NEW ISSUE — FULL BOOK-ENTRY ONLY

INSURED RATINGS: S&P: "AAA"
UNINSURED RATINGS: S&P: "A–"

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

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
$33,695,587.95
2003 Tax Allocation Revenue Bonds, Series A
(Sacramento County and City Redevelopment Projects)

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

The 2003 Tax Allocation Revenue Bonds (Sacramento County and City Redevelopment Projects), Series A (the "Bonds") are being issued by the Sacramento County Public Financing Authority (the "Authority") pursuant to an Indenture of Trust dated as of December 1, 2003, by and between the Authority and U.S. Bank National Association, as trustee, to provide money for loans to the Redevelopment Agency of the County of Sacramento (the "County Agency") and the Redevelopment Agency of the City of Sacramento (the "City Agency" and, together with the County Agency, the "Agencies").

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") and will be available to ultimate purchasers under the book-entry system maintained by DTC. The Bonds will be issued as current interest bonds (the "Current Interest Bonds") and capital appreciation bonds (the "Capital Appreciation Bonds"). The Current Interest Bonds will be issued in denominations of $5,000 or any integral multiple thereof and the Capital Appreciation Bonds are issuable in denominations of $5,000 maturity amount or any integral multiple thereof, each as shown on the inside front cover page of this Official Statement. Interest on the Current Interest Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2004 (each an "Interest Payment Date"). The Capital Appreciation Bonds accrete interest from the Date of Delivery of the Bonds, compounded semiannually on June 1 and December 1 of each year. Accreted interest is payable only at maturity. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. See APPENDIX G — "THE BOOK-ENTRY SYSTEM."

Proceeds of the Bonds will (i) be loaned to the County Agency to fund redevelopment activities in the County Agency's Mather/McClellan Merged Project Area, (ii) be loaned to the City Agency to fund redevelopment activities in the City Agency's Del Paso Heights Redevelopment Project Area, (iii) provide for separate reserve accounts available for payment of the obligations of the Agencies under the respective 2003 Loan Agreements (described herein), and (iv) provide for the costs of issuance of the Bonds.

The Bonds are special obligations of the Authority. No funds or properties of the Authority, other than the moneys described herein, shall be pledged to, or otherwise liable for, the principal of, premium (if any) or interest on the Bonds. The Bonds are payable from and secured by a first pledge of Revenues paid to the Authority pursuant to four loan agreements evidencing loans from the Authority to the City Agency or County Agency, as applicable. Each 2003 Loan Agreement is secured by a pledge of Tax Revenues generated by the applicable Project Area, consisting of one designated project area of the County Agency and one designated project area of the City Agency. Tax Revenues pledged as security for loan payments consist primarily of a portion of tax increment allocated to the Agency pursuant to the California Community Redevelopment Law, constituting Part 1, Division 24 (commencing with Section 33000) of the California Health and Safety Code (the "Redevelopment Law"). The pledge of Tax Revenues for each of the Project Areas is on a parity with other outstanding obligations of such Project Area. See "SECURITY FOR THE BONDS." *No funds or properties of the Agencies, other than the respective Tax Revenues (defined herein), are pledged to secure the obligations of the Agencies under the 2003 Loan Agreements.* See "SECURITY FOR THE 2003 LOAN AGREEMENTS."

The Current Interest Bonds are subject to optional and mandatory sinking fund redemption prior to their maturity under certain conditions as described herein. The Capital Appreciation Bonds are not subject to optional and mandatory sinking fund redemption prior to their maturity. Both the Current Interest Bonds and the Capital Appreciation Bonds are subject to mandatory redemption upon acceleration of the payments due under a 2003 Loan Agreement upon the occurrence of certain events of default under a 2003 Loan Agreement.

Payment of the principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be insured by a municipal bond new issue insurance policy to be issued simultaneously with the delivery of the Bonds by Financial Guaranty Insurance Company, doing business in California as "FGIC Insurance Company":

FGIC. Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE ONLY FROM REVENUES AND NOT OUT OF ANY OTHER FUND OR MONEY OF THE AUTHORITY. THE BONDS ARE NOT A DEBT OF THE AGENCIES, THE AUTHORITY, THE CITY OF SACRAMENTO, THE COUNTY OF SACRAMENTO, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS AND NEITHER THE AGENCY, THE CITY, THE COUNTY, THE STATE NOR ANY OF ITS POLITICAL SUBDIVISIONS IS LIABLE THEREFOR. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE MEMBERS OF THE AUTHORITY, THE CITY, THE COUNTY, THE CITY AGENCY, THE COUNTY AGENCY NOR ANY PERSONS EXECUTING THE BONDS ARE LIABLE PERSONALLY ON THE BONDS BY REASON OF THEIR ISSUANCE.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

MATURITY SCHEDULE
(See Inside Front Cover)

The Bonds are offered when, as and if issued, and accepted by the Underwriter, subject to approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed on for the Agencies by General Counsel to the Sacramento Housing and Redevelopment Agency and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Disclosure Counsel. Certain matters will be passed on for the Authority by County Counsel. It is anticipated that the Bonds will be available for delivery in book-entry form, on or about December 23, 2003.

Stone & Youngberg LLC

Dated: December 12, 2003

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
$33,695,587.95
2003 Tax Allocation Revenue Bonds,
Series A
(Sacramento County and City Redevelopment Projects)

MATURITY SCHEDULE
Base CUSIP†: 786129

$13,940,000 Current Interest Serial Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Maturity (December 1)	Principal Amount	Interest Rate	Yield	CUSIP†
2004	$ 565,000	2.00 %	1.10%	AA4	2014	$ 660,000	3.75 %	3.90%	AL0
2005	515,000	2.00	1.30	AB2	2015	685,000	3.90	4.02	AM8
2006	525,000	2.00	1.65	AC0	2016	715,000	4.00	4.15	AN6
2007	535,000	2.50	2.00	AD8	2017	745,000	4.125	4.25	AP1
2008	545,000	3.00	2.30	AE6	2018	775,000	4.25	4.37	AQ9
2009	560,000	3.00	2.65	AF3	2019	810,000	4.375	4.50	AR7
2010	580,000	3.00	3.00	AG1	2020	1,550,000	4.50	4.60	AS5
2011	600,000	3.20	3.30	AH9	2021	1,135,000	4.50	4.67	AT3
2012	615,000	3.50	3.55	AJ5	2022	1,185,000	5.00	4.70(c)	AU0
2013	640,000	4.00	3.75	AK2					

$8,165,000 5.125% Term Bonds due December 1, 2028; Yield: 4.84%(c) CUSIP AV8

$9,065,000 4.75% Term Bonds due December 1, 2033; Yield: 4.92% CUSIP AW6

(c) Yield to the call date.

$2,525,587.95 Capital Appreciation Serial Bonds

Maturity (December 1)	Original Principal Amount	Reoffering Yield	Reoffering Price	Maturity Value	CUSIP†
2020	$119,845.35	5.18%	42.051%	$ 285,000	BU9
2021	303,380.00	5.26	39.400	770,000	BV7
2022	284,337.90	5.33	36.927	770,000	BW5
2023	352,522.20	5.40	34.561	1,020,000	BX3
2024	248,740.80	5.47	32.304	770,000	BY1
2025	233,171.40	5.52	30.282	770,000	BZ8
2026	219,827.30	5.54	28.549	770,000	CA2
2027	207,653.60	5.55	26.968	770,000	CB0
2028	196,111.30	5.56	25.469	770,000	CC8
2029	185,177.30	5.57	24.049	770,000	CD6
2030	174,820.80	5.58	22.704	770,000	CE4

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY, COUNTY BOARD OF SUPERVISORS AND THE COUNTY AGENCY BOARD

Illa Collin, Chair
District 2

Roger Dickinson
District 1

Muriel P. Johnson
District 3

Roger Niello
District 4

Don Nottoli
District 5

COUNTY OFFICIALS

Terry Schutten, County Executive
Robert A. Ryan, Jr., County Counsel
Geoffrey B. Davey, Chief Financial Officer
Mark Norris, Director of Finance
Cindy H. Turner, Clerk of the Board of Supervisors

CITY COUNCIL AND CITY AGENCY BOARD

Heather Fargo, Mayor and Chair
Ray Tretheway, Councilmember District 1
Sandy Sheedy, Councilmember District 2
Steve Cohn, Councilmember District 3
Jimmie R. Yee, Councilmember District 4
Lauren Hammond, Councilmember District 5
Dave Jones, Councilmember District 6
Robbie Waters, Councilmember District 7
Bonnie J. Pannell, Councilmember District 8

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Anne M. Moore, Executive Director
Satoshi Matsuda, Director of Finance
Dana W. Phillips, General Counsel

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A Professional Law Corporation
San Francisco, California

Disclosure Counsel
Stradling Yocca Carlson & Rauth
a Professional Corporation
Newport Beach, California

Financial Advisor
Arimax Financial Advisors, Inc.
Woodland Hills, California

Fiscal Consultant
Fraser & Associates
Roseville, California

Trustee
U.S. Bank National Association
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the Redevelopment Agency of the City of Sacramento, the City of Sacramento, the Redevelopment Agency of the County of Sacramento or the County of Sacramento to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy any Bonds by any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. 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 a representation of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

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

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

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

THE UNDERWRITER MAY OFFER AND SELL BONDS TO CERTAIN DEALERS AND OTHERS AT A PRICE LOWER THAN THE OFFERING PRICE. THE OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "HISTORIC AND ESTIMATED TAX REVENUES BY PROJECT AREA."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE AGENCIES DO NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

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OFFICIAL STATEMENT

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY

$33,695,587.95
2003 Tax Allocation Revenue Bonds,
Series A
(Sacramento County and City Redevelopment Projects)

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Sacramento County Public Financing Authority (the "Authority") of its $33,695,587.95 aggregate principal amount of 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects) (the "Bonds").

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Official Statement and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Potential investors are encouraged to read the entire Official Statement. Capitalized terms used and not defined in this Introduction shall have the meanings assigned to them elsewhere in this Official Statement.

Authority for Issuance. The Bonds are being issued by the Sacramento County Public Financing Authority (the "Authority") to fund redevelopment activities of the Redevelopment Agency of the County of Sacramento (the "County Agency") and of the Redevelopment Agency of the City of Sacramento (the "City Agency") (the City Agency and the County Agency are referred to, collectively, as the "Agencies" and sometimes individually as the "Agency," as the context requires). The Agencies are redevelopment agencies existing under the Community Redevelopment Law of the State of California (the "State"), constituting Part 1 of Division 24 (commencing with Section 33000) of the California Health and Safety Code, as amended (the "Redevelopment Law"). The Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of December 1, 2003, by and between the Authority and U.S. Bank National Association, Los Angeles, California, as trustee (the "Trustee").

Use of Proceeds. The proceeds of the Bonds will be used to provide money to be loaned to the Agencies pursuant to the 2003 Loan Agreements (defined below) to fund redevelopment activities within or of benefit to the County Agency's Mather/McClellan Merged Project Area and the City Agency's Del Paso Heights Redevelopment Project Area (collectively, the "Project Areas" or, individually, a "Project Area"). A loan will be made for each Project Area. Loan proceeds will also be used to establish reserve accounts available for payment of the obligations of the Agencies under the respective 2003 Loan Agreements and to pay costs of issuance incurred in connection with the issuance of the Bonds.

Payment. The Bonds will bear (or accrete) interest at the rates and mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Current Interest Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2004. The Capital Appreciation Bonds accrete interest from the Date of Delivery of the Bonds, compounded semiannually on June 1 and December 1 of each year. Accreted interest is payable only at maturity. The Current Interest Bonds and Capital Appreciation Bonds are subject to optional and mandatory redemption prior to their maturity under certain conditions as described herein. Both the Current Interest Bonds and the Capital Appreciation Bonds are subject to mandatory redemption upon acceleration of the payments due under the

2003 Loan Agreements upon the occurrence of certain events of default under the 2003 Loan Agreements. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS." The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC") and ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds and transfers and exchanges of Bonds will be conducted in accordance with DTC procedures. See APPENDIX G — "The Book-Entry System."

Tax Allocation Financing. In California, the financing and refinancing of redevelopment projects may be provided by the issuance or incurrence of indebtedness by a redevelopment agency. Such indebtedness is payable from property taxes collected within a redevelopment project area attributable to the increase in assessed valuation of property therein as a result of redevelopment activity, as explained in greater detail herein. The Agencies' respective 2003 Loan Agreements which are the source of payment of the Bonds are payable from and secured by certain tax increment revenues of the Agencies, which revenues generally constitute the "Tax Revenues" of each Project Area, as defined in the loan agreements and described herein. These tax increment revenues collected upon any increase in taxable valuation over a base year valuation are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness (such as the loans described herein) incurred in financing or refinancing a redevelopment project. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of taxes produced as indicated above for repayment of indebtedness. See "SECURITY FOR THE BONDS."

Security for the Bonds. The Bonds are special obligations of the Authority payable from and secured by Revenues (defined herein) consisting primarily of payments to be made by the Agencies to the Authority on loans (the "2003 Loans") pursuant to a Loan Agreement dated as of December 1, 2003, by and between the County Agency and the Authority pertaining to the County Agency's Mather/McClellan Merged Project Area (the "2003 Mather/McClellan Loan Agreement") and a Loan Agreement dated as of December 1, 2003, by and between the City Agency and the Authority pertaining to the City Agency's Del Paso Heights Redevelopment Project Area (the "2003 Del Paso Heights Loan Agreement" and, together with the 2003 Mather/McClellan Loan Agreement, the "2003 Loan Agreements"). The 2003 Loan for the Del Paso Heights Project Area matures in 2030, prior to the final maturity of the Bonds and thereafter the Bonds will be secured only by Revenues derived from the 2003 Mather/McClellan Loan Agreement.

No funds or properties of the Authority, other than the Revenues and certain other moneys described herein, shall be pledged to, or otherwise liable for, the principal of, premium (if any) or interest on the Bonds. Revenues generally consist of all of the amounts payable by the Agencies to the Authority pursuant to the 2003 Loan Agreements (other than administrative expenses and indemnity against claims payable to the Authority and the Trustee and amounts payable as rebate to the federal government) and proceeds of the Bonds deposited with the Trustee, including all monies deposited and held from time to time by the Trustee in the funds and accounts established pursuant to the Indenture, and related investment income on moneys held by the Trustee.

Security for the 2003 Loan Agreements. Each of the 2003 Loan Agreements is secured by a lien on Tax Revenues (defined herein) of the applicable Project Area. The Tax Revenues consist primarily of gross tax increment revenues ("Tax Increment Revenues") received by the City Agency or the County Agency, as the case may be, from the respective Project Area within the applicable Plan Limits, less obligations with senior claims to Tax Increment Revenues. The senior obligations vary by Project Area, but consist generally of senior lien debt, pass-through agreements, statutory pass-throughs, administrative charges of the County and housing set-asides (except where bond proceeds are or have been applied to low and moderate income housing). See "SECURITY FOR THE 2003 LOAN AGREEMENTS" herein. Tax Revenues from each Project Area are not security for the loan obligation of the other Project Area.

The County Agency and the City Agency have incurred certain parity obligations and may incur additional obligations secured by Tax Revenues on a parity with each Agency's respective 2003 Loan, provided certain conditions are met, as described herein. See "SECURITY FOR THE 2003 LOAN AGREEMENTS."

