issuance of the debt. Under the NCPA power purchase agreement, Alameda P&T is obligated to pay 19.00% of the debt service and operating costs for the Lodi unit.

Alameda P&T's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, Alameda P&T and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. Alameda P&T is obligated to pay 19.0%.

NOTE 12 – ALAMEDA P&T JOINT VENTURES (Continued)

At June 30, 2007, the book value of this Project's plant, equipment and other assets was $67,749,862 while its long-term debt totaled $64,277,009 and other liabilities totaled $2,881,404. Alameda P&T's share of the Project's long-term debt and other liabilities amounted to $12,760,098 at that date.

Graeagle Hydroelectric Project

Alameda P&T's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project. Alameda P& T receives 50% of the power from this small hydroelectric project.

Morgan Stanley Power Purchase Contract

In April 2002, Alameda P&T entered into a contract with Morgan Stanley Capital Group (MSCG) for the delivery of power. From January 1 through March 31 and from October 1 through December 31 during each of the calendar years 2006-2014 MSCG has agreed to deliver 15 megawatts of power 24-hours per day.

Highwinds Project Power Purchase

In December 2004, Alameda P&T entered into a long-term power purchase agreement with PPM Energy, Inc. for power supplied by the Highwinds Project in Solano County, California. Alameda P&T will receive 6.17% of the output of the 162 megawatt project (nameplate rating) or 10 megawatts until June 30, 2028.

Landfill Gas Projects Power Purchase

During 2004 and 2006, Alameda P&T entered into four long-term power purchase agreement for power supplied by multiple existing and proposed generating facilities. These facilities utilize combustible gaseous emissions from landfills, located in or near the San Francisco Bay area to create power. Alameda P&T began receiving nearly 4 megawatts of base-load power from the first 2 facilities in early 2006. An additional 7 megawatts of base-load output from the 2 facilities under development is expected to begin when they become operational in early 2008.

California Electric Industry Restructuring

In September 1996, the California State legislature signed into law Assembly Bill 1890 (AB 1890) deregulating the electric power supply market and restructuring the electric power industry in California. While the majority of the legislation was directed at investor-owned utilities (IOUs), Alameda P&T and other California publicly owned utilities were greatly affected by the restructuring of markets and the ensuing wild fluctuations in prices that resulted from a deficiency in generating capacity and an immature and flawed market structure.

Because Alameda P&T has its own generating resources and is not dependent on the wholesale market to purchase power, it was not negatively impacted by these price swings.

Proposals by the California Independent System Operator to redesign the wholesale electricity market in California are now under development, and in some cases being implemented. These proposals contain their own set of risks and uncertainties for Alameda P&T and the other NCPA members.

NOTE 12 – ALAMEDA P&T JOINT VENTURES (Continued)

NCPA plays an active role in protecting members' contractual rights in Federal Energy Regulatory Commission (FERC), California Public Utilities Commission (CPUC), and other legislative/regulatory proceedings. Priorities related to industry restructuring include the preservation of local control authority for publicly owned utilities, assuring open and fair access to wholesale markets and the transmission grid, and maintaining members' preference access to power from the Central Valley Project and Western Area Power Administration.

NCPA's Generation Operations and Power Management Business Units work in tandem to optimize system operations and identify market power sales/purchase opportunities.

NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

Transmission Agency of Northern California (TANC)

Alameda P&T is a member of a joint powers agreement with 14 other entities in TANC. TANC's purpose is to provide electrical transmission or other facilities for the use of its members. While governed by its members, none of TANC's obligations are those of its members unless expressly assumed by them. Alameda P&T is obligated to pay 1.333% of TANC's debt-service and operating costs related to the California-Oregon Transmission Project (COTP) and 1.6424% of the tax exempt portion of the commercial paper program. Alameda P&T is also obligated to pay for and receive service from a portion of the South of Tesla transmission under an agreement between TANC and Pacific Gas & Electric Company.

According to the 1985 Project Agreement with TANC for the development of the COTP and subsequent related project agreements, Alameda P&T is obligated to pay its share of the project's costs, including debt service and is entitled to the use of a percentage of the project's transmission or transfer capacity. TANC has issued Revenue Bonds for $371,680,000 and Tax Exempt Commercial Paper notes for $30,270,000 as of June 30, 2007. Alameda P&T's share of this debt is $4,954,494 and $429,332, respectively.

TANC Financial Information

TANC's financial statements can be obtained from TANC, P.O. Box 15129, Sacramento, CA 95851.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

A. City

The City (through the Community Improvement Commission) has an agreement extending through 2014 under which it refunds a portion of Alameda Marina Village Assessment District incremental property taxes to the Alameda Marina Village property owners as a partial offset of their assessment liability. These refunds have been reported as housing and community services expenditures in the West End Community Improvement Commission Special Revenue Fund.

On January 18, 1989, the Commission and the Housing Authority of the City of Alameda entered into an agreement to provide affordable housing through the Independence Plaza development. Under the agreement, the Commission agreed to provide construction funding, a rental subsidy and a subsidy of the pro-rata share of the operating deficit to the Housing Authority. The agreement will end in July 2024. These rental subsidies have been reported in the West End Community Improvement Project Area Low and Moderate Income Housing Special Revenue Fund.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

The City participates in several Federal and State grant programs. These programs have been audited by the City's independent accountants in accordance with the provisions of the Federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

B. Alameda P&T

Under the terms of its NCPA and TANC joint venture agreements, Alameda P&T is liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 11. Alameda P&T's estimated share of such debt outstanding at June 30, 2007 was $89,331,419. Under certain circumstances, Alameda P&T may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, Alameda P&T may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants. These "step up" provisions are generally capped at a 25 percent increase.

Alameda P&T is a defendant in a number of lawsuits which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, the outcome of these actions cannot be predicted with certainty. In the opinion of the City Attorney, the outcome of these actions will not have a material adverse effect on the financial position of Alameda P&T.

On August 18, 2004, City of Alameda Ordinance No. 2930 granted a five-year extension of non-exclusive cable communication franchise to Alameda P&T. Alameda P&T has finished with its construction of a cable communications system within the City of Alameda to provide cable television and other communications services to the City's residents.

In November 1999, PG&E filed with FERC its Schedule Coordination Services (SCS) Tariff, alleging that PG&E was entitled to collect from Alameda P&T and other users certain costs imposed by the ISO on PG&E for the period April 1998 to August 2002. On June 1, 2004, PG&E began billing Alameda P&T for these costs through NCPA. NCPA placed these disputed funds into an escrow account. These costs were billed over a twelve-month period, and accumulated to approximately $3.1 million. On May 23, 2005, PG&E filed a settlement that was reached with NCPA resolving the dispute. Alameda P&T's share of the settlement amount was approximately $1.5 million which has been paid to PG&E. NCPA refunded approximately $1.6 million of escrow funds to Alameda P&T.

In June 2007, Alameda P&T entered into two lease agreements with the Alameda Reuse and Redevelopment Authority. The lease terms for each agreement are for two years beginning June 1, 2007 and expiring on May 30, 2009. Alameda P&T will occupy the premises under the terms of non-cancelable leases which call for minimum monthly payments of $1,053 and $10,780 respectively.

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

C. *Housing Authority*

On January 18, 1989, the Commission and the Housing Authority of the City of Alameda entered into an agreement to provide affordable housing through the Independence Plaza development. Under the agreement, the Commission agreed to provide construction funding, a rental subsidy and a subsidy of the pro-rata share of the operating deficit to the Housing Authority. The agreement will end in July 2024. These rental subsidies have been reported in the West End Community Improvement Project Area Low and Moderate Income Housing Special Revenue Fund.

NOTE 14 – DEVELOPMENT AGREEMENTS

A. *Bayport/Alameda Landing*

The Community Improvement Commission (CIC) and Master Developer (as discussed on Note 11 below) entered into a Disposition and Development Agreement (DDA) dated June 16, 2000, as amended, to redevelop the former U.S. Navy East Housing, Fleet Industrial Supply Center Annex (FISCA), and Fleet Industrial Supply Center (FISC). Pursuant to the DDA, the Commission agreed to convey to Master Developer, and Master Developer agreed to acquire from the CIC, the Property, in Phases, under the Terms and Conditions set forth in the DDA. In December 2006, The CIC approved an amendment to the 2000 DDA reducing the scope of that DDA to East Housing and FISCA only (the Bayport Project) and approved a new DDA for the FISC property (the Alameda Landing Project).

Bayport 1 involves the development of approximately 115 acres of land at the former East Housing and FISCA property. Approved land uses include the development of approximately 586 units of new residential housing, a joint use community park and a school. The inclusion of a 25 percent affordable housing requirement is part of a Settlement Agreement by and between the City, Renewed Hope Housing Advocates and Arc Ecology. Of the 586 units to be developed, 58 of the 495 new homes at Bayport will be affordable to moderate income households and approximately 91 units of new rental housing will be developed for very-low and low-income households. It is estimated that Bayport will generate approximately $28.5 million in net revenues from land sales proceeds; will generate a tax allocation bonding capacity of approximately $14 million supported by new tax increment generated by the Project; and will generate $35 million in residential profit participation and approximately $5 million in reimbursements. These revenues will be used to pay for the Commission's obligations under the DDA, which total approximately $71 million and include demolition and the construction of major backbone infrastructure to support the Bayport project. At build-out, which is projected at the end of 2008, it is estimated that the total assed value of the Bayport residential project will total approximately $400 million.

Alameda Landing is a mixed-use commercial/residential project which consists of 300 residential units, of which 25 percent are affordable units, 300,000 square feet of retail space, 400,000 square feet of office space, parks and open space and associated infrastructure.

B. *Bridgeside Shopping Center Project.*

In fiscal year 2004, the City entered into an agreement with Regency Realty Group, Inc. (Developer) to develop the Bridgeside Shopping Center Project into a new approximately 108,000 square foot shopping center consisting of both retail space and office space. As of June 30, 2007, the Developer had completed construction of the project. In addition, as part of the Project, the Developer constructed a gas station and a car wash. Under this agreement, the Developer must expend construction costs of no less than $10 million.

NOTE 14 – DEVELOPMENT AGREEMENTS (Continued)

As part of the agreement, the Developer purchased the shopping center from the City for the price paid to the owner by the CIC, plus $170,000 in acquisition-related expenses. In return, the City is to reimburse the Developer up to $1,000,000 for certain acquisition costs in excess of $7,000,000. Groundbreaking was held on November 14, 2005. The Center held a grand opening February 21, 2007, for the center's major anchor tenant, Nob Hill Grocery Store. The Nob Hill gas station opened in summer 2007. The center is currently about 80% leased.