Risk Factors. Tax Revenues of one Project Area are not pledged to or available for payment of the obligations of the other Project Area. Since the Revenues securing the Bonds are comprised of commingled Tax Revenues from two separate Project Areas of separate legal entities, an event of default under either 2003 Loan Agreement may result in insufficient Revenues for payment of the principal of, premium (if any) and interest on the Bonds. Any future decrease in the taxable valuation in the Project Areas or in the applicable tax rates could reduce the Tax Revenues allocated to the Agencies and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the Bonds. Unsecured aircraft valuation in the Mather/McClellan Project Area may present special risks of reduction in taxable valuation. See "RISK FACTORS" herein.

Financial Guaranty Insurance for the Bonds. Concurrently with issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as "FGIC Insurance Company" (the "Insurer"), will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds. The Policy unconditionally guarantees the payment of that portion of the principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds which has become due for payment, but which is unpaid. See "MUNICIPAL BOND NEW ISSUE INSURANCE POLICY" and APPENDIX G — "SPECIMEN MUNICIPAL BOND NEW ISSUE INSURANCE POLICY."

The Project Areas. Table 1 below provides a general description of each of the Project Areas. See "THE MATHER/McCLELLAN MERGED PROJECT AREA" and "THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for additional information on land use and property ownership within the Project Areas.

Table 1

GENERAL INFORMATION REGARDING PROJECT AREAS

Project Area	***County Agency or City Agency Project Area***	***Acreage***	***Base Year Assessed Value***(1)	***2003-04 Assessed Value***(1)	***2003-04 Tax Increment Revenue***	***2003-04 Projected Housing Set-Aside***	***2003-04 Projected Tax Revenues***(2)
Mather/McClellan	County	7,502	$232,385,068	$726,153,572	$4,963,000	$972,000	$3,046,000
Del Paso Heights	City	1,028	27,058,638	186,359,117	1,653,000	496,000	962,000

(1) Includes secured and unsecured values, but excludes unitary values.
(2) Net of Housing Set-Aside, County administration fees, and other obligations with a senior claim to Tax Increment Revenues. See "SECURITY FOR THE 2003 LOAN AGREEMENT — Tax Revenues" herein.
Source: Fiscal Consultant.

The County, the County Agency and the Authority. Sacramento County (the "County") was incorporated in 1850 as one of the original 27 counties of the State of California (the "State"). The County encompasses approximately 994 square miles in the middle of the 400 mile long Central Valley.

The County Agency was activated by Ordinance No. 185 of the Board of Supervisors on September 30, 1974, at which time the Board of Supervisors declared itself to be the governing board of the County Agency. See "THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO" herein.

The Authority was formed pursuant to a Joint Exercise of Powers Agreement dated as of November 25, 2003 by and between the County and the County Agency. See "THE SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY" herein. The Authority was created for the purpose of providing financing and refinancing for public capital improvements for the County and the County Agency and other local agencies. *Neither the faith and credit of the County, the County Agency or the Authority nor the taxing power of the County is pledged to the payment of the Bonds, and the County has no obligation for payment of the Bonds from any of its funds.* The County Agency and the City Agency share certain administrative staff, but are separate legal entities governed by separate legal boards. The County Agency has no obligation with respect to the 2003 Del Paso Heights Loan Agreement, and the City Agency has no obligation with respect to the 2003 Mather/McClellan Loan Agreement.

The City and the City Agency. The City of Sacramento, California (the "City"), is located at the confluence of the Sacramento and American Rivers in the south central portion of the Sacramento Valley, a part of the State's Central Valley. The City was incorporated in 1849 and in 1854 became the location of the capital of the State.

The City Agency was activated on September 27, 1950 by Ordinance No. 3320 of the City Council, at which time the City Council declared itself to be the governing board of the City Agency. See "THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO" herein. *Neither the faith and credit of the City or the City Agency nor the taxing power of the City is pledged to the payment of the Bonds, and the City has no obligation for payment of the Bonds from any of its funds.*

Continuing Disclosure. Each of the Agencies have covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to it by not later than the last day of the ninth month following the end of their respective Fiscal Year (currently ending on December 31 of each year) (the "Annual Report"), commencing with the report for Fiscal Year ending December 31, 2003, and to provide notices of the occurrence of certain enumerated events, if material. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934. See the caption "CONTINUING DISCLOSURE" herein and APPENDIX D — "FORM OF CONTINUING DISCLOSURE CERTIFICATES" attached hereto.

Limited Scope of Official Statement. There follows in this Official Statement, which includes the cover page and Appendices hereto, a brief description of the Bonds, the Indenture, the 2003 Loan Agreements, the Agencies, Tax Revenues, the Project Areas, security for the Bonds, security for the 2003 Loan Agreements, risk factors and limitations on Tax Revenues and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture and 2003 Loan Agreements are qualified in their entirety by reference to the definitive forms thereof, all references to the Bonds are further qualified by references to the information with respect thereto contained in the Indenture. A summary of certain provisions of the Indenture and the 2003 Loan Agreements is included in APPENDIX E. Financial statements of the County Agency and the City Agency for the Fiscal Year ending December 31, 2002, the most recent year for which audited financial statements are available, are included in APPENDIX C. The information set forth herein and in the Appendices hereto has been furnished by the Agencies and includes information which has been obtained from other 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 by the Underwriter. All capitalized terms used herein and not normally capitalized have the meanings assigned thereto in the 2003 Loan Agreements and the Indenture, unless otherwise stated herein.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Agency since the date hereof.

All financial and other information presented in this Official Statement has been provided by the County Agency, the County, the City Agency or the City from their records, except for information expressly attributed to other sources. The presentation of information, including the tables of receipts from tax increment revenues, is intended to show recent historic information and is not intended to indicate future or *continuing trends in the financial or other affairs of the County Agency, the County, the City Agency or the City. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.*

PLAN OF FINANCE

The Bonds are being issued to (i) provide the Authority with money to make a loan to the County Agency for redevelopment activities within the Mather/McClellan Redevelopment Project Area, (ii) provide the Authority with money to make a loan to the City Agency for redevelopment activities within the Del Paso Heights Redevelopment Project Area, (iii) provide for separate reserve accounts to be available for payment of each of the loans to be made to the Agencies under the respective 2003 Loan Agreements, and (iv) pay the cost of issuance of the Bonds. For a schedule of the estimated sources and uses of funds related to the Bonds, see "ESTIMATED SOURCES AND USES OF PROCEEDS." The Agencies anticipate spending the 2003 Loan Proceeds on infrastructure and projects within or benefiting the respective Project Areas and on projects providing low and moderate income housing. Additionally, the County Agency anticipates using 2003 Loan proceeds to pay the County approximately $1.8 million to finance infrastructure construction in the Mather Project Area component and to satisfy its obligation to pay $5 million for infrastructure development in the Mather Project Area Component pursuant to a Disposition and Development Agreement and Public Improvement Agreement by and between Mather Housing Company (under the ownership control of KB Homes) and the County Agency.

ESTIMATED SOURCES AND USES OF PROCEEDS

The anticipated sources and uses of funds relating to the Bonds are as follows:

	Mather/ McClellan Merged Project Area	***Del Paso Heights Redevelopment Project Area***	***Total***
SOURCES:			
Par Amount of Bonds	$27,630,000.00	$6,065,587.95	$33,695,587.95
Plus/Less Net Original Issue Premium or Net Original Issue Discount	(77,374.45)	8,395.00	(68,979.45)
Total Sources:	$27,552,625.55	$6,073,982.95	$33,626,608.50
USES:			
Deposit to Reserve Fund	$ 2,267,837.50	$ 244,337.50(1)	$ 2,512,175.00
Deposit to Redevelopment Fund	23,244,514.87	2,632,848.95	25,877,363.82
Deposit to Low and Moderate Income Housing Account	1,102,431.13	2,935,408.23	4,037,839.36
Cost of Issuance(2)	759,119.53	213,963.21	973,082.74
Underwriter's Discount	178,722.52	47,425.06	226,147.58
Total Uses:	$27,552,625.55	$6,073,982.95	$33,626,608.50

(1) Deposit to the Del Paso Heights 2003 Reserve Fund, together with reserve fund balances on hand for the outstanding Parity Debt, equals maximum annual Parity Debt service of $1,165,887.50.

(2) Includes the bond insurance premium, Trustee fees, Fiscal Consultant fees, Bond Counsel and Disclosure Counsel fees, printing costs, rating agency fees and other related costs.

DEBT SERVICE SCHEDULE

The debt service schedule for the Bonds, based on the interest rates (or, in the case of the Capital Appreciation Bonds, the accretion rates) and maturity structure on the inside cover page, is set forth below.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY
2003 Tax Allocation Revenue Bonds, Series A
(Sacramento County and City Redevelopment Projects)

ANNUAL DEBT SERVICE

Year Ending (Dec 1)	*Current Interest Bonds*		*Capital Appreciation Bonds Maturity Value*		
	Principal	*Interest*	*Principal*	*Interest*	*Total Debt Service*
2004	$ 565,000.00	$ 1,286,878.67	--		$ 1,851,878.67
2005	515,000.00	1,359,340.02	--	--	1,874,340.02
2006	525,000.00	1,349,040.02	--	--	1,874,040.02
2007	535,000.00	1,338,540.02	--	--	1,873,540.02
2008	545,000.00	1,325,165.02	--	--	1,870,165.02
2009	560,000.00	1,308,815.02	--	--	1,868,815.02
2010	580,000.00	1,292,015.02	--	--	1,872,015.02
2011	600,000.00	1,274,615.02	--	--	1,874,615.02
2012	615,000.00	1,255,415.02	--	--	1,870,415.02
2013	640,000.00	1,233,890.02	--	--	1,873,890.02
2014	660,000.00	1,208,290.02	--	--	1,868,290.02
2015	685,000.00	1,183,540.02	--	--	1,868,540.02
2016	715,000.00	1,156,825.02	--	--	1,871,825.02
2017	745,000.00	1,128,225.02	--	--	1,873,225.02
2018	775,000.00	1,097,493.76	--	--	1,872,493.76
2019	810,000.00	1,064,556.26	--	--	1,874,556.26
2020	1,550,000.00	1,029,118.76	119,845	165,155	2,864,118.76
2021	1,135,000.00	959,368.76	303,380	466,620	2,864,368.76
2022	1,185,000.00	908,293.76	284,338	485,662	2,863,293.76
2023	995,000.00	849,043.76	352,522	667,478	2,864,043.76
2024	1,295,000.00	798,050.02	248,741	521,259	2,863,050.02
2025	1,365,000.00	731,681.26	233,171	536,829	2,866,681.26
2026	1,430,000.00	661,725.02	219,827	550,173	2,861,725.02
2027	1,505,000.00	588,437.52	207,654	562,346	2,863,437.52
2028	1,575,000.00	511,306.26	196,111	573,889	2,856,306.26
2029	1,665,000.00	430,587.50	185,177	584,823	2,865,587.50
2030	1,740,000.00	351,500.00	174,821	595,179	2,861,500.00
2031	1,430,000.00	268,850.00			1,698,850.00
2032	2,065,000.00	200,925.00			2,265,925.00
2033	2,165,000.00	102,837.50			2,267,837.50

THE BONDS

General

The Current Interest Bonds will be dated their date of delivery, and will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (i) they are authenticated after a Record Date and on or before the following Interest Payment Date, in which event they will bear interest from such Interest Payment Date; or (ii) they are authenticated on or before May 15, 2004, in which event they will bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Current

Interest Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The Bonds will bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates and mature in the amounts and on the dates set forth on the inside front cover page of this Official Statement. The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Current Interest Bonds will be issued in denominations of $5,000 or any integral multiple thereof and the Capital Appreciation Bonds will be issued in denominations of $5,000 maturity amount or any integral multiple thereof, as shown on the inside front cover page of this Official Statement. The Trustee will maintain at its office books for the registration, exchange and transfer of the Bonds, however, so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds and transfers and exchanges of Bonds will be conducted in accordance with DTC procedures. See APPENDIX G — "THE BOOK-ENTRY SYSTEM."

Interest on the Current Interest Bonds is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2004 (each, an "Interest Payment Date"), by check mailed by first class mail on each Interest Payment Date to the Owner at the address of such Owner as it appears on the registration books of the Trustee as of the close of business on the fifteenth calendar day of the month preceding each Interest Payment Date (each, a "Record Date") or, upon the written request filed with the Trustee prior to any Record Date by a registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Owner in such written request. Principal of and premium (if any) on any Bond shall be payable in lawful money of the United States of America.

The accreted value of a Capital Appreciation Bond shall be determined by compounding interest from the Closing Date semiannually on June 1 and December 1 in each year, commencing June 1, 2004, payable upon maturity or prior redemption thereof, all as contained in the Table of Accreted Values set forth on the form of such Capital Appreciation Bond. See APPENDIX I — "ACCRETED VALUES TABLE" herein. The principal of (and applicable premium, if any,) Current Interest Bonds upon maturity or prior redemption and the maturity amount or accreted value (and premium, if any), as applicable, of the Capital Appreciation Bonds shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof, at maturity or prior redemption thereof, at the Trust Office of the Trustee.

So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the Owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Payments of the principal, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by the Trustee, so long as DTC or Cede & Co. is the registered Owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See APPENDIX G — "THE BOOK-ENTRY SYSTEM."

Redemption from Optional Loan Payments

The Current Interest Bonds maturing on or after December 1, 2014 shall be subject to redemption in whole, or in part among such maturities as designated by the Authority and by lot within a maturity, at the option of the Authority, on any date on or after December 1, 2013 from and to the extent of optional 2003 Loan prepayments by the County Agency or the City Agency, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, without premium.

The Capital Appreciation Bonds are not subject to redemption.

Mandatory Sinking Fund Redemption

The Term Bonds maturing December 1, 2028 shall also be subject to redemption or prior purchase in part by lot from sinking account payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased pursuant to the provisions of the Indenture, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the Term Bonds of any maturity have been redeemed pursuant to a redemption from optional Loan payments the total amount of all future sinking account payments relating to the Term Bonds so redeemed for such maturity shall be reduced by an amount corresponding to the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of $5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

Sinking Account Redemption Date (December 1)	*Principal Amount To Be Redeemed or Purchased*
2023	$ 995,000
2024	1,295,000
2025	1,365,000
2026	1,430,000
2027	1,505,000
2028 (maturity)	1,575,000

The Term Bonds maturing December 1, 2033 shall also be subject to redemption or prior purchase in part by lot from sinking account payments made by the Authority, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased pursuant to the provisions of the Indenture, in the aggregate respective principal amounts and on the respective dates as set forth in the following table; provided, however, that if some but not all of the Term Bonds of any maturity have been redeemed pursuant to a redemption from optional Loan payments the total amount of all future sinking account payments relating to the Term Bonds so redeemed for such maturity shall be reduced by an amount corresponding to the aggregate principal amount of Term Bonds of such maturity so redeemed, to be allocated among such sinking account payments on a pro rata basis in integral multiples of $5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

Sinking Account Redemption Date (December 1)	*Principal Amount To Be Redeemed or Purchased*
2029	$1,665,000
2030	1,740,000
2031	1,430,000
2032	2,065,000
2033 (maturity)	2,165,000

In lieu of mandatory sinking account redemption of Term Bonds, amounts on deposit in the Special Fund under either 2003 Loan Agreements (to the extent not required to be transferred to the Trustee pursuant to the Indenture during the current Bond Year) may also be used and withdrawn by the County Agency or the City Agency, respectively at any time for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as such Agency may in its discretion determine. The par amount of any of the Term Bonds so purchased by such Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on October 1 in any year shall be credited towards and shall reduce the principal amount of the Term Bonds otherwise required to be redeemed on the following December 1.

Mandatory Redemption Upon Acceleration of the Loan

The Bonds will also be subject to mandatory redemption in whole, or in part among maturities on a pro rata basis and by lot within a maturity, on any date, from amounts credited towards the payment of principal of any 2003 Loan coming due and payable solely by reason of acceleration of such 2003 Loan pursuant to the respective 2003 Loan Agreement at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon, to the redemption date, without premium. Pursuant to the 2003 Loan Agreements and the Indenture, the Bonds will be subject to mandatory redemption upon acceleration of the applicable 2003 Loan solely from amounts credited towards the payment of principal of the applicable 2003 Loan due and payable solely by reason of acceleration and will not be subject to redemption from any amounts credited towards the payment of matured principal or maturity amount which has become due and payable. See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS — The Loan Agreements — Events of Default and Remedies" in APPENDIX E.

Notice of Redemption; Rescission

Notice of redemption will be mailed by first class mail by the Trustee to the Owners of Bonds designated for redemption not less than 30 nor more than 60 days prior to the date fixed for redemption. Neither failure to receive such notice nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of accrual or accretion of interest on the redemption date. Such notice will state the date of the notice, the redemption date, the redemption place and the redemption price and will designate the CUSIP numbers of the Bonds to be redeemed, state the individual number of each Bond to be redeemed or state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding (or all Bonds of a maturity) are to be redeemed, and will require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Authority will have the right to rescind any redemption from optional Loan payments by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of redemption from optional Loan payments shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Authority and the Trustee will have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Effect of Redemption

From and after the date fixed for redemption, if funds available for the payment of the principal and interest (and premium, if any) or accreted value, as applicable, on the Bonds so called for redemption will have been duly provided, such Bonds so called will cease to be entitled to any benefit under the Indenture other than the right to receive payment of the redemption price, and no interest will accrue thereon from and after the redemption date specified in such notice.

Manner of Redemption

Whenever any Bonds or portions thereof are to be selected for redemption by lot, the Trustee will make such selection, in such manner as the Trustee shall deem fair and appropriate, and will notify the Agency thereof. In the event of redemption by lot of Bonds, the Trustee will assign to each Bond then Outstanding a distinctive number for each $5,000 of principal amount of Bond. The Bonds to be redeemed will be the Bonds to which were assigned numbers so selected, but only so much of the principal amount or maturity amount of each such Bond of a denomination of more than $5,000 will be redeemed as shall equal $5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to the foregoing will be canceled and, if held by the Trustee, will be surrendered to the Authority subject to the Indenture.

Transfer and Exchange of Bonds

The Bonds will be initially delivered only in book-entry form. So long as the book-entry system is in effect with respect to the Bonds, transfer and exchange of Bonds will be made in accordance with book-entry procedures. See APPENDIX G — "THE BOOK-ENTRY SYSTEM" below.

The Trustee shall maintain at its Trust Office books for the registration, exchange and transfer of the Bonds. In the event of discontinuance of the Book-Entry System, any Bond may, in accordance with its terms, be transferred, upon said registration books, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed and meeting the other requirements of the Indenture.

SECURITY FOR THE BONDS

General

The Authority is authorized to issue bonds the proceeds of which may be used to make loans to or acquire obligations of the County, the County Agency, the City or the City Agency for the purpose of financing or refinancing public capital improvements of the County, the County Agency, the City or the City Agency. The Bonds are special obligations of the Authority payable only from Revenues, consisting primarily of amounts received under the 2003 Loan Agreements, and not out of any other fund or money of the Authority. The Bonds are not a debt of the Agencies, the Authority, the County, the City, the State or any of its political subdivisions, and neither the Agencies, the County, the City, the State nor any of its political subdivisions is liable therefor. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limit or restriction.

The principal of, premium (if any) and interest on the Bonds are payable solely from Revenues under the Indenture consisting primarily of payments to be made by the Agencies to the Authority under the Agencies' respective 2003 Loan Agreements. The Agencies' obligations under their respective 2003 Loan Agreements are secured by a pledge of and lien on the respective Tax Revenues, consisting of tax increment revenues allocated to the Agencies from the respective Project Area. *Tax Revenues from one Project Area are not security for the loan obligations of the other Project Area.* The County Agency and the City Agency share certain administrative staff, but are separate legal entities governed by separate legal boards. The County Agency has no obligation with respect to the City Agency or the 2003 Del Paso Heights Loan Agreement, and the City Agency has no obligation with respect to the County Agency or the 2003 Mather/McClellan Loan Agreement. See "SECURITY FOR 2003 LOAN AGREEMENTS — Tax Revenues" below.

Pledge of Revenues

The Bonds are secured by a first lien on and pledge of Revenues. "Revenues" is defined in the Indenture as collectively, (i) all of the amounts payable by the Agencies to the Authority pursuant to the 2003 Loan Agreements (other than administrative expenses and indemnity against claims payable to the Authority and the Trustee and amounts payable as rebate to the federal government), (ii) any proceeds of the Bonds deposited with the Trustee, including all monies deposited and held from time to time by the Trustee in the funds and accounts established pursuant to the Indenture, (iii) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture, and (iv) any other investment income received under the Indenture.

Schedule of 2003 Loan Payments

The following table sets forth the scheduled Loan payments on each of the 2003 Loans and the Bonds, assuming no optional or mandatory prepayments or acceleration of the 2003 Loan Agreements.

Table 2

COMBINED 2003 LOAN PAYMENT SCHEDULES(1)

Bond Year (December 1)	*Mather / McClellan Loan*		***Del Paso Heights Loan***		***Total 2003 Loan Payments***	***Total Debt Service on Bonds***
	Principal	***Interest***	***Principal***	***Interest***	***Total***	***Total***
2004	$ 565,000	$1,125,073	--	$161,806	$1,851,879	$1,851,879
2005	515,000	1,187,003	--	172,338	1,874,340	1,874,340
2006	525,000	1,176,703	--	172,338	1,874,040	1,874,040
2007	535,000	1,166,203	--	172,338	1,873,540	1,873,540
2008	545,000	1,152,828	--	172,338	1,870,165	1,870,165
2009	560,000	1,136,478	--	172,338	1,868,815	1,868,815
2010	580,000	1,119,678	--	172,338	1,872,015	1,872,015
2011	600,000	1,102,278	--	172,338	1,874,615	1,874,615
2012	615,000	1,083,078	--	172,338	1,870,415	1,870,415
2013	640,000	1,061,553	--	172,338	1,873,890	1,873,890
2014	660,000	1,035,953	--	172,338	1,868,290	1,868,290
2015	685,000	1,011,203	--	172,338	1,868,540	1,868,540
2016	715,000	984,488	--	172,338	1,871,825	1,871,825
2017	745,000	955,888	--	172,338	1,873,225	1,873,225
2018	775,000	925,156	--	172,338	1,872,494	1,872,494
2019	810,000	892,219	--	172,338	1,874,556	1,874,556
2020	845,000	856,781	$824,845	337,492	2,864,119	2,864,119
2021	880,000	818,756	558,380	607,233	2,864,369	2,864,369
2022	920,000	779,156	549,338	614,800	2,863,294	2,863,294
2023	965,000	733,156	382,522	783,365	2,864,044	2,864,044
2024	1,015,000	683,700	528,741	635,609	2,863,050	2,863,050
2025	1,070,000	631,681	528,171	636,829	2,866,631	2,866,681
2026	1,120,000	576,844	529,827	635,054	2,861,725	2,861,725
2027	1,180,000	519,444	532,654	631,340	2,863,438	2,863,438
2028	1,235,000	458,969	536,111	626,226	2,856,306	2,856,306
2029	1,305,000	395,675	545,177	619,735	2,865,538	2,865,588
2030	1,365,000	333,688	549,821	612,992	2,861,500	2,861,500
2031	1,430,000	268,850	--	--	1,698,850	1,698,850
2032	2,065,000	200,925	--	--	2,265,925	2,265,925
2033	2,165,000	102,838	--		2,267,838	2,267,838
Totals	$27,630,000	$24,476,238	$6,065,588	$9,487,543	$67,659,369	$67,659,369

(1) Includes debt service on the components of the 2003 Loan Agreements to be paid from the Low and Moderate Income Housing Funds of the respective Project Areas. See "HISTORIC AND ESTIMATED TAX REVENUES BY PROJECT AREA."

Pursuant to the 2003 Del Paso Heights Loan Agreement, 2003 Loan payments will terminate in 2030, which date is prior to the final maturity of the Bonds. At that time, Revenues will consist solely of the 2003 Loan payments from the Mather/McClellan Merged Project Area. See "RISK FACTORS — Structural Risks of Bonds."

SECURITY FOR 2003 LOAN AGREEMENTS

Tax Allocation Financing

The Redevelopment Law and the California Constitution provide a method for financing and refinancing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. First, the assessed valuation of the taxable property in a project area, as last equalized prior to adoption of the redevelopment plan, is established and becomes the base roll. Thereafter, except for any period during which the assessed valuation drops below the base year level, the taxing agencies, on behalf of which taxes are levied on property within the project area, will receive the taxes produced by the levy of the then current tax rate upon the base roll. In general, taxes collected upon any increase in the assessed valuation of the taxable property in a project area over the levy upon the base roll may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing the redevelopment project. Redevelopment agencies themselves have no authority to levy taxes on property and must look specifically to the allocation of taxes as indicated above.

Tax Revenues

Tax Revenues Generally. The County Agency and the City Agency each have established a Redevelopment Plan for their respective Project Area. As provided in the Redevelopment Plans and in the 2003 Loan Agreements, and pursuant to Article 6 of Chapter 6 of the Redevelopment Law, and Section 16 of Article XVI of the Constitution of the State, taxes levied upon taxable property in each Project Area each year by or for the benefit of the State, for cities, counties, districts or other public corporations (collectively, the "Taxing Agencies") for Fiscal Years beginning after the effective dates of the respective Redevelopment Plan, will be divided as follows:

1. To Taxing Agencies: The portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of said Taxing Agencies upon the total sum of the assessed value of the taxable property in the Project Area as shown upon the assessment roll used in connection with the taxation of such property by such Taxing Agency last equalized prior to the establishment of the Project Area will be allocated to, and when collected will be paid into, the funds of the respective Taxing Agencies as taxes by or for said Taxing Agencies; and

2. To the Agency: With certain exceptions, the portion of such levied taxes each year in excess of such amount will be allocated to, and when collected, will be paid into a special fund of the Agency to the extent necessary to pay indebtedness of the Agency, including but not limited to its obligation under the respective 2003 Loan Agreement, to pay the principal of, prepayment premium (if any) and interest on the respective 2003 Loan and to replenish the respective Reserve Account established under such 2003 Loan Agreement.

Tax Revenues Defined. Tax Revenues, generally, are Tax Increment Revenues received by an Agency within the Plan Limits of the applicable Project Area less amounts applied by the Agency for the payment of obligations with a senior claim to Tax Increment Revenues consisting generally of: senior lien debt, pass-through agreements, statutory pass-throughs, County administrative charges and housing set-asides, except where bond proceeds have been applied to provide for low and moderate income housing. The definition of Tax Revenues varies by Project Area. See "THE MATHER/McCLELLAN MERGED PROJECT AREA" and "THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for the definition of Tax Revenues applicable to such Project Area. See "HISTORIC AND ESTIMATED TAX REVENUES BY PROJECT AREA," APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT – DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for a description of historic and estimated Tax Revenues by Project Area.

The Authority and each Agency have no power to levy and collect property taxes, and any property tax limitation, legislative measure, voter initiative or provisions of additional sources of income to Taxing Agencies having the effect of reducing the property tax rate could reduce the amount of Tax Revenues that would otherwise be available to pay the Agencies' respective obligations under the 2003 Loan Agreements and thus reduce the amount of Revenues available to pay the principal of, premium (if any) and interest or maturity amount on the Bonds. Likewise, broadened property tax exemptions could have a similar effect. See "BONDOWNERS' RISKS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Special Fund. A special fund known as the "Special Fund", which is administered by Sacramento Housing and Redevelopment Agency on behalf of the applicable Agency, is continued from previous financings pursuant to each 2003 Loan Agreement. The County Agency will deposit all of the Tax Revenues from the Mather/McClellan Redevelopment Project Area received in any Bond Year in the Mather/McClellan Special Fund. The City Agency will deposit all of the Tax Revenues from the Del Paso Heights Redevelopment Project Area received in any Bond Year in the Del Paso Heights Special Fund promptly upon receipt thereof by the City Agency. Amounts in the Special Fund will be used to first pay the amounts due under the 2003 Loan Agreement for the respective Project Areas. Amounts in the Special Fund are also to be used to pay any parity debt on a parity with payments under the 2003 Loan Agreements and to replenish respective Reserve Accounts (described herein). Tax Revenues received during a Bond Year in excess of the amounts required to be paid for such purposes shall be released from the pledge for such payments and may be used for any lawful purpose of the respective Agency.

Amounts in the Special Fund of a single Project Area are not pledged to or available for payment of the obligations of any other Project Area. Since the Revenues securing the Bonds are comprised of commingled Tax Revenues from two separate Project Areas, an event of default under either 2003 Loan Agreement may result in insufficient Revenues for payment of the principal of, premium (if any) and interest on the Bonds. See "SECURITY FOR 2003 LOAN AGREEMENTS" for a description of amounts payable thereunder and a description of the security for the 2003 Loan Agreements.

Statutory Pass-Throughs

As described above under "— Tax Revenues Defined," Tax Increment Revenues received by the Agencies are in some cases reduced pursuant to certain statutory pass-through payments, consisting of payments to taxing entities of a portion of Tax Increment Revenues as a result of plan adoptions or amendments to redevelopment plans occurring after 1993 ("AB 1290 payments") including redevelopment plans for new project areas, such as the Mather/McClellan Redevelopment Project Area. AB 1290 sets forth a requirement for payments of tax increment revenues to be made in prescribed amounts to taxing entities in the event a new plan is adopted or certain amendments are made to an older project area, such as amendments to a redevelopment plan to add territory. Similar provisions apply to amendments which extend the time during which a redevelopment agency may incur debt with respect to a project area, amendments to increase the number of dollars which may be allocated to a redevelopment agency, or amendments which extend the time during which a redevelopment plan is effective where the redevelopment plan being amended contains the provisions required by subdivision (b) of Section 33670 of the California Health and Safety Code. Payments pursuant to the Tax Sharing Statutes are inapplicable if the Agency and an affected taxing entity have a tax sharing agreement which governs tax sharing in connection with an amendment. In general, the amounts to be paid pursuant to AB 1290 are as follows:

(a) commencing in the first fiscal year after territory is added or one or more of the limitations has been reached, as applicable, an amount equal to 25% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the fiscal year that the limitation had been reached or territory added, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted;

(b) in addition to amounts payable as described in (a) above, commencing in the 11^{th} fiscal year after territory is added or the limitation has been reached, as applicable, an amount equal to 21% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (10^{th}) fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted; and

(c) in addition to amounts payable as described in (a) and (b) above, commencing in the 31^{st} fiscal year after territory is added or the limitation has been reached, as applicable, an amount equal to 14% of tax increment revenues generated by the incremental increase of the current year assessed valuation over the assessed valuation in the preceding (30^{th}) fiscal year that the limitation had been reached, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

(d) The County or City, as applicable, may elect to receive a portion of the tax increment generated in (a) above, after the amount required to be deposited in the Low and Moderate Income Housing Fund has been deducted.