C. ***Downtown Historic Theatre Complex and Parking Garage Project.***

On October 16, 2004, the Community Improvement Commission entered into a Disposition and Development Agreement (DDA) with MovieTecs Incorporated for the development of the Historic Alameda Theatre and related Cineplex and parking garage. The developer entered into an Option Purchase Agreement for one parcel of land to be used as the site of the project on Central/Oak in Alameda. As part of the DDA, the Community Improvement Commission has entered into a loan agreement with Alameda Entertainment Associates L.P., as discussed on Note 4H. In fiscal year 2005, the Community Improvement Commission purchased the land for the site of the project for $811,120. In fiscal year 2006, the City acquired the Historic theatre by eminent domain. The design and construction contracts were signed in August 2006 and the project is under construction.

NOTE 15 – FLEET INDUSTRIAL SUPPLY CENTER (FISC)

A. ***Background***

The former East Housing land was transferred from the Navy to the Alameda Reuse and Redevelopment Authority (ARRA), then from ARRA to CIC. FISC and FISCA property, via special legislation, was transferred to the City and the City subsequently transferred it to CIC.

During the proposal process, the City invited competing developers to submit proposals for the East Housing property in addition to their original proposals. In February of 1998, after considering each of the development proposals submitted, the City entered into exclusive negotiations with Catellus Development Corporation with the intent that they serve as the Master Developer for the entire approximately 215-acre East Housing, FISC and FISCA property. The City considered action on the DDA that established transfer terms of the former Navy property from the CIC to the Master Developer.

B. ***Description of the Parcels***

The parcels that the CIC will transfer to the Master Developer consist of the former East Housing, FISCA and FISC properties. These properties are bounded by Main Street to the West, the College of Alameda to the East, Ralph Appezzato Parkway (formerly Atlantic Avenue) to the South, and the U.S. Coast Guard housing area and Oakland/Alameda Inner Harbor to the north.

As of June 30, 2007, 438 of 485 residential lots in the former East Housing and FISCA have been transferred to the Master Developer. The remaining 47 residential lots in the former East Housing and FISCA property were transferred to the Master Developer at the end of June 2007. The remaining land in the former FISC property has been re-entitled, pursuant to an amended Disposition Agreement. This property has been re-entitled for a mix of commercial, retail and development uses.

NOTE 15 – FLEET INDUSTRIAL SUPPLY CENTER (FISC) (Continued)

C. *Quitclaim Deed and Environmental Restrictions*

On July 17, 2000, the United States of America, acting by and through the Department of the Navy, conveyed approximately 147 acres of property comprising the FISC and FISCA to the City of Alameda. The Navy property was closed pursuant to the Defense Base Closure and Realignment Act of 1990 and was no longer required for military purposes. Pursuant to the terms of the Quitclaim Deed, the City of Alameda agreed to accept conveyance of the property subject to all covenants, conditions, restrictions, easements, rights-of-way, reservations, rights, agreements and encumbrances of record. The property included building and structures that contain lead-based paints and asbestos. Chlordane (a pesticide) was also found in and around foundations of the East Housing properties. Those property interests were subsequently transferred to the CIC. In order to assure that the goals of redevelopment were achieved, the CIC purchased an environmental insurance policy. With the policy in place, the CIC has been able to move forward with the remediation of hazardous materials.

This Page Left Intentionally Blank

MAJOR GOVERNMENTAL FUNDS, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUNDS

CAPITAL IMPROVEMENT PROJECTS FUND

This fund accounts for monies for major capital improvement projects not provided for in one of the other capital projects funds.

CITY OF ALAMEDA
CAPITAL IMPROVEMENT PROJECTS
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
Revenue from other agencies	$2,872,313	$5,378,612	$2,506,299
Charges for current services		45,458	45,458
Use of money and property		232,104	232,104
Others	(96,000)	19,644	115,644
Total Revenues	2,776,313	5,675,818	2,899,505
EXPENDITURES:			
Capital outlay	16,947,656	11,995,444	4,952,212
Debt service:			
Principal		6,256	(6,256)
Interest and fiscal charges		566	(566)
Total Expenditures	16,947,656	12,002,266	4,945,390
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,171,343)	(6,326,448)	7,844,895
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of loan	1,065,000		1,065,000
Transfers in	14,622,724	6,406,546	8,216,178
Transfers in from the City	(614,001)	(1,469,462)	855,461
Total other financing sources (uses)	15,073,723	4,937,084	10,136,639
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$902,380	(1,389,364)	($2,291,744)
Beginning fund balance		8,825,529	
Ending fund balance		$7,436,165	

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

LIBRARY

This fund accounts for revenues received from the $0.0175 library tax, library grants and General Fund monies transferred for the Alameda Free Library operations.

GAS TAX

This fund accounts for revenues and expenditures received from the State of California under Street and Highways Code Section 2105, 2106, 2107 and 2107.5. The allocations must be spent for street maintenance and construction and a limited amount for engineering.

TRANSPORTATION IMPROVEMENT

This fund accounts for revenues received under Proposition 42, Traffic Congestion Relief program. The allocation must be spent for Street and Highway maintenance, rehabilitation, reconstruction and storm damage repairs.

TRAFFIC SAFETY

This fund accounts for revenues from fines, forfeitures and penalties. Cities share with the County all fines collected upon conviction of a misdemeanor or an infraction in any municipal or judicial court and bail moneys forfeited following a misdemeanor or infraction committed within City boundaries.

COUNTY MEASURE B

This fund accounts for the City's share of the proceeds of a one-half cent sales tax increase approved by the voters in November 2000. The program is administered by the Alameda County Transportation Improvement Authority. The tax provides funds for the maintenance of local streets, roads, bike path and pedestrian walkway, Ferry and Para transit operations.

CHRPO/LEAD

This fund accounts for funds received from the State of California Department of Housing and Community Development for housing rehabilitation program.

TIDELANDS

This fund accounts for revenues received from tidelands property leases. Leases are for state tidelands properties delegated to local agencies for management and control.

NARCOTICS ASSET SEIZURE

This fund accounts for the City's share from the sale of confiscated assets of convicted felons. These funds are used for specified police activities, i.e. debt service payments for the jail construction project.

SENIOR CITIZENS TRANSPORTATION ASSISTANCE

This fund accounts for the City of Alameda's senior transportation program, which provides door-to-door transportation for the frail, elderly and disabled individuals. Its primary revenue source is County Measure B funds.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

DWELLING UNIT

This fund accounts for revenues from park dedication fees required from all new construction. Monies are accumulated and then appropriated for park development.

PARKING METER

This fund accounts for revenues collected from parking meters and the expenditure of these revenues for parking and transportation related projects.

COMMERCIAL REVITALIZATION

This fund accounts for grant funds intended for the City's commercial revitalization programs.

COMMUNITY DEVELOPMENT BLOCK GRANT

This fund accounts for grant funds received under the Community Development Act of 1974 for activities approved and subject to federal regulations.

HOME FUND

Established to account for funds provided by the U.S. Department of Housing and Urban Development (HUD) through the Federal Home Investment Partnerships Program (HOME). HOME funds can be used for acquisition, conversion, new construction and rehabilitation of single-and/or multiple-family housing.

REHABILITATION REPAYMENT

This fund accounts for loan repayments of low interest and subsidized loan programs. The repayments are used to make additional loans.

HUMAN SERVICES

This fund accounts for the Social Service Human Relations Board's General Fund allocation.

VEHICLE REGISTRATION

This fund accounts for revenues and expenditures associated with AB 434 Fund from the Bay Area Air Quality Management District and Alameda County Congestion Management Agency for local traffic management programs.

AFFORDABLE HOUSING

This fund accounts for housing impact contributions for the purpose of increasing and improving the City of Alameda's supply of low-and-moderate-income housing.

GARBAGE SURCHARGE

This fund accounts for the garbage surcharge charged to commercial and residential garbage customers.

BAYPORT MUNICIPAL SERVICES DISTRICT

This fund accounts for the special assessments and related expenditures for various municipal services provided in Community Facilities District No. 03-1 of the City of Alameda.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

ATHLETIC RECREATION

This fund accounts for revenues and expenditures of the various City of Alameda-recreation-fee programs.

ISLAND CITY MAINTENANCE ASSESSMENT DISTRICT 84-2

This fund accounts for the special assessments and related expenditures for the various landscaping and maintenance areas throughout the City.

WASTE REDUCTION SURCHARGE

This fund accounts for revenues and expenditures related to the waste management and recycling programs.

CURBSIDE RECYCLING

This fund accounts for revenues and expenditures related to curbside recycling.

HOUSING DEVELOPMENT

This fund accounts for Housing Development Division's Housing Authority related revenue and expenditures.

PARKING IN-LIEU

This fund accounts for receipts and expenditures of funds from the City's in-lieu-parking fee charged against certain properties. Collections may be expended only for the purpose of providing parking projects.

DIKE MAINTENANCE

This fund accounts for cash and investments collected from property owners for the maintenance of the Bay Farm Island Dike and for improvements made on behalf of the assessment district.

MARINA COVE MAINTENANCE DISTRICT 01-01

This fund accounts for cash and investments collected from property owners for the maintenance of the Marina Cove and for improvements made on behalf of the assessment district.

TSM/TDM

This fund accounts for the collection of traffic mitigation fees from developers to build up funds for the implementation of Transportation System Management/Transportation Demand Management (TSM/TDM).

PUBLIC ART

This fund accounts for the collection of a Public Art fee from developers for the acquisition and installation of Public Art on the development site.

HISTORICAL ADVISORY BOARD

This fund accounts for all fines, fees or other monies arising out of the administration of the City Historical Advisory Board and their expenditures.

DEBT SERVICE FUNDS:

POLICE BUILDING CERTIFICATES OF PARTICIPATION

The certificates were issued in July 1996, to finance the Police Building project and refinance the 1990 Certificates of Participation. The debt will be paid from allocations from the Narcotics Asset Seizure Special Revenue Fund and the General Fund.

LIBRARY/GOLF CERTIFICATES OF PARTICIPATION

Certificates were issued in December 1996 to finance the seismic upgrade and renovation of the Carnegie Library building and certain golf course improvements. The debt will be paid from any source of available funds of the City pursuant to a lease agreement between the City of Alameda and the Alameda Public Improvement Corporation.

2002 CITY HALL REFINANCING CERTIFICATES OF PARTICIPATION

This fund accounts for the proceeds from the 2002 Certificates of Participation (City Hall Refinancing Project). The proceeds were used to repurchase the City's 1995 Certificates of Participation, which were issued to finance the City Hall and certain Fire Station Facilities Seismic Upgrade and Renovation Projects.

2003 LIBRARY BONDS

General obligation bonds issued in March 2003 to finance the acquisition and construction of a new main library and improvements to two library branches. The repayment of the bonds is secured by voter approved Measure "O" property tax.