(e) The Agencies may subordinate the amount required to be paid to an affected taxing entity to any indebtedness after receiving the consent of the respective taxing entity.

Prior to incurring any loans, bonds, or other indebtedness, except loans or advances from the County or City, as applicable, the respective Agency may subordinate to the loans, bonds or other indebtedness the amount required to be paid to an affected taxing entity by this section, provided that the affected taxing entity has approved these subordinations. No such subordinations have been requested in connection with the 2003 Loan Agreements.

The County Agency makes AB 1290 Payments from the Mather Project Area component and the McClellan Project Area component of the Mather/McClellan Merged Project Area. However, because the County has elected not to receive its current share of AB 1290 Payments for the Mather Project Area component, that portion of the County's share is retained by the County Agency. Accordingly, this has the impact of reducing the payment pursuant to subsection (a) above to 15.8% of the tax increment revenues generated. The City Agency makes AB 1290 Payments from the Del Paso Heights Redevelopment Project Area. The estimated payments to affected taxing entities in fiscal year 2003-04 are as follows: Mather/McClellan Merged Project Area, $842,000 and Del Paso Heights Redevelopment Project Area, $90,000.

The effect of AB 1290 payments are addressed in Tables 4 and 6 under the caption "HISTORIC AND PROJECTED TAX REVENUES" and in APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA;" and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA."

Reserve Accounts

Under each 2003 Loan Agreement, the Trustee is required to establish and maintain a separate fund known as the "Reserve Account", which shall be held by the Trustee in trust. Each Reserve Account is available only for payment of the 2003 Loan and related parity debt to which it corresponds. The amount on deposit in each Reserve Account shall be maintained at the Reserve Requirement in accordance with the terms of the respective 2003 Loan Agreement.

Reserve Requirements. Pursuant to the 2003 Loan Agreements, the respective "Reserve Requirement" is, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service on each respective 2003 Loan and any Parity Debt outstanding of such Project Area (excluding the CIEDB Loan for the Mather/McClellan Merged Project Area), or (b) upon the issuance of any Parity Debt, the maximum amount permitted by the Code. See "THE MATHER/McCLELLAN MERGED PROJECT AREA" and "THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for a description of outstanding Parity Debt for each Project Area. For purposes of the calculation of Maximum Annual Debt Service for this purpose, there shall be excluded the principal of and interest on any respective Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by an Independent Financial Consultant and delivered to the Insurer) from which amounts may not be released to the Agency unless the amount of Tax Revenues then to be received is not less than the percentage of Maximum Annual Debt Service required by the terms of the provisions of the respective 2003 Loan Agreement with respect to the issuance of Parity Debt.

Application of Reserve Accounts. *Among the two Reserve Accounts established, each Reserve Account is available only for payment of the 2003 Loan (and related parity debt) to which it corresponds.* As to each Reserve Account considered separately, the following applies.

In the event that the Agency shall fail to deposit with the Trustee the full amount required to be deposited in payment of the 2003 Loan on or before the fifth (5th) Business Day preceding any Interest Payment Date, on or before the fourth (4th) Business Day preceding such Interest Payment Date the Trustee shall withdraw from the Reserve Account and transfer to the Interest Account and the Principal Account, in such order, the difference between the amount required to be deposited and the amount actually deposited by the Agency. In the event that the amount on deposit in the Reserve Account shall at any time be less than the Reserve Requirement, the Trustee shall promptly notify the Agency and the Insurer of the amount required to be deposited therein to restore the balance to the Reserve Requirement, such notice to be given by telephone, telefax or other form of telecommunication promptly confirmed in writing. Amounts on deposit in the Reserve Account shall not be secured or applied in any way to the payment of any obligations other than the obligations of the Agency under the specific 2003 Loan Agreement under which the respective Reserve Account was established.

In the event that the amount on deposit in the Reserve Account on the sixth (6th) Business Day preceding any Interest Payment Date (other than the final Interest Payment Date) exceeds the Reserve Requirement, the Trustee shall withdraw from the Reserve Account all amounts in excess of the Reserve Requirement and deposit such amounts in the Special Fund to be used to make 2003 Loan payments. At the Request of the Agency filed with the Trustee, all amounts in the Reserve Account shall either (a) be credited, on or before the sixth (6th) Business Day preceding the final Interest Payment Date, to the payment of principal and interest then required to be made by the Agency, or (b) transferred, following the final Interest Payment Date, to the Agency to be deposited in the Redevelopment Fund. Notwithstanding the foregoing provisions of this paragraph, however, no amounts shall be withdrawn from the Reserve Account and transferred to the Agency pursuant to this paragraph during any period in which an Event of Default shall have occurred and be continuing.

The Agency shall have the right at any time to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee a Qualified Reserve Account Credit Instrument issued by the Insurer or approved in writing by the Insurer. Upon tender of such a Qualified Reserve Account Credit Instrument to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account to the Agency free and clear of the lien of the applicable 2003 Loan Agreement. Any funds so released shall be deposited in the Redevelopment Fund. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under the applicable 2003 Loan Agreement.

Parity Debt and Subordinate Debt

For each of the Project Areas, the respective 2003 Loan Agreement is secured on a parity with other outstanding debt of the Project Area. See "THE MATHER/McCLELLAN MERGED PROJECT AREA" and "THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for a description of the parity and subordinate debt outstanding (if any) with respect to each Project Area.

Issuance of Additional Debt on a Parity With the 2003 Loan Agreements. The 2003 Loan Agreements provide that, in addition to the respective 2003 Loan and outstanding Parity Debt, each Agency may, as to each Project Area, issue or incur additional bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency on a parity with its 2003 Loan in such principal amount as shall be determined by it, subject to specific conditions separately applicable to each Project Area. Generally, the conditions precedent to the issuance of Parity Debt for each of the Project Areas are as follows:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the applicable 2003 Loan Agreement, and the Agency shall comply with all applicable requirements of any Parity Debt Instrument for the issuance of parity debt thereunder.

(b) Except as provided in subsection (h) below, the Tax Revenues received or estimated to be received for the then current Fiscal Year (i) calculated using a tax rate of (1%), (ii) based on the most recent taxable valuation of property in the Project Area as evidenced by the records of the City Agency, and (iii) inclusive of Additional Revenues, but exclusive of investment earnings and payments, subventions and other amounts described under clause (a) of the definition of Tax Revenues, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service, including within such Maximum Annual Debt Service, the amount of Annual Debt Service on the Parity Debt then proposed to be issued or incurred; provided that the Parity Debt test for the 2003 Mather/McClellan Loan Agreement requires that, for purposes of such Parity Debt test, Tax Revenues shall include only fifty percent (50%) of the average taxable value over the prior five (5) Fiscal Years assigned to aircraft.

(c) The aggregate amount of the principal of and interest on the Loan, any Parity Debt and any Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated to the Agency following the issuance of such Parity Debt.

(d) Unless the Agency shall first determine that other payment dates will not impair the Agency's ability to make such payment, the Parity Debt Instrument providing for the issuance of such Parity Debt shall provide that interest thereon shall be payable on June 1 and December 1 and principal thereof shall be payable on December 1 in any year in which principal is payable.

(e) The Parity Debt Instrument providing for the issuance of such Parity Debt may provide for the establishment of separate funds, accounts and subaccounts.

(f) The Parity Debt Instrument providing for the issuance of such Parity Debt shall provide that an Event of Default under the applicable 2003 Loan Agreement shall constitute an event of default under such Parity Debt Instrument.

(g) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b), (c) and (d) above have been satisfied and that, upon issuance and delivery of such Parity Debt, the amount on deposit in the Reserve Account shall equal the Reserve Requirement.

(h) Subsection (b) shall not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of the Loan or any outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to the Loan or Parity Debt, or portion thereof, proposed to be refunded.

See "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" for a description of the Parity Debt test applicable to each Project Area.

Issuance of Subordinate Debt. In addition to the 2003 Loan Agreements and other Parity Debt and subject to the applicable Plan Limits of the Project Area, the Agencies may enter into obligations payable from Tax Revenues of their respective Project Areas which are payable on a subordinate basis to the payment of the 2003 Loan Agreements and all Parity Debt.

THE BOND INSURANCE POLICY

The following information has been furnished by the Insurer for use in this Official Statement. Such information has not been independently confirmed or verified by the Authority, the Agencies or the Underwriter. No representation is made herein by the Authority, the Agencies or the Underwriter as to the accuracy or adequacy of such information or that the information contained and incorporated herein by reference is correct. Reference is made to APPENDIX H for a specimen of the Insurer's Policy.

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company (the "Insurer") will issue its Municipal Bond New Issue Insurance Policy (the "Policy") for the Bonds described in the Policy. See APPENDIX H — "SPECIMEN MUNICIPAL BOND NEW ISSUE INSURANCE POLICY" herein. The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority of the Bonds. The Insurer will make such payments to U.S. Bank National Association, or its successor as its agent (the "Trustee"), on the later of the date on which such principal or accreted value (if applicable) and interest is due or on the business day next following the day on which the Insurer shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the Authority. The Trustee will disburse such amount due on any Bond to its owner upon receipt by the Trustee of evidence satisfactory to the Trustee of the owner's right to receive payment of the principal, accreted value or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal, accreted value or interest (as applicable) shall be vested in the Insurer. The term "nonpayment" in respect of a Bond includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal or accreted value (if applicable) of the Bonds on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, the Insurer requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without the Insurer's consent, in each case so long as the Insurer has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to the Insurer's consent. The specific rights, if any, granted to the Insurer in connection with its insurance of the Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Bonds and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Bonds.

Reference should be made to the description of the "RATINGS" for a discussion of the ratings, if any, assigned to such entity's outstanding parity debt that is not secured by credit enhancement.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Insurer is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against the Insurer. the Insurer is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of September 30, 2003, the total capital and surplus of the Insurer was approximately $999 million. the Insurer prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to the Insurer at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

On August 4, 2003, General Electric Company ("GE") announced that its indirect, wholly owned subsidiary, FGIC Holdings, Inc. ("Holdings"), had entered into an agreement to sell the Corporation (and the Insurer) to Falcons Acquisition Corp. ("Newco"), a newly-formed Delaware corporation owned by a consortium of investors consisting of The PMI Group, Inc. and private equity funds affiliated with Blackstone Group, Cypress Group and CIVC Partners, subject to receipt of regulatory approvals, written confirmations from Moody's, Standard & Poor's and Fitch that the Insurer's insurance financial strength rating will remain at Aaa, AAA and AAA, respectively, immediately following the closing of the contemplated transactions, and satisfaction of other closing conditions. Immediately following the closing, it is expected that Newco will be merged with and into the Corporation and that GE (through its subsidiaries) will retain $234.6 million of preferred stock, and less than 5% of the common stock, of the Corporation.

HISTORIC AND ESTIMATED TAX REVENUES BY PROJECT AREA

Provided below is a description of the historic and estimated Tax Revenues by Project Area. The information below has been derived from the Fiscal Consultant's Report and is subject to certain assumptions and limiting conditions relative to those projections which are described in greater detail in APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" herein.

Mather/McClellan Merged Project Area

Historical Taxable Value. The following table shows the historical taxable values for both the Mather Project and the McClellan Project Area components of the Mather/McClellan Merged Project Area on individual basis for Fiscal Years 1999-2003 and the projected value for Fiscal Year 2003-04. Fiscal Year 2000-01 was the base year for the McClellan Project Area component of the merged Project Area. See "THE MATHER/McCLELLAN MERGED PROJECT AREA" for a discussion of the component project areas of the Project Area.

Table 3

Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	*Locally-Assessed Secured Value*	*Unsecured Value*[1]	*State-Assessed Value*	*Total Taxable Value*	*Percentage Change*	*Total Incremental Value* [2]
Mather Project						
2003-04	$ 247,048,436	$67,492,775	$ 0	$ 314,541,211	50%	$ 314,461,761
2002-03	141,523,874	67,897,606	0	209,421,480	71%	209,342,030
2001-02	72,984,088	49,709,227	0	122,693,315	91%	122,613,865
2000-01	28,693,973	35,527,659	0	64,221,632	98%	64,142,182
1999-2000	7,955,000	24,488,467	0	32,443,467	N/A	32,364,017
McClellan Project						
2003-04	227,928,315	183,404,260	279,786	411,612,361	37.13%	179,306,743
2002-03	217,725,462	82,110,135	336,333	300,171,930	29.21%	67,866,312
2001-02[3]	Data not reported for this year					
2000-01[4]	202,976,758	29,190,357	138,503	232,305,618	N/A	0

[1] See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" for a breakdown of the unsecured value between unsecured aircraft value and other unsecured value.

[2] Taxable Value above base year value of $79,450 for the Mather Project Area component and $202,976,758 for the McClellan Project Area component.

[3] As of the date of tax roll for Fiscal Year 2001-02, the State Board of Equalization had not yet established new tax rate zones for the McClellan Project Area component.

[4] Base year value for McClellan Project.

Source: Sacramento County Auditor-Controller Office

Estimate of Tax Revenues for Fiscal Year 2003-2004. The following table shows the estimated Tax Revenues for the Mather/McClellan Merged Project Area for Fiscal Year 2003-2004.

Table 4

Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

ESTIMATE OF TAX REVENUES
FOR FISCAL YEAR 2003-04

	2003-04 Taxable Value [(1)]	***Base Year Taxable Value***	***Incremental Taxable Value***
Local Secured			
Land	$ 143,931,469		
Improvements	338,216,788		
Personal Property	2,771,036		
Gross Local Secured	$ 484,919,293		
Exempt	9,942,542		
Net Local Secured	$ 474,976,751	$ 202,987,758	$ 271,988,993
State Assessed	279,786	138,503	141,283
Unsecured			
Land	1,745,789		
Improvements	18,932,545		
Personal Property	49,902,874		
Aircraft	180,858,914		
Total Unsecured	251,440,122		
Exempt	543,087		
Net Unsecured	$ 250,897,035	$ 29,258,807	$ 221,638,228
Total Secured & Unsecured	$ 726,153,572	$ 232,385,068	$ 493,768,504
Tax Increment [(2)]			$ 4,958,000
Unitary Tax Increment [(3)]			5,000
Total Tax Increment Revenue			$ 4,963,000
<u>*Adjustments to Tax Increment Revenue:*</u>			
Property Tax Administration Fees [(4)]			$ 103,000
<u>*Liens on Tax Increment*</u>			
Housing Set-Aside [(5)]			$ 972,000
AB 1290 Tax Sharing [(6)]			842,000
Tax Revenues			$ 3,046,000

(1) Based on taxable value information from the records of Sacramento County.
(2) Calculated based on the application of the estimated tax rate for 2003-04.
(3) Reflects actual unitary revenue for 2002-03.
(4) The administrative fee is estimated based on actual amount from 2002-03.
(5) Total housing set-aside calculated at 20 percent of tax increment without reduction for the amount that can be used for bond debt service.
(6) Tax sharing payments per the provisions of AB 1290.
Source: Fiscal Consultant

As can be seen from Tables 3 and 4 above, approximately 45% of Tax Increment Revenues are attributable to unsecured property, the majority of which is aircraft. See "Mather/McClellan Merged Project Area — Unsecured Values" and "RISK FACTORS — Reduction in Taxable Value" herein for the risks associated with unsecured property generally and aircraft specifically.