COMMUNITY IMPROVEMENT COMMISSION SUBORDINATE BONDS

These bonds were issued on March 13, 2002 to finance various housing and other redevelopment purposes in accordance with the amended Community Improvement Plan for the Business and Waterfront Improvement Project. These bonds are secured by a first pledge of and lien on all of the tax increment revenues except for any parity obligations.

COMMUNITY IMPROVEMENT COMMISSION 2003 TAX ALLOCATION REFUNDING BONDS BWIP

The 2003 CIC Tax Allocation Refunding Bonds were issued in October 2003 to refund the CIC Business Waterfront Improvement Project (BWIP) Tax Allocation Bonds 2002, Series A and the Alameda Community Facilities District No. 4 Special Tax Bonds, Series 2002-A. These Bonds are secured by a first pledge of and lien on all of the tax increment revenues generated in the project area except for any parity obligations.

COMMUNITY IMPROVEMENT COMMISSION 2003 TAX ALLOCATION BONDS

The 2003 CIC Tax Allocation Bonds were issued December 2003 to finance certain development projects, repaid an interfund loan from the City, and fulfill certain obligations per an Owner's Participation Agreement. These Bonds are secured by a first pledge of and lien on all of the tax increment revenues generated in the project area except for any parity obligations.

ALAMEDA POINT IMPROVEMENT PROJECT 2003 REVENUE BONDS

The 2003 Demand Revenue Bonds were issued in December 2003 by the Alameda Public Financing Authority to refund the 1999 ARRA Revenue Bonds and to finance professional land use planning and other activities required in the redevelopment process at Alameda Point. The debt will be repaid solely from rental revenues paid to ARRA.

HUD 108

This fund accounts for debt service for HUD 108 loan for Parking Garage Project.

CAPITAL PROJECTS FUNDS:

TRANSPORTATION IMPROVEMENT

This fund accounts for monies earmarked for the construction and improvements of traffic mitigation projects associated with the development of Bay Farm Island.

LIBRARY CONSTRUCTION

This fund accounts for the revenues and construction and acquisition costs of the new main library and the expansion of the Carnegie Library.

URBAN RUNOFF STORM DRAIN FEE

This fund accounts for revenues and expenditures associated with the City's compliance under the Alameda County Urban Runoff Clean Water Program.

COMMUNITY FACILITIES DISTRICT #1

The Community Facilities District #1 was established to finance the acquisition and construction of facilities within the CFD #1 District (Harbor Bay).

COMMUNITY FACILITIES DISTRICT #2

The Community Facilities District #2 (Lincoln property) at the Marina Village area was established to finance the construction and acquisition of public improvements.

HARBOR BAY ISLE 92-1 SPECIAL ASSESSMENT DISTRICT

The Harbor Bay Isle 92-1 Assessment District was established to finance the construction and acquisition of public improvements in the District.

MARINA VILLAGE 89-1 SPECIAL ASSESSMENT DISTRICT

The Marina Village 89-1 Assessment District was established to finance the construction and acquisition of public improvements in the District.

CITYWIDE DEVELOPMENT FEE

This fund accounts for revenues from citywide development impact fees required from certain new developments. Monies are used to mitigate the impacts on availability and condition of public facilities caused by these developments.

WASTEWATER CAPITAL RESERVE

This fund is required by the State Water Resources Control Board to insure the City has a funding source available for future expansion, major repair or replacement costs, and loan repayment related to the wastewater facilities.

OPEN SPACE IMPROVEMENT

This fund accounts for the deposit of a specified portion of the proceeds of the sale of land into a separate fund whose use would be determined by Council at a later time.

ALAMEDA POINTS IMPROVEMENT PROJECT 2003 REVENUE BONDS

This fund accounts for the Alameda Point major constructions and improvement projects financed through the 2003 Demand Revenue Bonds.

This Page Left Intentionally Blank

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	Library	Gas Tax	Transportation Improvement	Traffic Safety	County Measure B	CHRPO LEAD
ASSETS						
Cash and cash equivalents	$127,191		$45,623		$4,535,024	
Restricted cash and investments		$431,314				
Accounts receivable	104,666	127,075		$5,306	719,973	32,655
Interest receivable						
Loans receivable						
Prepaid, deposits and bond discounts						
Total Assets	$231,857	$558,389	$45,623	$5,306	$5,254,997	$32,655
LIABILITIES						
Accounts payable	$108,962					$450
Accrued payroll	29,328					
Due to other funds				$4,240		13,982
Deferred revenue						
Refundable deposits						
Total Liabilities	138,290			4,240		14,432
FUND EQUITY						
Fund balances						
Reserved for:						
Capital improvement		$558,389			$5,254,997	
Debt service						
Low-and-moderate-income housing						
Prepaids, loans receivable, and advances to other funds						
Unreserved:						
Designated for:						
Special Revenue Funds						
Capital Projects Fund						
Undesignated	93,567		$45,623	$1,066		18,223
Total Fund Balances	93,567	558,389	45,623	1,066	5,254,997	18,223
Total Liabilities and Fund Balances	$231,857	$558,389	$45,623	$5,306	$5,254,997	$32,655

SPECIAL REVENUE FUNDS							
Tidelands	Narcotics Asset Seizure	Senior Citizens Transportation Assistance	Dwelling Unit	Parking Meter	Commercial Revitalization	Community Development Block Grant	HOME Fund
$1,147,109		$56,335	$203,228	$1,419,125	$1,298,885		
12,500				6,571		$307,502	
					3,605		
				4,420	4,800		
$1,159,609		$56,335	$203,228	$1,430,116	$1,307,290	$307,502	
		$30,121			$6,149	$92,673	
		192			365	10,456	
	$42,561					204,373	
					25,712		
	42,561	30,313			32,226	307,502	
				$4,420	4,800		
$1,159,609	(42,561)	26,022	$203,228	1,425,696	1,270,264		
1,159,609	(42,561)	26,022	203,228	1,430,116	1,275,064		
$1,159,609		$56,335	$203,228	$1,430,116	$1,307,290	$307,502	

(Continued)

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	Rehabilitation Repayment	Human Services	Vehicle Registration	Affordable Housing	Garbage Surcharge	Bayport Municipal Services District
ASSETS						
Cash and cash equivalents	$721,024	$33,107	$40,219	$538,760	$681,434	$401,763
Restricted cash and investments						
Accounts receivable	16,068			334	14,583	1,512
Interest receivable						
Loans receivable	3,126,374			280,352		
Prepaid, deposits and bond discounts						
Total Assets	$3,863,466	$33,107	$40,219	$819,446	$696,017	$403,275
LIABILITIES						
Accounts payable	$44,941			$1,525		
Accrued payroll		$703		1,347		
Due to other funds						
Deferred revenue	3,126,374			280,352		
Refundable deposits						
Total Liabilities	3,171,315	703		283,224		
FUND EQUITY						
Fund balances						
Reserved for:						
Capital improvement						
Debt service						
Low-and-moderate-income housing	692,151			536,222		
Prepaids, loans receivable, and advances to other funds						
Unreserved:						
Designated for:						
Special Revenue Funds						
Capital Projects Fund						
Undesignated		32,404	$40,219		$696,017	$403,275
Total Fund Balances	692,151	32,404	40,219	536,222	696,017	403,275
Total Liabilities and Fund Balances	$3,863,466	$33,107	$40,219	$819,446	$696,017	$403,275

SPECIAL REVENUE FUNDS

Athletic Recreation	Island City Maintenance Assessment District 84-2	Waste Reduction Surcharge	Curbside Recycling	Housing Development	Parking In-Lieu	Dike Maintenance	Marina Cove Maintenance District 01-01
$909,768	$915,113	$4,707,039	$164,403	$116,083	$77,166	$1,097	$281,430
8,599	40,132	219,166		188			4,051
$918,367	$955,245	$4,926,205	$164,403	$116,271	$77,166	$1,097	$285,481
$54,290	$105,783	$48,145					$500
13,988		3,416	$66				
6,404							
19,340							
94,022	105,783	51,561	66				500
824,345	849,462	4,874,644					284,981
			164,337	$116,271	$77,166	$1,097	
824,345	849,462	4,874,644	164,337	116,271	77,166	1,097	284,981
$918,367	$955,245	$4,926,205	$164,403	$116,271	$77,166	$1,097	$285,481

(Continued)

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			
				Certificates of Participation			
	TSM/TDM	Public Art	Historical Advisory Board	Police Building	Library/ Golf	2002 City Hall Refinancing	2003 Library Bonds
ASSETS							
Cash and cash equivalents	$67,021	$43,385	$650				$371,278
Restricted cash and investments				$245,293	$645,778	$1,656,193	1
Accounts receivable							46,998
Interest receivable							
Loans receivable							
Prepaid, deposits and bond discounts							
Total Assets	$67,021	$43,385	$650	$245,293	$645,778	$1,656,193	$418,277
LIABILITIES							
Accounts payable							
Accrued payroll							
Due to other funds				$4,934			
Deferred revenue							
Refundable deposits							
Total Liabilities				4,934			
FUND EQUITY							
Fund balances							
Reserved for:							
Capital improvement							
Debt service				240,359	$645,778	$1,656,193	$418,277
Low-and-moderate income housing							
Prepaids, loans receivable, and advances to other funds							
Unreserved:							
Designated for:							
Special Revenue Funds							
Capital Projects Funds							
Undesignated	$67,021	$43,385	$650				
Total Fund Balances	67,021	43,385	650	240,359	645,778	1,656,193	418,277
Total Liabilities and Fund Balances	$67,021	$43,385	$650	$245,293	$645,778	$1,656,193	$418,277

DEBT SERVICE FUNDS					CAPITAL PROJECTS FUNDS		
Community Improvement Commission Subordinate Bonds	Community Improvement Commission 2003 Tax Allocation Refunding Bonds BWIP	Community Improvement Commission 2003 Tax Allocation Bonds	Alameda Point Improvement Project 2003 Revenue Bonds	HUD 108	Transportation Improvement	Library Construction	Urban Runoff Strom Drain Fee
$221,248	$284,223		$1,133,692		$1,394,897	$290,611	$5,265,320
350,161	1,296,863	$4,641,155	382,447				
					100		103,499
				$108,258			
$571,409	$1,581,086	$4,641,155	$1,516,139	$108,258	$1,394,997	$290,611	$5,368,819
							$396
							14,518
				$99,695			
							11,726
				99,695			26,640
$571,409	$1,581,086	$4,641,155	$1,516,139	8,563			
					$1,394,997		
						$290,611	$5,342,179
571,409	1,581,086	4,641,155	1,516,139	8,563	1,394,997	290,611	5,342,179
$571,409	$1,581,086	$4,641,155	$1,516,139	$108,258	$1,394,997	$290,611	$5,368,819

(Continued)

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	CAPITAL PROJECTS FUNDS				
			Special Assessment District		
	Community Facility District #1	Community Facility District #2	Harbor Bay Isle 92-1	Marina Village 89-1	Citywide Development Fee
ASSETS					
Cash and cash equivalents	$226	$6,797	$3,694	$89,688	$2,004,189
Restricted cash and investments			1,166,084	2,670,445	
Accounts receivable					
Interest receivable					
Loans receivable					
Prepaid, deposits and bond discounts					
Total Assets	$226	$6,797	$1,169,778	$2,760,133	$2,004,189
LIABILITIES					
Accounts payable					
Accrued payroll					
Due to other funds					
Deferred revenue					
Refundable deposits					
Total Liabilities					
FUND EQUITY					
Fund balances					
Reserved for:					
Capital improvement	$226	$6,797	$1,169,778	$2,760,133	$2,004,189
Debt service					
Low-and-moderate-income housing					
Prepaids, loans receivable, and advances to other funds					
Unreserved:					
Designated for:					
Special Revenue Funds					
Capital Projects Fund					
Undesignated					
Total Fund Balances	226	6,797	1,169,778	2,760,133	2,004,189
Total Liabilities and Fund Balances	$226	$6,797	$1,169,778	$2,760,133	$2,004,189

CAPITAL PROJECTS FUNDS			
Wastewater Capital Reserve	Open Space Improvement	Alameda Point Improvement Project 2003 Revenue Bonds	Total Nonmajor Governmental Funds
$25,364	$42,473	$22,350	$29,686,935
		452,634	13,939,465
			1,771,478
			3,605
			3,406,726
	978,254		1,095,732
$25,364	$1,020,727	$474,984	$49,903,941
		$59,436	$553,371
			74,379
			369,785
			3,413,130
			56,778
		59,436	4,467,443
$25,364	$42,473	415,548	12,237,894
			11,278,959
			1,228,373
	978,254		987,474
			6,833,432
			1,394,997
			11,475,369
25,364	1,020,727	415,548	45,436,498
$25,364	$1,020,727	$474,984	$49,903,941

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	Library	Gas Tax	Transportation Improvement	Traffic Safety	County Measure B	CHRPO LEAD
REVENUES						
Taxes	$1,363,147					
Other taxes						
Licenses and permits						
Revenue from other agencies	74,459	$1,363,098	$554,679		$2,766,186	$34,650
Charges for current services	72,010					
Fines and forfeitures				$179,212		
Use of money and property	7,635	7,220	19,803	1,066	234,089	159
Affordable housing fees						
Other						
Total Revenues	1,517,251	1,370,318	574,482	180,278	3,000,275	34,809
EXPENDITURES						
Current:						
General government						
Public works						
Development services, planning and building						
Culture and leisure	2,726,527					
Housing and community services						38,700
Capital outlay	9,446					
Payment to other agencies						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	2,735,973					38,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,218,722)	1,370,318	574,482	180,278	3,000,275	(3,891)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in	1,403,798					
Transfers (out)	(238,576)	(1,166,144)	(794,679)	(179,212)	(2,205,045)	
Total Other Financing Sources (Uses)	1,165,222	(1,166,144)	(794,679)	(179,212)	(2,205,045)	
NET CHANGE IN FUND BALANCES	(53,500)	204,174	(220,197)	1,066	795,230	(3,891)
BEGINNING FUND BALANCES (DEFICITS)	147,067	354,215	265,820		4,459,767	22,114
ENDING FUND BALANCES (DEFICITS)	$93,567	$558,389	$45,623	$1,066	$5,254,997	$18,223

SPECIAL REVENUE FUNDS

Tidelands	Narcotics Asset Seizure	Senior Citizens Transportation Assistance	Dwelling Unit	Parking Meter	Commercial Revitalization	Community Development Block Grant	HOME Fund
			$116,280				
	$29,606				$20,000	$2,281,483	$615,784
				$591,153	668,181		
$220,752		$93	11,163	77,145	105,263		
		5,009			15,000		
220,752	29,606	5,102	127,443	668,298	808,444	2,281,483	615,784
75,554	2,000	257,953		59,528			
					241,353	2,795,958	615,784
						396	
75,554	2,000	257,953		59,528	241,353	2,796,354	615,784
145,198	27,606	(252,851)	127,443	608,770	567,091	(514,871)	
	12,188						
		252,850				515,529	
(64,279)			(100,336)	(825,474)	(8,404,280)	(658)	
(64,279)	12,188	252,850	(100,336)	(825,474)	(8,404,280)	514,871	
80,919	39,794	(1)	27,107	(216,704)	(7,837,189)		
1,078,690	(82,355)	26,023	176,121	1,646,820	9,112,253		
$1,159,609	($42,561)	$26,022	$203,228	$1,430,116	$1,275,064		

(Continued)

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS					
	Rehabilitation Repayment	Human Services	Vehicle Registration	Affordable Housing	Garbage Surcharge	Bayport Municipal Service District
REVENUES						
Taxes						$310,786
Other taxes					$175,000	
Licenses and permits						
Revenue from other agencies		$17,452				
Charges for current services						
Fines and forfeitures						
Use of money and property	$238,526	1,848	$1,909	$27,641	31,928	14,947
Affordable housing fees				158,747		
Other	815	1,046				
Total Revenues	239,341	20,346	1,909	186,388	206,928	325,733
EXPENDITURES						
Current:						
General government				39,819		80
Public works						
Development services, planning and building						
Culture and leisure						
Housing and community services		60,733		8,920		
Capital outlay				515		
Payment to other agencies						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures		60,733		49,254		80
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	239,341	(40,387)	1,909	137,134	206,928	325,653
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in		44,200		1,000		
Transfers (out)	(515,529)				(97,388)	(136,267)
Total Other Financing Sources (Uses)	(515,529)	44,200		1,000	(97,388)	(136,267)
NET CHANGE IN FUND BALANCES	(276,188)	3,813	1,909	138,134	109,540	189,386
BEGINNING FUND BALANCES (DEFICITS)	968,339	28,591	38,310	398,088	586,477	213,889
ENDING FUND BALANCES (DEFICITS)	$692,151	$32,404	$40,219	$536,222	$696,017	$403,275

SPECIAL REVENUE FUNDS

Athletic Recreation	Island City Maintenance Assessment District 84-2	Waste Reduction Surcharge	Curbside Recycling	Housing Development	Parking In-Lieu	Dike Maintenance	Marina Cove Maintenance District 01-01
	$1,121,213						$93,079
$18,244		$417,938					
1,406,941	10,618	386,767			$358		
303,483	38,709	227,373	$8,555	$7,699	3,648	$1,097	11,450
		(1,353)					
1,728,668	1,170,540	1,030,725	8,555	7,699	4,006	1,097	104,529
1,471,884							
	1,216,386	465,474					4,155
555		2,021					
5,250							
1,477,689	1,216,386	467,495					4,155
250,979	(45,846)	563,230	8,555	7,699	4,006	1,097	100,374
37,246	3,000						
(104,659)		(352,078)	(16,000)			(118,974)	(25,708)
(67,413)	3,000	(352,078)	(16,000)			(118,974)	(25,708)
183,566	(42,846)	211,152	(7,445)	7,699	4,006	(117,877)	74,666
640,779	892,308	4,663,492	171,782	108,572	73,160	118,974	210,315
$824,345	$849,462	$4,874,644	$164,337	$116,271	$77,166	$1,097	$284,981

(Continued)

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS			
				CERTIFICATES OF PARTICIPATION			
	TSM/TDM	Public Art	Historical Advisory Board	Police Building	Library/ Golf	2002 City Hall Refinancing	2003 Library Bonds
REVENUES							
Taxes							$623,079
Other taxes							
Licenses and permits		$11,750	$600				
Revenue from other agencies							
Charges for current services	$22,722						
Fines and forfeitures							
Use of money and property	2,715	2,067	50	$13,930	$18,487	$84,769	7,541
Affordable housing fees							
Other							
Total Revenues	25,437	13,817	650	13,930	18,487	84,769	630,620
EXPENDITURES							
Current:							
General government		58					
Public works							
Development services, planning and building							
Culture and leisure							
Housing and community services							
Capital outlay							
Payment to other agencies							
Debt service:							
Principal				140,000	155,000	375,000	165,000
Interest and fiscal charges				104,467	222,473	455,557	493,250
Total Expenditures		58		244,467	377,473	830,557	658,250
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,437	13,759	650	(230,537)	(358,986)	(745,788)	(27,630)
OTHER FINANCING SOURCES (USES)							
Proceeds from sale of properties							
Transfers in				240,140	372,775	828,638	
Transfers (out)		(3,292)					
Total Other Financing Sources (Uses)		(3,292)		240,140	372,775	828,638	
NET CHANGE IN FUND BALANCES	25,437	10,467	650	9,603	13,789	82,850	(27,630)
BEGINNING FUND BALANCES (DEFICITS)	41,584	32,918		230,756	631,989	1,573,343	445,907
ENDING FUND BALANCES (DEFICITS)	$67,021	$43,385	$650	$240,359	$645,778	$1,656,193	$418,277

DEBT SERVICE FUNDS					CAPITAL PROJECTS FUNDS		
Community Improvement Commission Subordinate Bonds	Community Improvement Commission 2003 Tax Allocation Refunding Bonds BWIP	Community Improvement Commission 2003 Tax Allocation Bonds	Alameda Point Improvement Project 2003 Revenue Bonds	HUD 108	Transportation Improvement	Library Construction	Urban Runoff Strom Drain Fee
					$349,979		$2,760,265
					216,020		
				$82,397		$117,535	
							1,146
$24,243	$64,928	$213,704	$87,971	8,563	51,617	16,414	231,823
							3,000
24,243	64,928	213,704	87,971	90,960	617,616	133,949	2,996,234
					202	111,959	1,411,219
450,000	200,000	40,000					
290,563	835,087	2,692,328	596,197	82,397			
740,563	1,035,087	2,732,328	596,197	82,397	202	111,959	1,411,219
(716,320)	(970,159)	(2,518,624)	(508,226)	8,563	617,414	21,990	1,585,015
740,036	1,035,770	2,729,859	26,370			19,380	66,307
					(139,832)	(745,297)	(909,560)
740,036	1,035,770	2,729,859	26,370		(139,832)	(725,917)	(843,253)
23,716	65,611	211,235	(481,856)	8,563	477,582	(703,927)	741,762
547,693	1,515,475	4,429,920	1,997,995		917,415	994,538	4,600,417
$571,409	$1,581,086	$4,641,155	$1,516,139	$8,563	$1,394,997	$290,611	$5,342,179

(Continued)