Tax Revenue Coverage. The following Table shows the estimated Tax Revenues for Fiscal Year 2003-04 and projections of Tax Revenues for Fiscal Year 2004-05 for the Mather/McClellan Merged Project Area summarized from the Fiscal Consultant's Report, assuming no future growth in Tax Revenues after Fiscal Year 2004-05, and the resulting debt service coverage. See APPENDIX A-1 — "FISCAL

CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" for the projections of Tax Revenues through the term of the 2003 Mather/McClellan Loan Agreement and the assumptions and limiting conditions relative to the projections contained therein, including a description of projected increases in valuation in Fiscal Years 2004-05 through 2006-07 based on certain expected future development.

Table 5
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area
NO GROWTH AFTER FISCAL YEAR 2005 TAX REVENUE COVERAGES

Year Ending	Fiscal Year 2003-04 and 2004-05 Tax Revenues[1]	CIEDB Loan	Debt Service on Non-Housing Component of 2003 Loan Agreement	Total Parity Debt Service	Coverage	Fiscal Year 2003-04 and 2004-05 Housing Set-Aside	Debt Service on Housing Component of 2003 Loan Agreement	Debt Service on 2003 Merged Housing Loan Agreement[2]	Total Housing Debt Service	Housing Coverage
2004	$3,046,000	$550,749	$1,620,313	$2,171,062	140%	$ 972,000	$69,760	$624,370	$694,130	140%
2005[3]	3,289,000	567,371	1,624,404	2,191,775	150	1,049,000	77,599	608,483	686,082	153
2006	3,289,000	567,371	1,624,604	2,191,975	150	1,049,000	77,099	608,899	685,998	153
2007	3,289,000	567,371	1,624,604	2,191,975	150	1,049,000	76,599	609,124	685,723	153
2008	3,289,000	567,371	1,621,854	2,189,225	150	1,049,000	75,974	609,158	685,132	153
2009	3,289,000	567,371	1,621,254	2,188,625	150	1,049,000	75,224	614,001	689,225	152
2010	3,289,000	567,371	1,625,204	2,192,575	150	1,049,000	74,474	611,490	685,964	153
2011	3,289,000	567,371	1,623,554	2,190,925	150	1,049,000	78,724	608,720	687,444	153
2012	3,289,000	567,371	1,620,314	2,187,685	150	1,049,000	77,764	610,691	688,455	152
2013	3,289,000	567,371	1,624,839	2,192,210	150	1,049,000	76,714	612,144	688,858	152
2014	3,289,000	567,371	1,620,439	2,187,810	150	1,049,000	75,514	613,079	688,593	152
2015	3,289,000	567,371	1,621,814	2,189,185	150	1,049,000	74,389	611,720	686,109	153
2016	3,289,000	567,371	1,621,269	2,188,640	150	1,049,000	78,219	609,747	687,966	152
2017	3,289,000	567,371	1,624,069	2,191,440	150	1,049,000	76,819	612,160	688,979	152
2018	3,289,000	567,371	1,624,781	2,192,153	150	1,049,000	75,375	613,652	689,027	152
2019	3,289,000	567,371	1,623,331	2,190,703	150	1,049,000	78,888	609,223	688,111	152
2020	3,289,000	567,371	1,624,644	2,192,015	150	1,049,000	77,138	609,180	686,318	153
2021	3,289,000	567,371	1,623,419	2,190,790	150	1,049,000	75,338	613,216	688,554	152
2022	3,289,000	567,371	1,620,619	2,187,990	150	1,049,000	78,538	611,024	689,562	152
2023	3,289,000	567,371	1,621,869	2,189,240	150	1,049,000	76,288	612,911	689,199	152
2024	3,289,000	567,371	1,624,719	2,192,090	150	1,049,000	73,981	613,570	687,551	153
2025	3,289,000	567,371	1,625,006	2,192,378	150	1,049,000	76,675	612,599	689,274	152
2026	3,289,000	567,371	1,622,731	2,190,103	150	1,049,000	74,113	615,376	689,489	152
2027	3,289,000	567,371	1,622,894	2,190,265	150	1,049,000	76,550	611,588	688,138	152
2028	3,289,000	567,371	1,620,238	2,187,609	150	1,049,000	73,731	611,548	685,279	153
2029	3,289,000	567,371	1,624,763	2,192,134	150	1,049,000	75,913	609,943	685,856	153
2030	3,289,000	567,371	1,620,625	2,187,996	150	1,049,000	78,063	611,773	689,836	152
2031	3,289,000	567,371	1,623,875	2,191,246	150	1,049,000	74,975	611,725	686,700	153
2032	3,289,000		2,189,038	2,189,038	150	1,049,000	76,888	609,799	686,687	153
2033	3,289,000		2,189,275	2,189,275	150	1,049,000	78,563	610,995	689,558	152

(1) See "THE MATHER/McCLELLAN MERGED PROJECT AREA — Security for the 2003 Mather/McClellan Loan Agreement — Tax Revenues" herein for a definition of Tax Revenues.

(2) Debt service on $ 8,345,000 Sacramento County Public Financing Authority 2003 Taxable Housing Tax Revenue Bonds, Series B (Sacramento County Merged Project Area) to be issued concurrently with the issuance of the Bonds. See "THE MATHER McCLELLAN MERGED PROJECT AREA — Security for 2003 Mather/McClellan Loan Agreement — 2003 Mather/McClellan Merged Housing Loan Agreement."

(3) Assumes new value added from the completion of homes in the Independence at Mather development being constructed by KB Homes in Mather Project Area component and from the enrollment of value for the transfer of portions of the McClellan Airforce Base to McClellan Business Park, LLC. See APPENDIX A — "FISCAL CONSULTANT'S REPORT" and "THE MATHER/McCLELLAN MERGED PROJECT AREA — Taxable Values by Land Use."

Source: Fiscal Consultant, and the Underwriter.

Del Paso Heights Redevelopment Project Area

Historical Taxable Value. The following table shows the historical taxable values for the Del Paso Heights Redevelopment Project Area for Fiscal Years 1999-2003 and the projected value for Fiscal Year 2003-04.

Table 6

Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	*Locally-Assessed Secured Value*	*Unsecured Value*	*State-Assessed Value*	*Total Taxable Value*	*Percentage Change*	*Total Incremental Value* [(1)]
2003-04	$175,380,352	$10,978,665	$100	$186,359,117	12%	$159,300,479
2002-03	155,517,070	10,202,990	100	165,720,160	2%	138,661,522
2001-02	152,741,578	9,707,545	100	162,449,223	9%	135,386,401
2000-01	139,231,321	10,111,613	100	149,343,034	6%	122,280,212
1999-00	130,914,634	10,300,076	100	141,214,810	3%	114,151,988

(1) Through 2001-02, the County used a base year value of $27,062,822. Starting with 2002-03, the County revised the base year value to $27,058,638.

Source: Sacramento County Assessors Office.

Estimate of Tax Revenues for Fiscal Year 2003-2004. The following table shows the estimated Tax Revenues for the Del Paso Heights Redevelopment Project Area for Fiscal Year 2003-2004.

Table 7

Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

ESTIMATE OF TAX REVENUES
FOR FISCAL YEAR 2003-04

	2003-04 Taxable Value [1]	*Base Year Taxable Value*	*Incremental Taxable Value*
Local Secured			
Land	$ 52,226,247		
Improvements	146,831,733		
Personal Property	257,567		
Gross Secured	199,315,547		
Less: Exemptions	23,935,195		
Net Secured	175,380,352	26,532,871	
State-Assessed	100	0	
Total Secured	$ 175,380,452	$ 26,532,871	$ 148,847,581
Unsecured			
Land	$ 789,535		
Improvements	1,691,223		
Personal Property	8,714,829		
Gross Unsecured	11,195,587		
Less: Exemptions	216,922		
Net Unsecured	$ 10,978,665	$ 525,767	$ 10,452,898
Total Secured & Unsecured	$ 186,359,117	$ 27,058,638	$ 159,300,479
Tax Increment [2]			1,606,000
Unitary Revenue [3]			47,000
Total Tax Increment			$ 1,653,000
Adjustments to Tax Revenue:			
Property Tax Administration Fees [4]			34,000
Liens on Tax Increment:			
Housing Set-Aside [5]			496,000
Tax Sharing Payments [6]			90,000
Del Paso Nuevo Obligation [7]			71,000
Tax Revenues			$ 962,000

(1) Based on taxable value information from the records of Sacramento County.
(2) Calculated based on the application of the estimated tax rate for 2003-04.
(3) Reflects actual unitary revenue for 2002-03.
(4) The administrative fee is estimated based on actual amount from 2002-03.
(5) Total housing set-aside calculated at 30 percent of tax increment without reduction for the amount that can be used for bond debt service.
(6) Tax sharing payments per the provisions of AB 1290.
(7) Pursuant to an agreement with the Federal Government, represents tax increment generated in the Del Paso Nuevo area.

Source: Fiscal Consultant.

Tax Revenue Coverages. The following Table shows the estimated Tax Revenues for Fiscal Year 2003-04 for the Del Paso Heights Redevelopment Project Area summarized from the Fiscal Consultant's Report, assuming no future growth in Tax Revenues and the resulting debt service coverage. See APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for projections of Tax Revenues through the term of the 2003 Del Paso Heights Loan Agreement and description of the assumptions and limiting conditions relative to the projections contained therein.

Table 8
Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area
NO GROWTH TAX REVENUE COVERAGES

Year Ending	*Fiscal Year 2003-04 Tax Revenues*[(1)]	*Debt Service on Non-Housing Component of 1999 Loan Agreement*	*Debt Service on Non-Housing Component of 2003 Loan Agreement*	*Total Parity Debt Service*	*Coverage*	*Debt Service on Non-Housing Component of Subordinate 1999 Lease*	*Fiscal Year 2003-04 Housing Set-Aside*	*Debt Service on Housing Component of 2003 Loan Agreement*	*Debt Service on Housing Component of 1999 Loan Agreement*	*Total Housing Debt Service*	*Housing Coverage*
2004	$963,000	$555,263	$ 19,435	$574,698	168%	$214,540	$496,000	$142,371	$199,992	$ 342,363	145%
2005	963,000	598,034	20,700	618,734	156	215,455	496,000	151,638	215,396	367,034	135
2006	963,000	597,901	20,700	619,601	156	216,055	496,000	151,638	215,349	366,987	135
2007	963,000	597,019	20,700	617,719	156	216,330	496,000	151,638	215,031	366,669	135
2008	963,000	599,041	20,700	619,741	155	216,270	496,000	151,638	215,759	367,397	135
2009	963,000	599,951	20,700	620,651	155	215,808	496,000	151,638	216,087	367,725	135
2010	963,000	677,206	20,700	697,906	138	215,048	496,000	151,638	243,912	395,550	125
2011	963,000	675,735	20,700	696,435	138	218,798	496,000	151,638	243,382	395,020	126
2012	963,000	676,606	20,700	697,306	138	216,913	496,000	151,638	243,696	395,334	125
2013	963,000	675,915	20,700	696,615	138	214,633	496,000	151,638	243,447	395,085	126
2014	963,000	677,524	20,700	698,224	138	217,020	496,000	151,638	244,026	395,664	125
2015	963,000	677,053	20,700	697,753	138	218,650	496,000	151,638	243,857	395,495	125
2016	963,000	676,825	20,700	697,525	138	219,080	496,000	151,638	243,775	395,413	125
2017	963,000	674,892	20,700	695,592	138	218,930	496,000	151,638	243,078	394,716	126
2018	963,000	674,928	20,700	695,628	138	218,200	496,000	151,638	243,092	394,730	126
2019	963,000	676,722	20,700	697,422	138	216,890	496,000	151,638	243,738	395,376	125
2020	963,000	-	765,700	765,700	126	-	496,000	396,638		396,638	125
2021	963,000	-	770,000	770,000	125	-	496,000	395,613		395,613	125
2022	963,000	-	770,000	770,000	125	-	496,000	394,138		394,138	126
2023	963,000	-	770,000	770,000	125	-	496,000	395,888		395,888	125
2024	963,000	-	770,000	770,000	125	-	496,000	394,350		394,350	126
2025	963,000	-	770,000	770,000	125	-	496,000	395,000		395,000	126
2026	963,000	-	770,000	770,000	125	-	496,000	394,881		394,881	126
2027	963,000	-	770,000	770,000	125	-	496,000	393,994		393,994	126
2028	963,000	-	770,000	770,000	125	-	496,000	392,338		392,338	126
2029	963,000		770,000	770,000	125	-	496,000	394,913		394,913	126
2030	963,000		770,000	770,000	125	-	496,000	392,813		392,813	126

(1) See "DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA — Security for 2003 Del Paso Heights Loan Agreement — Tax Revenues" for a definition of Tax Revenues.
Source: Financial Consultant and Underwriter.

LIMITATIONS ON TAX REVENUES

Property Tax Limitations - Article XIIIA

California voters, on June 6, 1978, approved an amendment (commonly known as both Proposition 13 and the Jarvis-Gann Initiative) to the California Constitution. This amendment, which added Article XIIIA to the California Constitution, among other things affects the valuation of real property for the purpose of taxation in that it defines the full cash value of property to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or any reduction in the consumer price index or comparable local data, or any reduction in the event of declining property value caused by damage, destruction or other factors. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA."

Article XIIIA further limits the amount of any ad valorem tax on real property to 1% of the full cash value except that additional taxes may be levied to pay debt service on indebtedness approved by the voters prior to July 1, 1978. In addition, an amendment to Article XIIIA was adopted in June 1986 by initiative which exempts any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property from the 1 percent limitation.

On December 22, 1978, the California Supreme Court upheld the amendment over challenges on several state and federal constitutional grounds (*Amador Valley Joint Union School District v. State Board of Equalization*).

In the general election held on November 4, 1986, voters of the State of California approved two measures, Propositions 58 and 60, which further amend Article XIIIA. Proposition 58 amends Article XIIIA to provide that the terms "purchased" and "change of ownership," for purposes of determining full cash value of property under Article XIIIA, do not include the purchase or transfer of (1) real property between spouses and (2) the principal residence and the first $1,000,000 of other property between parents and children.

Proposition 60 amends Article XIIIA to permit the Legislature to allow persons over age 55 who sell their residence to buy or build another of equal or lesser value within two years in the same county, to transfer the old residence's assessed value to the new residence. Pursuant to Proposition 60, the Legislature has enacted legislation permitting counties to implement the provisions of Proposition 60.

Article XIIIA has subsequently been amended to permit a 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 certain other minor or technical ways.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that each county will levy the maximum tax permitted by Article XIIIA, $4.00 per $100 assessed valuation (based on the traditional practice in California of using 25% of full cash value as the assessed value for tax purposes).

The apportionment of property taxes in fiscal years after 1978-79 has been revised pursuant to Statutes of 1979, Chapter 282 which provides relief funds from State moneys beginning in fiscal year 1978-79 and is designed to provide a permanent system for sharing State taxes and budget surplus funds with local agencies.