CITY OF ALAMEDA
NON-MAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2007

	CAPITAL PROJECTS FUNDS				
			Special Assessment District		
	Community Facility District #1	Community Facility District #2	Harbor Bay Isle 92-1	Marina Village 89-1	Citywide Development Fee
REVENUES					
Taxes					
Other taxes					$585,945
Licenses and permits					
Revenue from other agencies			$24,814		
Charges for current services					
Fines and forfeitures					
Use of money and property	$11	$18,718	59,252	$139,883	85,156
Affordable housing fees					
Other					
Total Revenues	11	18,718	84,066	139,883	671,101
EXPENDITURES					
Current:					
General government					
Public works					
Development services, planning and building					
Culture and leisure					
Housing and community services					
Capital outlay		1,482	70,002	15,735	
Payment to other agencies					
Debt service:					
Principal					
Interest and fiscal charges					
Total Expenditures		1,482	70,002	15,735	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11	17,236	14,064	124,148	671,101
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of properties					
Transfers in					
Transfers (out)		(487,660)			
Total Other Financing Sources (Uses)		(487,660)			
NET CHANGE IN FUND BALANCES	11	(470,424)	14,064	124,148	671,101
BEGINNING FUND BALANCES (DEFICITS)	215	477,221	1,155,714	2,635,985	1,333,088
ENDING FUND BALANCES (DEFICITS)	$226	$6,797	$1,169,778	$2,760,133	$2,004,189

CAPITAL PROJECTS FUNDS			
Wastewater Capital Reserve	Open Space Improvement	Alameda Point Improvement Project 2003 Revenue Bonds	Total Nonmajor Governmental Funds
			$6,621,548
			1,093,245
			12,350
			8,418,325
			3,159,896
			179,212
$851	$41,914	$28,807	2,806,615
			158,747
			23,517
851	41,914	28,807	22,473,455
			1,906,876
		1,376	1,687,391
			2,726,527
			3,761,448
			1,623,532
			1,530,250
			5,772,319
		1,376	19,008,343
851	41,914	27,431	3,465,112
			12,188
8,120	61,254		8,386,272
		(209,072)	(17,839,999)
8,120	61,254	(209,072)	(9,441,539)
8,971	103,168	(181,641)	(5,976,427)
16,393	917,559	597,189	51,412,925
$25,364	$1,020,727	$415,548	$45,436,498

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	LIBRARY			GAS TAX		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	$1,336,896	$1,363,147	$26,251			
Other taxes						
Licenses and permits						
Revenue from other agencies	77,788	74,459	(3,329)	$1,603,488	$1,363,098	($240,390)
Charges for current services	70,000	72,010	2,010			
Fines and forfeitures						
Use of money and property		7,635	7,635	30,000	7,220	(22,780)
Affordable housing fee						
Other						
Total Revenues	1,484,684	1,517,251	32,567	1,633,488	1,370,318	(263,170)
EXPENDITURES						
Current:						
General government						
Public works				150,000		150,000
Development services						
Culture and recreation	3,185,452	2,726,527	458,925			
Housing and community services						
Capital outlay	32,440	9,446	22,994			
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	3,217,892	2,735,973	481,919	150,000		150,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,733,208)	(1,218,722)	514,486	1,483,488	1,370,318	(113,170)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in	1,830,124	1,403,798	(426,326)			
Transfers (out)	(238,576)	(238,576)		(2,106,354)	(1,166,144)	940,210
Total Other Financing Sources (Uses)	1,591,548	1,165,222	(426,326)	(2,106,354)	(1,166,144)	940,210
NET CHANGE IN FUND BALANCES	($141,660)	(53,500)	$88,160	($622,866)	204,174	$827,040
BEGINNING FUND BALANCES (DEFICITS)		147,067			354,215	
ENDING FUND BALANCES (DEFICITS)		$93,567			$558,389	

TRANSPORTATION IMPROVEMENT			TRAFFIC SAFETY			COUNTY MEASURE B		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$554,679	$554,679					$2,418,936	$2,766,186	$347,250
			$180,000	$179,212	($788)			
	19,803	$19,803		1,066	1,066	$45,000	234,089	189,089
554,679	574,482	19,803	180,000	180,278	278	2,463,936	3,000,275	536,339
						488,400		488,400
						488,400		488,400
554,679	574,482	19,803	180,000	180,278	278	1,975,536	3,000,275	1,024,739
(794,679)	(794,679)		(179,300)	(179,212)	88	(5,623,912)	(2,205,045)	3,418,867
(794,679)	(794,679)		(179,300)	(179,212)	88	(5,623,912)	(2,205,045)	3,418,867
($240,000)	(220,197)	$19,803	$700	1,066	$366	($3,648,376)	795,230	$4,443,606
	265,820						4,459,767	
	$45,623			$1,066			$5,254,997	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	CHRPO/LEAD			TIDELANDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies	$164,112	$34,650	($129,462)			
Charges for current services						
Fines and forfeitures						
Use of money and property		159	159	$240,000	$220,752	($19,248)
Affordable housing fee						
Other						
Total Revenues	164,112	34,809	(129,303)	240,000	220,752	(19,248)
EXPENDITURES						
Current:						
General government				52,788	75,554	(22,766)
Public works						
Development services						
Culture and recreation						
Housing and community services	181,971	38,700	143,271			
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	181,971	38,700	143,271	52,788	75,554	(22,766)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(17,859)	(3,891)	13,968	187,212	145,198	(42,014)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in						
Transfers (out)				(231,907)	(64,279)	167,628
Total Other Financing Sources (Uses)				(231,907)	(64,279)	167,628
NET CHANGE IN FUND BALANCES	($17,859)	(3,891)	$13,968	($44,695)	80,919	$125,614
BEGINNING FUND BALANCES (DEFICITS)		22,114			1,078,690	
ENDING FUND BALANCES (DEFICITS)		$18,223			$1,159,609	

NARCOTICS ASSET SEIZURE			SENIOR CITIZENS TRANSPORTATION ASSISTANCE			DWELLING UNIT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						$215,000	$116,280	($98,720)
$21,753	$29,606	$7,853						
				$93	$93		11,163	11,163
			$3,000	5,009	2,009			
21,753	29,606	7,853	3,000	5,102	2,102	215,000	127,443	(87,557)
2,000	2,000		265,747	257,953	7,794			
2,000	2,000		265,747	257,953	7,794			
19,753	27,606	7,853	(262,747)	(252,851)	9,896	215,000	127,443	(87,557)
	12,188	12,188						
			294,947	252,850	(42,097)			
						(210,177)	(100,336)	109,841
	12,188	12,188	294,947	252,850	(42,097)	(210,177)	(100,336)	109,841
$19,753	39,794	$20,041	$32,200	(1)	($32,201)	$4,823	27,107	$22,284
	(82,355)			26,023			176,121	
	($42,561)			$26,022			$203,228	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PARKING METER			COMMERCIAL REVITALIZATION		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies				$20,000	$20,000	
Charges for current services	$465,000	$591,153	$126,153		668,181	$668,181
Fines and forfeitures						
Use of money and property	15,000	77,145	62,145	25,000	105,263	80,263
Affordable housing fee						
Other				320,670	15,000	(305,670)
Total Revenues	480,000	668,298	188,298	365,670	808,444	442,774
EXPENDITURES						
Current:						
General government	63,900	59,528	4,372			
Public works						
Development services						
Culture and recreation						
Housing and community services				376,686	241,353	135,333
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	63,900	59,528	4,372	376,686	241,353	135,333
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	416,100	608,770	192,670	(11,016)	567,091	578,107
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in						
Transfers (out)	(837,696)	(825,474)	12,222	(2,814)	(8,404,280)	(8,401,466)
Total Other Financing Sources (Uses)	(837,696)	(825,474)	12,222	(2,814)	(8,404,280)	(8,401,466)
NET CHANGE IN FUND BALANCES	($421,596)	(216,704)	$204,892	($13,830)	(7,837,189)	($7,823,359)
BEGINNING FUND BALANCES (DEFICITS)		1,646,820			9,112,253	
ENDING FUND BALANCES (DEFICITS)		$1,430,116			$1,275,064	

COMMUNITY DEVELOPMENT BLOCK GRANT			HOME FUND			REHABILITATION REPAYMENT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$3,650,409	$2,281,483	($1,368,926)	$2,193,897	$615,784	($1,578,113)			
						$190,000	$238,526	$48,526
							815	815
3,650,409	2,281,483	(1,368,926)	2,193,897	615,784	(1,578,113)	190,000	239,341	49,341
4,513,328	2,795,958	1,717,370	2,193,897	615,784	1,578,113			
9,000	396	8,604						
4,522,328	2,796,354	1,725,974	2,193,897	615,784	1,578,113			
(871,919)	(514,871)	357,048				190,000	239,341	49,341
881,868	515,529	(366,339)						
(10,658)	(658)	10,000				(881,753)	(515,529)	366,224
871,210	514,871	(356,339)				(881,753)	(515,529)	366,224
($709)		$709				($691,753)	(276,188)	$415,565
							968,339	
							$692,151	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	HUMAN SERVICES			VEHICLE REGISTRATION		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies	$19,175	$17,452	($1,723)			
Charges for current services						
Fines and forfeitures						
Use of money and property		1,848	1,848	$2,000	$1,909	($91)
Affordable housing fee						
Other	1,000	1,046	46			
Total Revenues	20,175	20,346	171	2,000	1,909	(91)
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services	98,134	60,733	37,401			
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	98,134	60,733	37,401			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,959)	(40,387)	37,572	2,000	1,909	(91)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in	44,200	44,200				
Transfers (out)						
Total Other Financing Sources (Uses)	44,200	44,200				
NET CHANGE IN FUND BALANCES	($33,759)	3,813	$37,572	$2,000	1,909	($91)
BEGINNING FUND BALANCES (DEFICITS)		28,591			38,310	
ENDING FUND BALANCES		$32,404			$40,219	

AFFORDABLE HOUSING			GARBAGE SURCHARGE			BAYPORT MUNICIPAL SERVICE DISTRICT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						$341,712	$310,786	($30,926)
			$175,000	$175,000				
	$27,641	$27,641	$32,000	31,928	($72)		14,947	14,947
$90,000	158,747	68,747						
90,000	186,388	96,388	207,000	206,928	(72)	341,712	325,733	(15,979)
45,008	39,819	5,189				202,432	80	202,352
348,285	8,920	339,365						
2,205	515	1,690						
395,498	49,254	346,244				202,432	80	202,352
(305,498)	137,134	442,632	207,000	206,928	(72)	139,280	325,653	186,373
1,000	1,000							
			(125,000)	(97,388)	27,612	(139,280)	(136,267)	3,013
1,000	1,000		(125,000)	(97,388)	27,612	(139,280)	(136,267)	3,013
($304,498)	138,134	$442,632	$82,000	109,540	$27,540		189,386	$189,386
	398,088			586,477			213,889	
	$536,222			$696,017			$403,275	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	ATHLETIC RECREATION			ISLAND CITY MAINTENANCE ASSESSMENT DISTRICT 84-2		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes				$1,164,764	$1,121,213	($43,551)
Other taxes						
Licenses and permits						
Revenue from other agencies	$20,000	$18,244	($1,756)			
Charges for current services	1,835,635	1,406,941	(428,694)	50,929	10,618	(40,311)
Fines and forfeitures						
Use of money and property	190,800	303,483	112,683		38,709	38,709
Affordable housing fee						
Other						
Total Revenues	2,046,435	1,728,668	(317,767)	1,215,693	1,170,540	(45,153)
EXPENDITURES						
Current:						
General government	1,598,476	1,471,884	126,592			
Public works				1,490,316	1,216,386	273,930
Development services						
Culture and recreation						
Housing and community services						
Capital outlay		555	(555)			
Debt service:						
Principal	5,250	5,250				
Interest and fiscal charges						
Total Expenditures	1,603,726	1,477,689	126,037	1,490,316	1,216,386	273,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	442,709	250,979	(191,730)	(274,623)	(45,846)	228,777
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in		37,246	37,246		3,000	3,000
Transfers (out)	(104,659)	(104,659)				
Total Other Financing Sources (Uses)	(104,659)	(67,413)	37,246		3,000	3,000
NET CHANGE IN FUND BALANCES	$338,050	183,566	($154,484)	($274,623)	(42,846)	$231,777
BEGINNING FUND BALANCES (DEFICITS)		640,779			892,308	
ENDING FUND BALANCES (DEFICITS)		$824,345			$849,462	

WASTE REDUCTION SURCHARGE			CURBSIDE RECYCLING			HOUSING DEVELOPMENT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$366,877	$417,938	$51,061						
357,035	386,767	29,732						
68,588	227,373	158,785	$3,700	$8,555	$4,855		$7,699	$7,699
	(1,353)	(1,353)						
792,500	1,030,725	238,225	3,700	8,555	4,855		7,699	7,699
760,998	465,474	295,524						
2,500	2,021	479						
763,498	467,495	296,003						
29,002	563,230	534,228	3,700	8,555	4,855		7,699	7,699
(206,024)	(352,078)	(146,054)	(16,000)	(16,000)				
(206,024)	(352,078)	(146,054)	(16,000)	(16,000)				
($177,022)	211,152	$388,174	($12,300)	(7,445)	$4,855		7,699	$7,699
	4,663,492			171,782			108,572	
	$4,874,644			$164,337			$116,271	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PARKING IN-LIEU			DIKE MAINTENANCE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies						
Charges for current services		$358	$358			
Fines and forfeitures						
Use of money and property	$81,033	3,648	(77,385)	$1,000	$1,097	$97
Affordable housing fee						
Other						
Total Revenues	81,033	4,006	(77,027)	1,000	1,097	97
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services	81,033		81,033			
Capital outlay						
Debt service:						
Principal						
Interest and fiscal charges						
Total Expenditures	81,033		81,033			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		4,006	4,006	1,000	1,097	97
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in						
Transfers (out)				(118,974)	(118,974)	
Total Other Financing Sources (Uses)				(118,974)	(118,974)	
NET CHANGE IN FUND BALANCES		4,006	$4,006	($117,974)	(117,877)	$97
BEGINNING FUND BALANCES (DEFICITS)		73,160			118,974	
ENDING FUND BALANCES (DEFICITS)		$77,166			$1,097	

MARINA COVE MAINTENANCE DISTRICT 01-01			TSM/TDM			PUBLIC ART		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$81,017	$93,079	$12,062						
						$10,000	$11,750	$1,750
				$22,722	$22,722			
	11,450	11,450		2,715	2,715	3,000	2,067	(933)
81,017	104,529	23,512		25,437	25,437	13,000	13,817	817
						$58	$58	
81,017	4,155	76,862						
81,017	4,155	76,862				58	58	
	100,374	100,374		25,437	25,437	12,942	13,759	817
23,119		(23,119)						
(63,119)	(25,708)	37,411				(3,292)	(3,292)	
(40,000)	(25,708)	14,292				(3,292)	(3,292)	
($40,000)	74,666	$114,666		25,437	$25,437	$9,650	10,467	$817
	210,315			41,584			32,918	
	$284,981			$67,021			$43,385	

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	HISTORICAL ADVISORY BOARD			POLICE BUILDING CERTIFICATES OF PARTICIPATION		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits	$600	$625				
Revenue from other agencies						
Charges for current services						
Fines and forfeitures						
Use of money and property	50	25	($25)		$13,930	$13,930
Affordable housing fee						
Other						
Total Revenues	650	650	(25)		13,930	13,930
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services						
Capital outlay						
Debt service:						
Principal				$140,000	140,000	
Interest and fiscal charges				104,540	104,467	73
Total Expenditures				244,540	244,467	73
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	650	650		(244,540)	(230,537)	14,003
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in				240,140	240,140	
Transfers (out)						
Total Other Financing Sources (Uses)				240,140	240,140	
NET CHANGE IN FUND BALANCES	$650	650		($4,400)	9,603	$14,003
BEGINNING FUND BALANCES (DEFICITS)					230,756	
ENDING FUND BALANCES (DEFICITS)		$650			$240,359	

LIBRARY GOLF CERTIFICATES OF PARTICIPATION			2002 CITY HALL REFINANCING CERTIFICATES OF PARTICIPATION			2003 LIBRARY BOND		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
						$660,000	$623,079	($36,921)
	$18,487	$18,487	$85,000	$84,769	($231)		7,541	7,541
	18,487	18,487	85,000	84,769	(231)	660,000	630,620	(29,380)
$155,000	155,000		375,000	375,000		165,000	165,000	
222,475	222,473	2	455,638	455,557	81	493,250	493,250	
377,475	377,473	2	830,638	830,557	81	658,250	658,250	
(377,475)	(358,986)	18,489	(745,638)	(745,788)	(150)	1,750	(27,630)	(29,380)
372,775	372,775		828,638	828,638				
372,775	372,775		828,638	828,638				
($4,700)	13,789	$18,489	$83,000	82,850	($150)	$1,750	(27,630)	($29,380)
	631,989			1,573,343			445,907	
	$645,778			$1,656,193			$418,277	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	COMMUNITY IMPROVEMENT COMMISSION SUBORDINATE BONDS			COMMUNITY IMPROVEMENT COMMISSION 2003 TAX ALLOCATION REFUNDING BONDS BWIP		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits						
Revenue from other agencies						
Charges for current services						
Fines and forfeitures						
Use of money and property	$24,000	$24,243	$243	$65,000	$64,928	($72)
Affordable housing fee						
Other						
Total Revenues	24,000	24,243	243	65,000	64,928	(72)
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services						
Capital outlay						
Debt service:						
Principal retirements	450,000	450,000		200,000	200,000	
Interest and fiscal charges	291,636	290,563	1,073	836,569	835,087	1,482
Total Expenditures	741,636	740,563	1,073	1,036,569	1,035,087	1,482
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(717,636)	(716,320)	1,316	(971,569)	(970,159)	1,410
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in	740,036	740,036		1,034,969	1,035,770	801
Transfers (out)						
Total Other Financing Sources (Uses)	740,036	740,036		1,034,969	1,035,770	801
NET CHANGE IN FUND BALANCES	$22,400	23,716	$1,316	$63,400	65,611	$2,211
BEGINNING FUND BALANCES (DEFICITS)		547,693			1,515,475	
ENDING FUND BALANCES (DEFICITS)		$571,409			$1,581,086	

COMMUNITY IMPROVEMENT COMMISSION 2003 TAX ALLOCATION BONDS			ALAMEDA POINT IMPROVEMENT PROJECT 2003 REVENUE BOND			HUD 108		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
							$82,397	$82,397
$214,000	$213,704	($296)	$88,000	$87,971	($29)		8,563	8,563
214,000	213,704	(296)	88,000	87,971	(29)		90,960	90,960
40,000	40,000							
2,692,359	2,692,328	31	400,000	596,197	(196,197)	$82,397	82,397	
2,732,359	2,732,328	31	400,000	596,197	(196,197)	82,397	82,397	
(2,518,359)	(2,518,624)	(265)	(312,000)	(508,226)	(196,226)	(82,397)	8,563	90,960
2,729,859	2,729,859		26,370	26,370		500,000		(500,000)
2,729,859	2,729,859		26,370	26,370		500,000		(500,000)
$211,500	211,235	($265)	($285,630)	(481,856)	($196,226)	$417,603	8,563	($409,040)
	4,429,920			1,997,995				
	$4,641,155			$1,516,139			$8,563	

(Continued)

This Page Left Intentionally Blank

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	TRANSPORTATION IMPROVEMENT			LIBRARY CONSTRUCTION		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes		$565,999	$565,999			
Other taxes						
Licenses and permits						
Revenue from other agencies					$117,535	$117,535
Charges for current services						
Fines and forfeitures						
Use of money and property		51,617	$51,617		16,414	16,414
Affordable housing fee						
Other						
Total Revenues		617,616	617,616		133,949	133,949
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services						
Capital outlay		202			111,959	(111,959)
Debt service:						
Principal retirements						
Interest and fiscal charges						
Total Expenditures		202			111,959	(111,959)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		617,414	617,414		21,990	21,990
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in					19,380	19,380
Transfers (out)		(139,832)	(139,832)		(745,297)	(745,297)
Total Other Financing Sources (Uses)		(139,832)	(139,832)		(725,917)	(725,917)
NET CHANGE IN FUND BALANCES		477,582	$477,582		(703,927)	($703,927)
BEGINNING FUND BALANCES (DEFICITS)		917,415			994,538	
ENDING FUND BALANCES (DEFICITS)		$1,394,997			$290,611	

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	URBAN RUNOFF STORM DRAIN FEE			COMMUNITY FACILITY DISTRICT #1		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	$2,629,337	$2,760,265	$130,928			
Other taxes						
Licenses and permits						
Revenue from other agencies						
Charges for current services		1,146	1,146			
Fines and forfeitures						
Use of money and property	58,074	231,823	173,749	$25	$11	($14)
Affordable housing fee						
Other		$3,000	3,000			
Total Revenues	2,687,411	2,996,234	308,823	25	11	(14)
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services						
Capital outlay	1,460,973	1,411,219	49,754			
Debt service:						
Principal retirements						
Interest and fiscal charges						
Total Expenditures	1,460,973	1,411,219	49,754			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,226,438	1,585,015	358,577	25	11	(14)
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in	66,307	66,307				
Transfers (out)	(2,475,058)	(909,560)	1,565,498			
Total Other Financing Sources (Uses)	(2,408,751)	(843,253)	1,565,498			
NET CHANGE IN FUND BALANCES	($1,182,313)	741,762	$1,924,075	$25	11	($14)
BEGINNING FUND BALANCES (DEFICITS)		4,600,417			215	
ENDING FUND BALANCES		$5,342,179			$226	