Under Chapter 282, cities and counties receive about one-third more of the remaining property tax revenues collected under Proposition 13 instead of direct State aid. School districts receive a correspondingly reduced amount of property taxes, but receive compensation directly from the State and are given additional relief. Chapter 282 does not affect the derivation of the base levy ($1.00 per $100 taxable valuation) and the bonded debt tax rate.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs except for certain utility property assessed by the State Board of Equalization which is allocated by a different method discussed herein.

Property Tax Collection Procedures

Classifications. In California, property which is subject to ad valorem taxes is classified as "secured" or "unsecured." Secured and unsecured property are entered on separate parts of the assessment roll maintained by the county assessor. The secured classification includes property on which any property tax levied by the county becomes a lien on that property sufficient, in the opinion of the county assessor, to secure payment of the taxes. Every tax which becomes a lien on secured property has priority over all other liens on the secured property, regardless of the time of the creation of other liens. A tax levied on unsecured property does not become a lien against the taxes on unsecured property, but may become a lien on certain other property owned by the taxpayer.

Collections. The method of collecting delinquent taxes is substantially different for the two classifications of property. The taxing authority has four ways of collecting unsecured property taxes in the absence of timely payment by the taxpayer: (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 the personal property, improvements or possessory interests belonging or assessed to the assessee.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of property securing the taxes to the State for the amount of taxes which are delinquent.

Tax Increment Revenues are scheduled for primary disbursement twice per year in December and in April. In addition, supplemental revenues are disbursed as collected, typically on a monthly basis.

Penalties. A 10% penalty is added to delinquent taxes which have been levied with respect to property on the secured roll. In addition, property on the secured roll on which taxes are delinquent is sold to the State on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1½% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is deeded to the State and then is subject to sale by the county tax collector. A 10% penalty also applies to the delinquent taxes on property on the unsecured roll, and further, an additional penalty of 1½% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date.

Delinquencies. The valuation of property is determined as of January 1 each year and equal installments of taxes levied upon secured property become delinquent on the following December 10 and April 10. Taxes on unsecured property are due March 1 and become delinquent on the succeeding August 31.

Supplemental Assessments. A bill enacted in 1983, SB 813 (Statutes of 1983, Chapter 498), provides for the supplemental assessment and taxation of property as of the occurrence of a change in ownership or completion of new construction. Previously, statutes enabled the assessment of such changes only as of the next tax lien date (March 1 was used as the lien date as of the enactment of Chapter 498; however, as discussed below, the lien date was changed by legislation enacted in 1995) following the change and thus delayed the realization of increased property taxes from the new assessments for up to 14 months. As enacted, Chapter 498 provides increased revenue to redevelopment agencies to the extent that supplemental assessments as a result of new construction or changes of ownership occur within the boundaries of redevelopment projects subsequent to the lien date. To the extent such supplemental assessments occur within the Project Area, Tax Revenues may increase. As a result of legislation enacted in 1995 (SB 327 and SB 722, chaptered as Chapter 499 to 497, respectively), commencing as of January 1, 1997, the lien date for locally assessed property tax has been changed from March 1 to January 1; the initial change was implemented by the use of January 1, 1997 in place of March 1, 1997 as the lien date. The first day of January for each succeeding year shall be the lien date. Tax Increment Revenues resulting from supplemental assessments are not included in revenue projections of the Fiscal Consultant. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA — Projection of Tax Increment Revenues," and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA — Projection of Tax Increment Revenues."

Unitary Taxation of Utility Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by certain railroad and utility companies) is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility it received in the previous fiscal year unless the applicable county-wide values are insufficient to do so, in which case values will be allocated to each tax rate area on a pro rata basis; and (ii) if values to be allocated are greater than in the previous fiscal year, each tax rate area will receive a pro rata share of the increase from each assessed utility according to a specified formula. Additionally, the lien date on State assessed property is January 1.

AB 454 (Statutes of 1987, Chapter 921) further modifies Chapter 1457 regarding the distribution of tax revenues derived from property assessed by the State Board of Equalization. Chapter 921 provides for the consolidation of all State-assessed property, except for regulated railroad property, into a single tax rate area in each county. Chapter 921 further provides for a new method of establishing tax rates on State-assessed property and distribution of property tax revenues derived from State-assessed property to taxing jurisdictions within each county as follows: for revenues generated from the one percent tax rate, each jurisdiction, including redevelopment project areas, will receive a percentage up to 102% of its prior year State-assessed unitary revenue; and if county-wide revenues generated for unitary property are greater than 102% of the previous year's unitary revenues, each jurisdiction will receive a percentage share of the excess unitary revenue generated from the application of the debt service tax rate to county wide unitary taxable value, further, each jurisdiction will receive a percentage share of revenue based on the jurisdiction's annual debt service requirements and the percentage of property taxes received by each jurisdiction from unitary property taxes. Railroads will continue to be assessed and revenues allocated to all tax rate areas where railroad property is sited.

The intent of Chapters 1457 and 921 is to provide redevelopment agencies with their appropriate share of revenue generated from the property assessed by the State Board of Equalization. Such unitary taxes attributable to the Project Area are a part of Tax Revenues, but are not currently significant. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA."

Section 33676 Payments

Former Section 33676 of the Redevelopment Law used to allow taxing entities to elect to claim for themselves (and thus exclude from Tax Increment Revenues available to an agency) the portion of tax increment revenues attributable to inflationary growth as determined under Section 110.1(f) of the Revenue and Taxation Code. School districts and community college districts were directed by Section 33676 to make such election pursuant to a specific procedure prior to adoption of any redevelopment plan or amendment, unless a tax sharing agreement existed between the redevelopment agency and the taxing entity.

Section 33676 payments can be required even in the absence of an affirmative election by the taxing entity.

In the case of Santa Ana Unified School District v. Orange County Development Agency, the State Court of Appeals upheld the determination of a trial court that where the County of Orange had adopted a redevelopment project in 1986 and a school district which served the project area had failed to submit a resolution electing to receive a proportionate share of property tax revenues attributable to inflationary growth as determined under Section 110.1(f) of the Revenue and Taxation Code, the school district should nevertheless be deemed entitled to receive such revenues under Health and Safety Code Section 33676 as in effect as of 1986. Section 33676 has been the subject of amendments both before and after 1986 but was in substantially the same form between 1984 and 1993. Based on the date of adoption of the Project Areas (and relevant components) statutory elections pursuant to Section 33676 are not applicable, and Tax Revenues do not reflect any such payments.

Appropriations Limitations: Article XIIIB of the California Constitution

On November 6, 1979, California voters approved Proposition 4, the so-called Gann Initiative, which added Article XIIIB to the California Constitution. The principal effect of Article XIIIB is to limit the annual appropriations of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the government entity.

The California Legislature has added Section 33678 to the Redevelopment Law which provides that the allocation of taxes to a redevelopment agency for the purpose of paying principal of, or interest on, loans, advances, or indebtedness shall not be deemed the receipt by such agency of proceeds of taxes levied by or on behalf of the agency within the meaning of Article XIIIB, nor shall such portion of taxes be deemed receipt of taxes by, or an appropriation subject to the limitation of, any other public body within the meaning or for the purpose of the Constitution and laws of the State of California, including Section 33678 of the Redevelopment Law. The constitutionality of Section 33678 has been upheld in two California appellate court decisions, *Brown v. Community Redevelopment Agency of the City of Santa Ana* and *Bell Community Redevelopment Agency v. Woosley*. The plaintiff in Brown petitioned the California Supreme Court for a hearing of this case. The California Supreme Court formally denied the petition. On the basis of these court decisions, the Agency does not believe it is subject to Article XIIIB and has not adopted an appropriations limit.

Future Initiatives

Article XIIIA, Article XIIIB and Proposition 62 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 Agency revenues or the Agency's ability to expend revenues.

Tax Allocation Procedures of the County

Tax Increment Revenue

Each year, the County determines the amount of property tax revenue to be levied in the Project Area for a given tax year and identifies the respective amounts due the Agency and the taxing entities represented in the base year.

The County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), which allows each entity levying secured property taxes in the County to draw on the amount of property taxes levied rather than the amount actually collected. The result of the Teeter Plan is that each levying entity included in the Teeter Plan is paid 100% of the base secured roll property tax allocated to it. Roll corrections and adjustments are made dollar-for-dollar from subsequent year's payments, and current year revenues can be reduced in proportion to each taxing entities share of countywide property taxes. This practice could change at any time and investors should assume taxes may be disbursed to the Agency based upon actual collections. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA," and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for a description of actual historical receipts and delinquencies. Unsecured tax revenues are disbursed on or about August 31 and secured tax revenues are disbursed in two payments following December 10th and April 10th of each year. Secured and unsecured reconciliations are made each fiscal year. At that time, adjustments to taxes and revenues attributable to changes in parcel value since the establishment of the prior roll are made.

To the extent that the County's Teeter Plan continues in existence and is carried out as adopted, it may help protect Bond Owners from the risk of delinquencies in the payment of property taxes from which the Tax Revenues are derived. The Teeter Plan does not cover collection of taxes levied on the unsecured roll. Because unsecured value represents approximately 35% and 6% of the total assessed values in the Mather/McClellan Redevelopment Project Area and Del Paso Heights Redevelopment Project Area in Fiscal Year 2003-04, the Teeter Plan does not affect the collection of a corresponding portion of the Tax Revenues for the security of the 2003 Loan Agreements for such Project Areas.

County Collection Charge

Counties are authorized to charge redevelopment agencies for costs incurred in the assessment, collection and allocation of property tax revenues pursuant to SB 2557 (Chapter 466, Statures of 1990). The Tax Revenues are allocated to the Agency net of such amounts. The projections of Tax Revenues pledged to the Bonds are net of such administrative costs. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA," and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA."

Base Year Valuation Adjustments

The Redevelopment Law provides that the base assessment roll utilized for the allocation of Tax Increment Revenues may be reduced by the taxable value, as shown on the base roll, of those properties acquired for public use of tax exempt public entities. The precedent for this action stems from the 1963 case of *Redevelopment Agency of the City of Sacramento vs. Malaki*, 216 Cal. App. 2d 480, and subsequent, related cases.

The projections of Tax Revenues by the Fiscal Consultant as shown here and in APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA," incorporate the base year value reported in County's 2003-04 Report of Project Area Values. Future estimates are based on the assumption by the Fiscal Consultant that the base year value for each Project Area remains at the level reported by the County for the 2003-04 fiscal year. Acquisition of property within the Project Areas by public agencies may cause assessed values to decline, resulting in a reduction in Tax Revenues received by the Agencies.

Certification of Agency Indebtedness

Section 33675 of the Redevelopment Law requires the filing not later than the first day of October of each year with the county auditor, of a statement of indebtedness certified by the chief fiscal officer of the redevelopment agency for each redevelopment project which receives tax increment. The statement of indebtedness is required to contain the date on which any bonds were delivered, the principal amount, term, purpose and interest rate of such bonds and the outstanding balance and amount due on such bonds. Similar information must be given for each loan, advance or indebtedness that the redevelopment agency has incurred or entered into to be payable from tax increment.

Section 33675 also provides that the county auditor is limited in payment of tax increment to the agency to the amounts shown on the redevelopment agency's statement of indebtedness. The Section further provides that the statement of indebtedness is prima facie evidence of the indebtedness of the redevelopment agency, but that the county auditor may dispute the amount of indebtedness shown on the statement in certain cases. Provision is made for time limits under which the dispute can be made by the county auditor as well as provisions for determination by the Superior Court in a declaratory relief action of the proper disposition of the matter. The issue in any such action will involve only the amount of the indebtedness and not the validity of any contract or debt in connection with payments by such public agency pursuant thereto. An exception is made for payments to a public agency in connection with payment by such agency pursuant to a bond issue which shall not be disputed in any action under the section. The 2003 Loans should be entitled to the protection of that portion of the statute.

THE REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO

Authority. The County Agency is a public body, corporate and politic, organized and existing under and pursuant to the Constitution and the Redevelopment Law and was activated by the County Board of Supervisors on September 30, 1974 at which time the Board of Supervisors declared itself to be the governing board of the County Agency. The County Agency is charged with the authority and responsibility to prepare and execute plans designed to address blighted areas within the County. The County Agency is a separate public body and exercises governmental functions in planning and carrying out redevelopment projects.

Financing. Funds to perform redevelopment activities come from several sources, including tax increment financing, proceeds from the sale of notes and bonds, land sale proceeds and loans and advances from the County. The administrative costs advanced to the County Agency by the County for staff services and other operating expenditures, are retired and paid out of increment monies received from within the Mather/McClellan Merged Project Area. See "MATHER/McCLELLAN MERGED PROJECT AREA" herein for a description of the County's sole Project Area.

Personnel. The County Agency is governed by the five members of the County Board of Supervisors, who act as the County Agency's Board of Directors. The County Agency exercises governmental functions in carrying out projects and has authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds and expend bond proceeds. The staff of the Sacramento Housing and Redevelopment Agency administer the County Agency on behalf of the County. See "SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY" herein. The present County Agency Board of Directors and the expiration of their terms are as follows.

Member	***Term Expires***
Illa Collin, Chair	2006
Roger Dickinson, District 1	2006
Muriel P. Johnson, District 3	2004
Roger Niello, District 4	2004
Don Nottoli, District 5	2006

Powers. The County Agency has a variety of powers. It is authorized to prepare redevelopment project plans; to acquire property; to help relocate the occupants of acquired properties; to remove substandard structures; to install streets and sidewalks, and make other public improvements; to market land for a variety of purposes; to develop or assist in the development of new and rehabilitated housing; to facilitate the development of commercial and industrial properties; to issue notes and bonds to finance activities; and to impose environmental, open space and urban design controls.

The County Agency is charged with the responsibility of eliminating or alleviating conditions of blight, achieving economic revitalization and beautification, and mitigating negative social, physical and environmental impacts of development. Generally, this process is accomplished when the County Agency disposes of land for development by the private sector. Before this can be accomplished, the County Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing deteriorated improvements, grading and preparing the sites for developers and providing for ancillary off-site improvements.

THE REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

Authority. The City Agency is a public body, corporate and politic, organized and existing under and pursuant to the Constitution and the Redevelopment Law and was activated by the City Council on September 27, 1950, at which time the City Council declared itself to be the governing board of the City Agency. The City Agency is charged with the authority and responsibility to prepare and execute plans designed to address blighted areas within the City. The City Agency is a separate public body and exercises governmental functions in planning and carrying out redevelopment projects.

Financing. Funds to perform redevelopment activities come from several sources, including tax increment financing, proceeds from the sale of notes and bonds, land sale proceeds and loans and advances from the City. The administrative costs advanced to the City Agency by the City for staff services and other operating expenditures, are retired and paid out of increment monies received from within the City's [six] Project Areas. See "DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" for a description of the City's Project Area involved in this financing.