COMMUNITY FACILITY DISTRICT #2			HARBOR BAY ISLE 92-1 SPECIAL ASSESSMENT DISTRICT			MARINA VILLAGE 89-1 SPECIAL ASSESSMENT DISTRICT		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
				$24,814	$24,814			
$18,000	$18,718	$718		59,252	59,252		$139,883	$139,883
18,000	18,718	718		84,066	84,066		139,883	139,883
	1,482	(1,482)		70,002	(70,002)		15,735	(15,735)
	1,482	(1,482)		70,002	(70,002)		15,735	(15,735)
18,000	17,236	(764)		14,064	14,064		124,148	124,148
(489,147)	(487,660)	1,487						
(489,147)	(487,660)	1,487						
($471,147)	(470,424)	$723		14,064	$14,064		124,148	$124,148
	477,221			1,155,714			2,635,985	
	$6,797			$1,169,778			$2,760,133	

(Continued)

CITY OF ALAMEDA
BUDGETED NON-MAJOR FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	CITYWIDE DEVELOPMENT FEE			WASTEWATER CAPITAL RESERVE		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes						
Other taxes						
Licenses and permits		$585,945				
Revenue from other agencies						
Charges for current services						
Fines and forfeitures						
Use of money and property		85,156	$85,156		$851	$851
Affordable housing fee						
Other						
Total Revenues		671,101	85,156		851	851
EXPENDITURES						
Current:						
General government						
Public works						
Development services						
Culture and recreation						
Housing and community services						
Capital outlay						
Debt service:						
Principal retirements						
Interest and fiscal charges						
Total Expenditures						
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		671,101	671,101		851	851
OTHER FINANCING SOURCES (USES)						
Proceeds from sale of properties						
Transfers in					8,120	8,120
Transfers (out)						
Total Other Financing Sources (Uses)					8,120	8,120
NET CHANGE IN FUND BALANCES		671,101	$671,101		8,971	$8,971
BEGINNING FUND BALANCES (DEFICITS)		1,333,088			16,393	
ENDING FUND BALANCES (DEFICITS)		$2,004,189			$25,364	

OPEN SPACE IMPROVEMENT			ALAMEDA POINT IMPROVEMENT PROJECT 2003 REVENUE BONDS		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
	$41,914	$41,914		$28,807	$28,807
	41,914	41,914		28,807	28,807
				1,376	(1,376)
				1,376	(1,376)
	41,914	41,914		27,431	27,431
	61,254	61,254		(209,072)	(209,072)
	61,254	61,254		(209,072)	(209,072)
	103,168	$103,168		(181,641)	($181,641)
	917,559			597,189	
	$1,020,727			$415,548	

This Page Left Intentionally Blank

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments, which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

CENTRAL STORE

This fund accounts for the City central store's operation. The source of revenue is reimbursement of costs for items purchased by other departments.

CENTRAL GARAGE

This fund accounts for the maintenance and replacement of vehicles and equipment used by all City departments. Source of revenue for this fund is on reimbursement of costs for services and supplies purchased by other departments.

TECHNOLOGY SERVICES

This fund accounts for computer and telephone charges and information system upgrades.

WORKERS' COMPENSATION INSURANCE

This fund accounts for the administration of the City's workers' compensation program and payment of workers' compensation claim payments.

RISK MANAGEMENT INSURANCE

This fund accounts for the administration of the City's risk management program and payment of general liability claim payments.

UNEMPLOYMENT INSURANCE

This fund accounts for the administration of the City's unemployment insurance program and payment of unemployment claim payments.

POST EMPLOYMENT

This fund accounts for charges of post-employment benefits.

CITY OF ALAMEDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2007

	Central Store	Central Garage	Technology Services	Workers' Compensation Insurance
ASSETS				
Current Assets:				
Cash and cash equivalents	$98,956	$181,436	$136,022	$146,299
Accounts receivable	19,762	8,819	24,169	140,020
Prepaids and deposits			19,003	135,000
Total Current Assets	118,718	190,255	179,194	421,319
Capital assets, depreciable, net			801,605	
Total Assets	118,718	190,255	980,799	421,319
LIABILITIES				
Current Liabilities:				
Accounts payable	40,874	34,693	8,561	185
Accrued payroll				2,907
Due to other funds				
Claims payable				5,874,581
Total Current Liabilities	40,874	34,693	8,561	5,877,673
Long-term Debt:				
Due within one year			192,821	
Due in more than one year			369,574	
Total Long-Term Debt			562,395	
Total Liabilities	40,874	34,693	570,956	5,877,673
NET ASSETS				
Invested in capital assets, net of related debt			432,031	
Unrestricted	77,844	155,562	(22,188)	(5,456,354)
Total Net Assets (Deficits)	$77,844	$155,562	$409,843	($5,456,354)

	Risk Management Insurance	Unemployment Insurance	Post - Employment	Total
	$336,315	$1,383		$900,411
	12,920			205,690
		405	$6,567	160,975
	349,235	1,788	6,567	1,267,076
				801,605
	349,235	1,788	6,567	2,068,681
	122,437			206,750
	5,554			8,461
			6,567	6,567
	1,185,842			7,060,423
	1,313,833		6,567	7,282,201
				192,821
				369,574
				562,395
	1,313,833		6,567	7,844,596
				432,031
	(964,598)	1,788		(6,207,946)
	($964,598)	$1,788		($5,775,915)

CITY OF ALAMEDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Central Store	Central Garage	Technology Services	Workers' Compensation Insurance
OPERATING REVENUES				
Charges for services	$772,552	$397,870	$911,867	$1,884,059
Total Operating Revenues	772,552	397,870	911,867	1,884,059
OPERATING EXPENSES				
General administrative		293,801	202,811	956
Wages and benefits				194,683
Insurance				1,702,297
Contractual services	300,640	42,981	486,953	(8,425)
Supplies and maintenance	487,018	(2,279)	534	
Depreciation			106,375	
Total Operating Expenses	787,658	334,503	796,673	1,889,511
Operating Income (Loss)	(15,106)	63,367	115,194	(5,452)
NONOPERATING REVENUES (EXPENSES)				
Interest income	10,665	6,256	17,234	
Interest (expense)			(39,476)	
Total Nonoperating Revenues (Expenses)	10,665	6,256	(22,242)	
Income (Loss) Before Transfers	(4,441)	69,623	92,952	(5,452)
Transfers in	771	7,059		4,208
Transfers (out)				
Net Transfers	771	7,059		4,208
Change in Net Assets	(3,670)	76,682	92,952	(1,244)
BEGINNING NET ASSETS (DEFICITS)	81,514	78,880	316,891	(5,455,110)
ENDING NET ASSETS (DEFICITS)	$77,844	$155,562	$409,843	($5,456,354)

Risk Management Insurance	Unemployment Insurance	Post - Employment	Total
$1,139,307	$30,501	$1,510,900	$6,647,056
1,139,307	30,501	1,510,900	6,647,056
16,203	39,373		553,144
456,663			651,346
1,214,830		1,510,900	4,428,027
862,427	1,620		1,686,196
			485,273
			106,375
2,550,123	40,993	1,510,900	7,910,361
(1,410,816)	(10,492)		(1,263,305)
15,937	321		50,413
			(39,476)
15,937	321		10,937
(1,394,879)	(10,171)		(1,252,368)
85,728	1,500		99,266
(75,901)			(75,901)
9,827	1,500		23,365
(1,385,052)	(8,671)		(1,229,003)
420,454	10,459		(4,546,912)
($964,598)	$1,788		($5,775,915)

CITY OF ALAMEDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Central Store	Central Garage	Technology Services	Workers' Compensation Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	$765,677	$393,561	$887,928	$1,789,503
Payments to suppliers	(789,218)	(340,447)	(710,391)	(48,931)
Payments to employees				(195,169)
Claims paid				(1,784,169)
Cash Flows from Operating Activities	(23,541)	53,114	177,537	(238,766)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interfund payments				
Transfers net	771	7,059		4,208
Cash Flows from Noncapital Financing Activities	771	7,059		4,208
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets, net			(149,550)	
Principal payments on capital debt	(142,038)		(192,821)	
Interest paid on capital debt			(39,476)	
Cash Flows from Capital and Related Financing Activities	(142,038)		(381,847)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	10,665	6,256	17,234	
Net Cash Flows	(154,143)	66,429	(187,076)	(234,558)
Cash and investments at beginning of period	253,099	115,007	323,098	380,857
Cash and investments at end of period	$98,956	$181,436	$136,022	$146,299
Reconciliation of operating income (loss) to net cash flows from operating activities:				
Operating income (loss)	($15,106)	$63,367	$115,194	($5,452)
Adjustments to reconcile operating income to cash flows from operating activities:				
Depreciation			106,375	
Change in assets and liabilities:				
Accounts receivable	(6,875)	(4,309)	(23,939)	(94,556)
Prepaids and deposits				
Accounts payable	(1,560)	(5,944)	(20,093)	(57,356)
Claims payable				(81,872)
Accrued payroll				470
Cash Flows from Operating Activities	($23,541)	$53,114	$177,537	($238,766)

Risk Management Insurance	Unemployment Insurance	Post - Employment	Total
$1,126,387	$30,501	$1,510,900	$6,504,457
(990,918)	(2,025)	(1,517,467)	(4,399,397)
(472,724)	(39,373)		(707,266)
(975,853)			(2,760,022)
(1,313,108)	(10,897)	(6,567)	(1,362,228)
		6,567	6,567
9,827	1,500		23,365
9,827	1,500	6,567	29,932
			(149,550)
			(334,859)
			(39,476)
			(523,885)
15,937	321		50,413
(1,287,344)	(9,076)		(1,805,768)
1,623,659	10,459		2,706,179
$336,315	$1,383		$900,411
($1,410,816)	($10,492)		($1,263,305)
			106,375
(12,920)			(142,599)
	(405)	($6,567)	(6,972)
(128,491)			(213,444)
238,977			157,105
142			612
($1,313,108)	($10,897)	($6,567)	($1,362,228)

This Page Left Intentionally Blank

FIDUCIARY FUNDS

GASB Statement 34 requires that Pension Funds and Agency Funds be presented separately from the Government-wide and Fund financial statements.

PENSION TRUST FUNDS

Pension Trust Funds are used to report and account for resources that are required to be held in trust for the members and beneficiaries of the City's defined benefit pension plan.

POLICE AND FIRE PENSION #1079

This fund accounts for the resources accumulated for the payment of pension benefits enacted under plan #1079.

POLICE AND FIRE PENSION #1082

This fund accounts for the resources accumulated for the payment of pension benefits enacted under plan #1082.