Personnel. The City Agency is governed by the Mayor and eight members of the City Council, who act as the City Agency's Board of Directors. The City Agency exercises governmental functions in carrying out projects and has authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to issue bonds and expend bond proceeds. The staff of the Sacramento Housing and Redevelopment Agency administer the City Agency on behalf of the City. See "SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY" herein. The present City Agency Board of Directors and the expiration of their term are as follows:

Member	***Term Expires***
Heather Fargo, Mayor and Chair	2004
Ray Tretheway, Councilmember District 1	2006
Sandy Sheedy, Councilmember District 2	2004
Steve Cohn, Councilmember District 3	2006
Jimmie R. Yee, Councilmember District 4	2004
Lauren Hammond, Councilmember District 5	2006
Dave Jones, Councilmember District 6	2004
Robbie Waters, Councilmember District 7	2006
Bonnie J. Pannell, Councilmember District 8	2004

Powers. The City Agency has a variety of powers. It is authorized to prepare redevelopment project plans; to acquire property; to help relocate the occupants of acquired properties; to remove substandard structures; to install streets and sidewalks, and make other public improvements; to market land for a variety of purposes; to develop or assist in the development of new and rehabilitated housing; to facilitate the development of commercial and industrial properties; to issue notes and bonds to finance activities; and to impose environmental, open space and urban design controls.

The City Agency is charged with the responsibility of eliminating or alleviating conditions of blight, achieving economic revitalization and beautification, and mitigating negative social, physical and environmental impacts of development. Generally, this process is accomplished when the City Agency disposes of land for development by the private sector. Before this can be accomplished, the City Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing deteriorated improvements, grading and preparing the sites for developers and providing for ancillary off-site improvements.

THE SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

General. The Sacramento Housing and Redevelopment Agency (the "SHRA") is a joint powers authority of both City and County agencies, and operates under a delegatory agreement with its oversight governing boards: The City of Sacramento City Council and the County of Sacramento Board of Supervisors. The SHRA provides staffing for the Housing Authorities of the City and County of Sacramento and the Redevelopment Agencies of the City and County of Sacramento, which are responsible for the development and implementation of housing, redevelopment and selected economic development programs and activities for the City and County of Sacramento. The SHRA administers and acts as fiscal agent with respect to the Project Areas. The County Agency Board and the City Agency Board approve all SHRA agenda items regarding their respective Project Areas.

Key Personnel. Resumes of certain key SHRA staff who administer the City Agency and County Agency are set forth below.

Anne Moore, Executive Director. Ms. Moore has been the Executive Director since November 1998 and has been with SHRA for the last eighteen years in various management capacities including Deputy Executive Director and Director of Community Development. Ms. Moore's previous experience includes working with the California State Department of Housing and Community Development and the Anchorage Office of Housing and Urban Development. Ms. Moore holds a Bachelor of Science in Housing and Planning from the University of California, Davis, and has done course work towards a Masters in Housing.

Satoshi Matsuda, Director of Finance. Mr. Matsuda has been the Director of Finance of the Agency since August 1998, prior to which time he served since 1990 as the Agency's Director of Administrative Services. Prior to 1990 he was Director of Administration of the Sacramento Area Flood Control Agency and General Services Director of the Agency. Mr. Matsuda has over twenty-eight years of experience in Sacramento area local government. He holds a Master of Arts degree from the California State University, Sacramento, and a Bachelor of Arts degree from the University of California, Berkeley.

Dana W. Phillips, General Counsel. Mr. Phillips was appointed to the Agency in April 1990. Prior to his appointment, Mr. Phillips served as Assistant General Counsel to the Agency (1985 until 1990) and worked in private practice before joining the Agency. Mr. Phillips earned his law degree from the University of San Diego in 1976 and his baccalaureate degree from the University of California, Santa Barbara, in 1973.

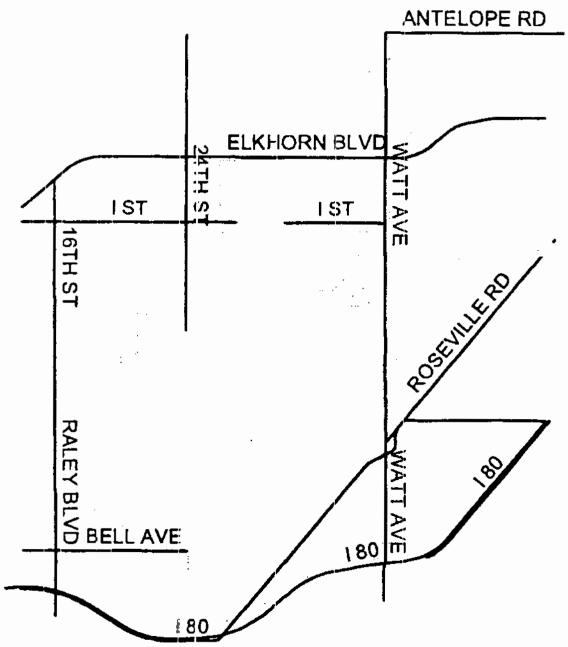
THE SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY

The Sacramento County Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated as of November 25, 2003, by and between the County and the County Agency in accordance with the provisions of the Act. The Authority was created for the purpose of providing financing and refinancing for public capital improvements for the County and the County Agency and other local agencies through the acquisition by the Authority of such public capital improvements and/or the purchase by the Authority of local obligations within the meaning of the Act. Under the Act, the Authority has the power to issue bonds and loan the proceeds to the Agency to pay the cost of any public capital improvement.

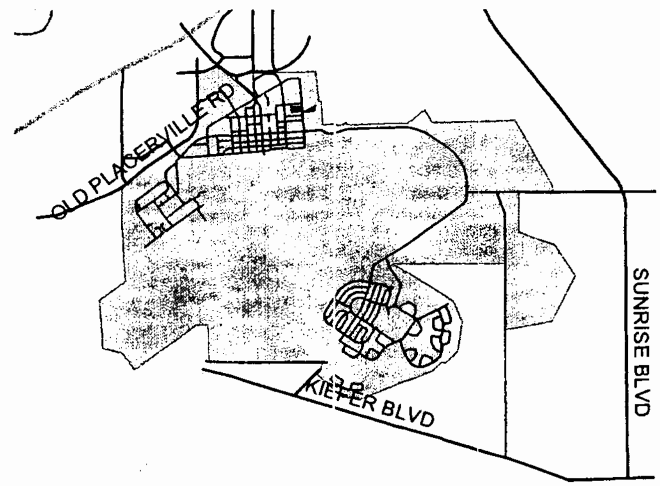
The Bonds are special obligations of the Authority payable only from Revenues and not out of any other fund or money of the Authority. The Bonds are not a debt of the Authority, the County, the County Agency, City or the City Agency.

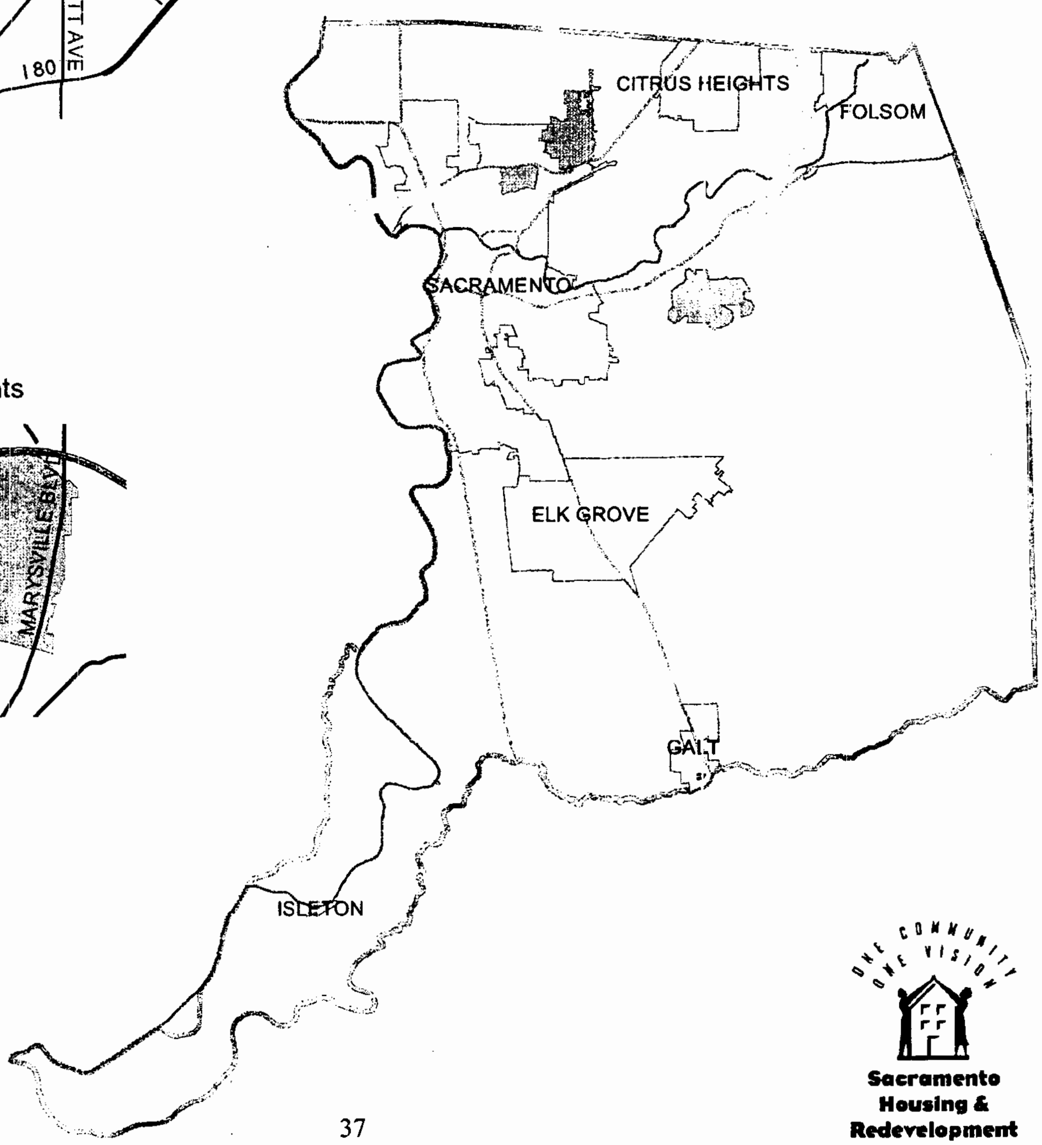
MATHER, McCLELLAN and DEL PASO HEIGHTS REDEVELOPMENT AREAS

McClellan/Watt Avenue

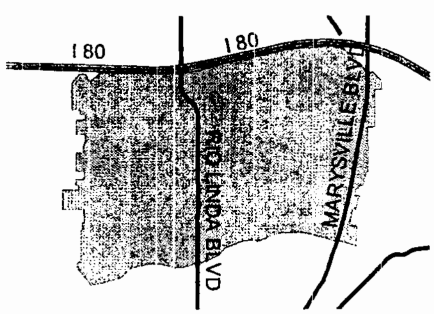


Mather





Del PAso Heights



ONE COMMUNITY ONE VISION

Sacramento Housing & Redevelopment Agency

THE MATHER/McCLELLAN MERGED PROJECT AREA

Background

On June 20, 2001, the County Board of Supervisors adopted the Mather/McClellan Merged Project Area, merging two previously adopted redevelopment areas into a single consolidated project area. The merged Project Area consists of approximately 7,502 acres, most of which consists of the former Mather United States Air Force Base and the former McClellan United States Air Force Base.

Mather Project Area Component. The Mather Air Force Base closed in 1993. In the fall of 1991, the Board of Supervisors endorsed a comprehensive reuse plan and forwarded the plan to the Air Force. In March 1993, the Air Force issued a Record of Decision for the disposal of the base. Mather aviation facilities were subsequently transferred to the County. On May 5, 1995, Mather Airport was officially opened as a civilian airport. The airport area, including runways and aprons, encompasses approximately 2,875 acres. The County Department of Airports now operates Mather Airport with its 11,300-foot jumbo runway as an air cargo and general aviation center. Airborne Express, Integrated Airline Services, United Parcel Service and Emery Air Freight already have operations at the base.

Sacramento Mather Airport and the adjacent main base area, now called Mather Commerce Center, together comprise some 600 acres of developed and developable property conveniently located along the Highway 50 corridor. Mather Commerce Center comprises approximately 238 acres. About 85% of the Mather Commerce Center has been sold to developers or end users. For the majority of parcels remaining to be sold, the County is in negotiations with developers to purchase such parcels.

The Mather Commerce Center has approximately 1 million square feet of new or renovated office space. At build out, total square footage is anticipated to be 2.0 to 2.5 million square feet. The McCuen Center II building, a 95,000 square foot class A commercial office building is currently under construction and is scheduled for completion in 2004. The Mather Commerce Center Partners are currently performing site preparation work for a planned 410,000 square foot office park on the western side of the Mather Commerce Center, completion of which is not expected until 2008. Recent land transactions at Mather Commerce Center include: a 17.3-acre land transfer scheduled to close escrow by the end of December 2003; a 4.5-acre parcel and building scheduled to close escrow in March 2004; and a 8.8-acre land sale scheduled to close escrow in early 2004. The 17.3 acre parcel is anticipated to be developed for two 100,000 square foot office buildings and one 50,000 square foot office building. No additional buildings are expected on the 4.5 acre sale site, and the 8.8 acre land sale is anticipated to be developed for thirteen 8,000-10,000 square foot office buildings. Completion of the new commercial office buildings for these sales are not anticipated until 2008.

The Mather Project Area component also contains another planned commercial development area known as the Douglas Business Park. Douglas Business Park has approximately 200 acres and will have a similar square footage build out as the Mather Commerce Center. Douglas Business Park is in the early stages of development and the County Agency does not anticipate that any land sale transactions will occur at the Douglas Business Park for a number of years.

In addition to the commercial development, the Mather Project Area component has also generated residential development. KB Homes has demolished the existing military housing and nearly completed development of 1,271 new houses in a development known as "Independence at Mather." As of October 1, 2003, 1,233 units had already been completed or were under construction. Additionally, 1,434 acres on the east side of the Mather Project Area component have been set aside for the establishment of the Mather Regional Park.

Mather Environmental Remediation. The former Mather Air Force Base was a combat pilot training school and served the maintenance and logistic needs of the Air Force from 1918 until its closure in 1993. In keeping with traditional industrial practices, the Air Force disposed of hazardous waste in a series of pits and landfills. The industrial waste eventually migrated into the groundwater. The Department of Defense, pursuant to a Federal Facilities Agreement with the Environmental Protection Agency, has affirmed its responsibility to remediate the contamination and has, pursuant to the Economic Development Conveyance with the County, indemnified the County for the costs to clean the site and liability associated with the contamination. Remediation is underway and the County Agency believes that contamination at the Mather Air Force Base is contained. See "RISK FACTORS — Hazardous Substances" herein.

Due to the contamination at the former Mather Air Force Base and its subsequent listing on the National Priorities (Superfund) List, the base closure and subsequent transfer to the County has been complicated. See "— *McClellan Environmental Remediation and Transfer of Fee Interest to County*" below for a description of the transfer process. However, the County or private parties to whom the County assigned or sold its interest now have fee title to all of the former base.

McClellan/Watt Avenue Project Area Component. The McClellan Air Force Base closed on July 13, 2001. On November 22, 2000, McClellan AFB and a portion of the Watt Avenue Corridor were previously designated a redevelopment area in anticipation of the base closure. The redevelopment area encompasses the entire acreage of the former base and a portion of the Watt Avenue Corridor in North Highlands. The portion of the redevelopment area outside the base, referred to as the "Watt Avenue Area," an area of about 634 acres, serves as the commercial and industrial market for the North Highlands community. Watt Avenue serves as the main gateway to the base, and inclusion of the Watt Avenue Corridor in the Project Area provided the opportunity to better integrate the redevelopment of the base with the North Highlands community.