AGENCY FUNDS

Agency Funds account for assets held by the City as agent for individuals, governmental entities, and non-public organizations. These funds include the following:

ASSESSMENT DISTRICTS

This fund accounts for cash and investments held on behalf of assessment districts formed within the City. The City is not obligated for repayment of any debt issued by these assessment districts.

WASTE MANAGEMENT JRRRC TRUST (JOINT REFUSE RATE REVIEW COMMITTEE)

This fund accounts for refuse charges collected to pay for operations of the committee.

MASTICK SENIOR CENTER TRUST FUND

This fund accounts for asset held for Mastic Senior Center Advisory Board to provide services and facilities which enhance the quality of life of senior citizens.

CITY OF ALAMEDA
PENSION TRUST FUNDS
COMBINING BALANCE SHEET
June 30, 2007

	PENSION TRUST FUNDS		
	Police and Fire Pension #1079	Police and Fire Pension #1082	Total
ASSETS			
Restricted cash and investments	$0	$0	$0
Total Assets	$0	$0	$0
FUND BALANCE			
Reserved for:			
Employees' pension benefits	$0	$0	$0
Total Equity	$0	$0	$0

CITY OF ALAMEDA
PENSION TRUST FUNDS
COMBINING STATEMENTS OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	PENSION TRUST FUNDS Plan #1079	PENSION TRUST FUNDS Plan #1082	TOTALS
ADDITIONS			
Employer contributions	$3,020,348	$42,246	$3,062,594
Total Additions	3,020,348	42,246	3,062,594
DEDUCTIONS			
Retirement and other benefits	3,016,190	40,967	3,057,157
Contractual services	4,158	1,279	5,437
Total Deductions	3,020,348	42,246	3,062,594
INCREASE (DECREASE) IN NET ASSETS	0	0	0
NET ASSETS HELD IN (DUE TO) TRUST FOR PENSION BENEFITS			
Beginning of year	0	0	0
End of year	$0	$0	$0

CITY OF ALAMEDA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
Assessment Districts				
Assets				
Restricted cash and investments	$56,012,431	$13,061,182	$18,232,945	$50,840,668
Accounts receivable	41,991	162,166	41,991	162,166
Total Assets	$56,054,422	$13,223,348	$18,274,936	$51,002,834
Liabilities				
Due to bondholders	$56,054,422	$13,223,348	$18,274,936	$51,002,834
Refundable deposits				
Waste Management JRRRC Trust				
Assets				
Restricted cash and investments	$133,012	$6,629		$139,641
Liabilities				
Refundable deposits	$133,012	$6,629		$139,641
Mastick Senior Center				
Assets				
Restricted cash and investments		$386,509		$386,509
Liabilities				
Due to members		$386,509		$386,509
Totals- All Agency Funds				
Assets				
Restricted cash and investments	$56,145,443	$13,454,320	$18,232,945	$51,366,818
Accounts receivable	41,991	162,166	41,991	162,166
Total Assets	$56,187,434	$13,616,486	$18,274,936	$51,528,984
Liabilities				
Refundable deposits	$133,012	$6,629		$139,641
Due to members		386,509		386,509
Due to bondholders	56,054,422	13,223,348	18,274,936	51,002,834
Total Liabilities	$56,187,434	$13,616,486	$18,274,936	$51,528,984

APPENDIX C

FORM OF OPINION OF SPECIAL COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

City Council of the
City of Alameda
2263 Santa Clara Avenue
Alameda, California 94501

OPINION: $4,575,000 Certificates of Participation (2008 Refinancing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be Made by the City of Alameda (Alameda County, California), as the Rental for Certain Property Pursuant to a Lease Agreement with the Alameda Public Financing Authority

---

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Alameda (the "City"), of its $4,575,000 Lease Agreement, dated as of July 1, 2008, by and between the Alameda Public Financing Authority (the "Authority") and the City (the "Lease Agreement"), pursuant to the California Government Code. The Authority has, pursuant to the Assignment Agreement, dated as of July 1, 2008 (the "Assignment Agreement"), by and between the Authority and Union Bank of California, N.A., as trustee (the "Trustee"), assigned certain of its rights under the Lease Agreement, including its right to receive a portion of the lease payments made by the City thereunder (the "Lease Payments"), to the Trustee. Pursuant to the Trust Agreement, dated as of July 1, 2008, by and among the Trustee, the Authority and the City (the "Trust Agreement"), the Trustee has executed and delivered certificates of participation (the "Certificates") evidencing direct, undivided fractional interests of the owners thereof in the Lease Payments. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

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

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

1. The City is duly created and validly existing as a charter city organized and existing under and by virtue of the Constitution and laws of the State of California with the power to enter into the Lease Agreement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The Lease Agreement has been duly authorized, executed and delivered by the City and is an obligation of the City valid, binding and enforceable against the City in accordance with its terms.

3. The Trust Agreement and the Assignment Agreement are valid, binding and enforceable in accordance with their terms.

4. Subject to the terms and provisions of the Lease Agreement, the Lease Payments to be made by the City are payable from general funds of the City lawfully available therefor. By virtue of the Assignment Agreement, the owners of the Certificates are entitled to receive their fractional share of the Lease Payments in accordance with the terms and provisions of the Trust Agreement.

5. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the delivery of the Lease Agreement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the Lease Agreement. We express no opinion regarding other federal tax consequences arising with respect to the Lease Agreement and the Certificates.

6. The portion of the Lease Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

Ownership of the Certificates may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Certificates.

The rights of the owners of the Certificates and the enforceability of the Lease Agreement, the Assignment Agreement and the Trust Agreement may be subject to the Bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of the City and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF ALAMEDA (the "City") in connection with the execution and delivery of $4,575,000 City of Alameda (Alameda County, California) Certificates of Participation (2008 Refinancing Project) (the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2008, by and among Union Bank of California, N.A., as trustee (the "Trustee"), the City and the Alameda Public Financing Authority (the "Trust Agreement"). The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"*Annual Report*" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" shall mean the Union Bank of California, N.A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"*National Repository*" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"*Participating Underwriter*" shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Repository*" shall mean each National Repository and each State Repository.

"*Rule*" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"*State Repository*" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the City's fiscal year (which currently would be March 31), commencing March 31, 2009, with the report for the 2007-2008 fiscal year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The City shall provide a written certificate with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certificate of the City and shall have no duty or obligation to review such Annual Report. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the City shall send a notice to the Municipal Securities Rulemaking Board and the State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the City and if the City requests the Dissemination Agent to provide the Annual Report to the Repositories, and if and to the extent the City has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall be in a format suitable for filing with each Repository and shall contain or incorporate by reference the following:

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not set forth in the Audited Financial Statements, operating data with respect to the City for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Certificates:

(i) general fund revenue sources by type (over $1,000,000);
(ii) combined annual contribution (City's share and employees' share) to the Public Employees Retirement System; and
(iii) adopted general fund budget.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

The City is solely responsible for the content and format of the Annual Report.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if the City determines that such event is material:

(i) Principal and interest payment delinquencies.
(ii) Non-payment related defaults.
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
(v) Substitution of credit or liquidity providers, or their failure to perform.
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
(vii) Modifications to rights of security holders.
(viii) Contingent or unscheduled bond calls.
(ix) Defeasances.
(x) Release, substitution, or sale of property securing repayment of the securities.
(xi) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law. The Dissemination Agent shall have no responsibility for such determination and shall be entitled to conclusively rely on the City's determination.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be Union Bank of California, N.A.. The Dissemination Agent may resign by providing thirty days written notice to the City. If at any time there is no designated Dissemination Agent appointed by the City, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of Dissemination Agent hereunder, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate (provided the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties hereunder), and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Lease Agreement or the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. All of the immunities, indemnities, and exceptions from liability in Article IX of the Trust Agreement insofar as the relate to the Trustee shall apply to the Dissemination Agent in this Disclosure Certificate. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, and its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of the disclosure of information pursuant to the Disclosure Certificate or arising out of or in the exercise of performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty of obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, the owner of a Certificate, or any other party. The Trustee shall have no liability to any party for any monetary damages or other financial liability of any kind whatsoever related to or arising from any breach of this Disclosure Certificate. No person shall have any right to commence any action against the Dissemination Agent seeking any remedy other than to compel specific performance of this Certificate. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any written direction from the City or an opinion of Bond Counsel. The obligations of the City under this

Section shall survive resignation or removal of the Dissemination Agent or the Trustee and payment of the Certificates.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 13. Fees and Expenses.

(a) The Dissemination Agent shall be entitled to payment and reimbursement from the City for its services and all advances, counsel fees and other expenses reasonably made and incurred by the Dissemination Agent.

(b) The Dissemination Agent may rely on and shall be protected in acting and refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel.

Section 14. Alternative Filing Location. Any filing under this Disclosure Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org, unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC, dated September 7, 2004.

Date: [Closing Date]

CITY OF ALAMEDA

By __________________________________
Name: _______________________________
Title: ________________________________

ACKNOWLEDGED:

UNION BANK OF CALIFORNIA, N.A., as
Dissemination Agent

By __________________________________
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Alameda
Name of Issue:	Certificates of Participation (2008 Refinancing Project) Evidencing Direct, Undivided Fractional Interests of the Owners Thereof in Lease Payments to be made by the City of Alameda (Alameda County, California), as the Rental for Certain Property Pursuant to a Lease Agreement with the Alameda Public Financing Authority
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by Section 11.08 of the Trust Agreement, dated as of July 1, 2008, by and among Union Bank of California, N.A., as trustee, the Issuer and the Alameda Public Financing Authority. The Issuer anticipates that the Annual Report will be filed by _______________.

Dated: ____________________

UNION BANK OF CALIFORNIA, N.A., as
Dissemination Agent

By ______________________________________
Title ____________________________________

cc: Trustee

APPENDIX E

BOOK-ENTRY SYSTEM

The information in this Appendix E has been provided by The Depository Trust Company ("DTC"), New York, NY, for use in securities offering documents, and the City takes no responsibility for the accuracy or completeness thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute the Beneficial Owners either (a) payments of interest, principal or premium, if any, with respect to the Certificates or (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or that they will so do on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this Official Statement.

1. DTC will act as securities depository for the Certificates (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their

registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

APPENDIX F

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

THIS PAGE INTENTIONALLY LEFT BLANK

ASSURED GUARANTY®

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
t. 212.974.0100
www.assuredguaranty.com

Financial Guaranty Insurance Policy

Issuer: **Policy No.:**

Obligations: **Premium:**

Effective Date:

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. "**Holder**" means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. "**Insured Payments**" means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. "**Nonpayment**" means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. "**Receipt**" or "**Received**" means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. "**Term**" means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the "**Fiscal Agent**") for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation, its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.

ASSURED GUARANTY CORP.

(SEAL)

By:______________________________
[Insert Authorized Signatory Name]
[Insert Authorized Signatory Title]

Signature attested to by:

____
Counsel