The County, as the designated Local Reuse Authority ("LRA"), and the United States Air Force (the "USAF") negotiated and entered into an Economic Development Conveyance Agreement (the "EDC") on August 13, 1998 pursuant to which the USAF has granted the County a leasehold interest in the base which converts to a fee interest as the USAF completes environmental remediation of portions of the base. See "McClellan Environmental Remediation and Transfer of Fee Interest to County" below. The County completed the Final Reuse Plan for the base in July, 2000. The overall goal for reuse was to retain the aircraft maintenance and repair activities as a core industrial function. These activities serve as a cornerstone for reuse activities, with other commercial, residential and non-industrial land uses remaining similar to the pre-closure pattern of uses. The County, as the LRA, has entered into a Purchase and Sale Agreement dated as of November 13, 2001 (the "Purchase and Sale Agreement") with McClellan Business Park LLC ("MBP") to market and redevelop the base. The Purchase and Sale Agreement is both a sales agreement, transferring ownership of base property to MBP, and an equity agreement wherein the County and MBP share in the development and economic success of the reuse of base assets. The $21.2 million in net proceeds the County is to receive from the Purchase and Sale Agreement, plus accrued interest, must be reinvested in the reuse of the base as required by the EDC. Of the approximately 11 million square feet of buildings on the base, McClellan Park has already leased over 3.5 million square feet, with additional leases pending.

McClellan Environmental Remediation and Transfer of Fee Interest to County. The former McClellan Air Force Base was an industrial facility serving the maintenance and logistics needs of the Air Force from 1936 until its closure in 2001. In keeping with traditional industrial practices, the Air Force disposed of hazardous wastes in a series of pits and landfills. The industrial wastes eventually migrated into the groundwater. The resulting groundwater contamination accounts for the vast majority of the environmental contamination at McClellan, but there is also soil contamination.

While the groundwater cleanup effort is progressing well, it is a slow and expensive process and is likely to continue for another 40 years. The investigation into the soil contamination is approaching completion on a majority of the former base property and is complete on areas due to be transferred in 2004. In 1989, the Air Force executed a Federal Facilities Agreement with the Federal Environmental Protection Agency and with the State of California. In this document the Air Force affirmed its responsibility to remediate environmental contamination at McClellan. Through the Economic Development Conveyance, the Air Force has indemnified the County, and its successors in interest, for the cleanup of any contamination caused by the Air Force's activities. Congress provided statutory indemnification, for damage to property and personal injuries caused by the Air Force created contamination, by enacting Section 330 of Public Law 104-484.

Due to the listing of McClellan Air Force Base on the National Priorities (Superfund) List, the transfer of the property is complicated. Fee title may be conveyed only by two methods. The first, called a Finding of Suitability to Lease (FOSL), requires the Air Force to covenant all remedial actions are complete, as deemed to be necessary, or in the case of a long-term remedy, like groundwater cleanup, to covenant that the remedy is operating and performing successfully. The second method for conveying fee title is through a Finding of Suitability for Early Transfer (FOSET). This method requires the Air Force to have sufficiently characterized the nature and extent of the contamination in the early transfer area, and to have prepared a risk assessment for the early transfer area. The FOSET then requires EPA approval and gubernatorial concurrence because the property would be transferred while still contaminated. The County and the MBP have been actively pursuing the early transfer with privatized remediation for the last two years. The Air Force contemplates an early transfer in 2004 for selected parcels, where it would retain cleanup responsibility. Until fee title is conveyed, through either method, the Air Force conveys a leasehold interest in the property through the following process:

- In 1998 the Air Force conveyed possession and use of the property to the County through the EDC and a Lease in Furtherance of Conveyance (LIFOC). The EDC provided for the conveyance of fee title to the property, through FOSLs and deeds, once the remedial actions are completed, determined not to be required, or are operating and performing successfully.

- Prior to agreeing to the EDC, the Air Force accomplished a base wide Environmental Baseline Study (EBS), and then supplemented this EBS with site-specific information. At McClellan, the Air Force issued multiple site-specific EBS documents in addition to the base wide EBS. The EBS process took approximately 2½ years to complete.

- As it completed each supplemental EBS, the Air Force issued FOSLs for particular areas of the base. Federal and state environmental regulators reviewed the FOSLs prior to conveyance of these areas of the base to the County. The FOSLs allow for the lease and occupancy of the property because there are no risks to human health to the occupants. The Air Force issued these findings over a two-year period of time.

While the environmental cleanup activities determine if property may be conveyed in fee, the cleanup process follows a parallel but different track from property transfer. Once the Air Force completes its investigation of environmental conditions at McClellan, it issues a Feasibility Study to decide on the remedy it will use to complete the cleanup. It then issues a Proposed Plan of remedial action for public review and comment. Finally, the Air Force issues a Record of Decision ("ROD") where it selects the final remedy for cleanup and establishes the final cleanup standard for contaminated media. Once the ROD is signed, the cleanup begins. In the case of the groundwater cleanup at McClellan, the Air Force selected the pump and treat method as the remedy under an Interim Record of Decision. The final cleanup goal, of standards meeting the Safe Drinking Water Act, will be placed in the final ROD for groundwater expected in 2004. An Initial Parcel ROD for seven sites on the former base is anticipated in the summer of 2004. Other RODs are anticipated in the future and could be expedited with Air Force initiative. The portion of the former base currently occupied by Northrop Grumman may be eligible for an early transfer prior to the Air Force entering into a final environmental ROD for this site.

The County Agency can give no assurance that environmental conditions or legal conditions related to property in the Mather/McClellan Merged Project Area will not adversely affect the growth of Tax Revenues, or future amounts of Tax Revenues. See "RISK FACTORS — Reduction in Taxable Value" and "— Hazardous Substances."

The Mather/McClellan Merged Redevelopment Plan

The Mather Air Force Base Redevelopment Project was adopted by the Board of Supervisors of the County by Ordinance No. SCC-0990 adopted May 9, 1995. The McClellan Air Force Base/Watt Avenue Redevelopment Project was adopted by the Board of Supervisors of the County by Ordinance No. 1492 adopted November 22, 2000.

On June 20, 2001, the County Agency and the Board of Supervisors of the County, in accordance with Section 33485 of the California Health and Safety Code, merged the two Project Areas pursuant to Ordinance No. 1497.

Mather/McClellan Redevelopment Plan Limits

The Redevelopment Law requires that a redevelopment plan contain certain limitations on the redevelopment activities of the County Agency and related matters. The current plan limits for the Mather/McClellan Merged Project Area are as follows:

Limit	*Mather Project*	*McClellan Project*
Debt Establishment	May 9, 2015	November 22, 2020
Plan Effectiveness	May 9, 2025	November 22, 2030
Debt Repayment	May 9, 2040	November 22, 2045
Bonded Debt	\$400 million	\$339 million
Tax Increment Revenues	None	\$927 million

In general, the County Agency will not receive Tax Increment Revenues for any purpose after the debt repayment limit is reached. The County Agency has covenanted in the 2003 Mather/McClellan Loan Agreement to comply with all requirements of law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County. The Fiscal Consultant's Report projects that the Tax Increment Revenue limit will not be reached for the McClellan Project component during the term of the projections contained in the Fiscal Consultant's Report. The Mather Project Area component has no comparable revenue limit. See APPENDIX A — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA."

Taxable Values by Land Use

The following table summarizes the taxable values of real property in the Mather/McClellan Merged Project Area by land use, according to Fiscal Year 2003-04 assessed value.

Table 9

MATHER / McCLELLAN
LAND USE CATEGORY SUMMARY 2003-04

	Parcels	*Taxable Value*	*Percent of Total*
Residential	1,229	$ 207,218,254	28.54%
Commercial	153	157,515,752	21.69
Industrial	50	42,563,754	5.86
Vacant Land	156	11,652,831	1.60
Other	462	56,305,946	7.75
Total Secured	2,050	475,256,537	65.45
Unsecured Aircraft		190,556,006	26.24
Unsecured Other/State Assessed		60,341,029	8.30
Grand Total		$726,153,572	100.00%

Source: Records of Sacramento County Assessor.

As can be seen from Table 14 above, approximately 35% of the taxable value within the Project Area consists of unsecured values. Unsecured values in the Project Area consist of a significant amount of aircraft value, which has driven growth in such value in recent years. Table 15 below provides a breakdown of the unsecured value in each component Project Area, allocates it between aircraft and other unsecured value, and shows the major assessees.

Table 10

Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

UNSECURED VALUES

	Mather	*McClellan*	*Use*
Total Unsecured Value	$ 67,492,775	$ 183,404,260	
General Aircraft	40,286,700	140,524,061	
Commercial Aircraft	9,745,245	0	
Other Unsecured Value	17,460,830	42,880,199	
Major Unsecured Assessees			
Intel Corporation	23,700,689		General Aircraft
ABX Air	7,073,838		Commercial Air
Sutter Connect	4,529,931		Leasehold
Lynxs Sacto Cargoport	3,230,442		Leasehold
Wing and A Prayer		39,651,138	General Aircraft
Ohana Aircraft Limited		26,201,869	General Aircraft
Knight Ridder Leasing		19,429,911	General Aircraft
Gordon P. Getty		15,300,000	General Aircraft
Total For Majors	$ 38,534,900	$ 100,582,918	

Source: Records of Sacramento County Assessor.

Each of the major unsecured assessees shown above have been added to the Project Area within the past two years and have caused the major value increases in unsecured values. See Table 3 above for a description of the historic growth in unsecured values. Aircraft is subject to taxation pursuant to Section 5301-

5456 of the Revenue & Taxation Code. The value of aircraft is based on its market value. The State Board of Equalization prepares a publication, *Aircraft Valuation Data*, which serves as a guide to local assessors on the value of aircraft. Those values are to be adjusted based on the condition of the aircraft and other variables. The allocation of aircraft value to a situs location differs for general aircraft and commercial aircraft. The value of general aircraft is allocated to the location where such aircraft is habitually located when not in flight. The value of commercial aircraft is taxed based on the time spent in different locations. In allocating value, the assessor takes into account: (1) flight and ground time (weighted 75 percent), and (2) arrivals and departures (weighted 25 percent). Aircraft are subject to relocation at any time and no assurance can be given that the aircraft described above will be located in the Project Area in the future. Unsecured assessed valuation is generally subject to greater fluctuation than secured assessed valuations, and aircraft valuation, particularly general aviation aircraft, may be particularly susceptible to relocation in and out of the Project Area, with resulting fluctuations in Tax Revenues over time. See "RISK FACTORS — Reduction in Taxable Value" herein. For example, subsequent to the date of the Fiscal Year 2003-04 tax roll, the aircraft owned by Wing and A Prayer moved to the Stockton Airport and will no longer be included in the taxable values for the Mather/McClellan Merged Project Area. Accordingly, the tax increment projections contained in the Fiscal Consultant's report have been reduced by $39.7 million beginning with Fiscal Year 2004-05.

As noted above, the McClellan Air Force Base was conveyed from the County to MBP in December of 2001 pursuant to the Purchase & Sale Agreement. The full value of the transfer has not yet been reflected on the 2003-04 tax roll. Based on summary information provided by the Office of McClellan Base Conversion, the value of real property that was transferred to MBP was estimated to be $56.4 million. For purposes of the tax increment projections shown in the Fiscal Consultant's Report, the Fiscal Consultant assumes that this value would be reflected on the 2004-05 secured tax roll. The Fiscal Consultant's Report has, however, reduced the value by $8.5 million, to reflect the leasehold value for certain properties that are included in MBP, but which have already been reflected on the 2003-04 tax roll. The Fiscal Consultant's Report reports that the County Assessor has also indicated, on a preliminary basis, that the value of MBP to be reflected on the Fiscal Year 2004-05 secured tax roll may be as high as $108 million. See APPENDIX A-1 — "FISCAL CONSULTANT REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and "RISK FACTORS — Reduction in Taxable Value" herein.

Major Property Owners

The following table lists the ten largest property tax assessees in the Mather/McClellan Merged Project Area for fiscal year 2003-04. The aggregate assessed value of the top ten property taxpayers accounted for approximately 25.6% of the total assessed value of the Mather/McClellan Merged Project Area for 2003-04 and five of the top ten assessees are on the unsecured tax roll. See "RISK FACTORS — Reduction in Taxable Value" for a description of the risks associated with a high concentration of ownership and unsecured property values.

Table 11

Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	*Parcels*	*Type of Use*	*2003-04 Secured*	*2003-04 Unsecured*	*2003-04 Taxable Value* (1)	*% of Total Value* (2)
Wing and A Prayer(3)	1	Aircraft	$ 0	$39,651,138	$ 39,651,138	5.46%
Ohana Aircraft Limited LLC	1	Aircraft	0	26,201,869	26,201,869	3.61%
Intel Corporation	4	Aircraft	0	23,700,689	23,700,689	3.26%
Knight Ridder Leasing Company	1	Aircraft	0	19,429,911	19,429,911	2.68%
JPI XXI Limited Partnership	2	Office	17,182,995	0	17,182,995	2.37%
Watt North Highlands LP	5	Commercial	15,500,000		15,500,000	2.13%
Gordon P. Getty	1	Aircraft	0	15,300,000	15,300,000	2.11%
Shiva Inc.	1	Office	10,219,329	0	10,219,329	1.41%
Plant Bros Corporation	2	Office	9,632,562	0	9,632,562	1.33%
Hawthorne Apartments LLC	3	Apartments	8,805,857		8,805,857	1.21%
Total Valuation			61,340,743	124,283,607	185,624,350	25.56%

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on 2003-04 Merged Project Area taxable value of $726,153,572.
(3) The aircraft owned by Wing and A Prayer has relocated to the Stockton Airport and has therefore been deducted from estimated 2004-05 taxable values.

Source: Records of Sacramento County Assessor

Appeals of Assessed Values

According to the County, there are currently four appeals pending with respect to properties in the Projects Area in which the applicants are requesting a reduction of $4,998,952. The Fiscal Consultant's Report states that there is no recent appeal activity within the Project Area upon which to base the possible impact of the appeals. In projecting Tax Revenues for the Project Area, the Fiscal Consultant assumed that each assessee would receive a reduction based on fifty percent (50%) of their requested reductions. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA" and "HISTORIC AND PROJECTED TAX REVENUES — Mather/McClellan Merged Project Area." Assessment appeals filed and granted in future years could adversely impact the availability of Tax Revenues to pay debt service on the 2003 Mather/McClellan Loan Agreement. See "RISK FACTORS" herein.

Security for 2003 Mather/McClellan Loan Agreement

The following is a description of certain terms and definitions specific to the security for the 2003 Mather/McClellan Loan Agreement. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS" for a description of the terms not defined herein.

Tax Revenues. The 2003 Mather/McClellan Loan Agreement defines "Tax Revenues" as, except as provided below, moneys allocated within the Plan Limit and paid the Agency derived from (a) that portion of taxes levied upon assessable property within the Merger Project Area allocated to the Agency pursuant to Article 6 of Chapter 6 of the Law and section 16 of Article XVI of the Constitution of the State, or pursuant to other applicable State laws, and (b) reimbursements, subventions (excluding payments to the Agency with respect to personal property within the Project Area pursuant to section 16110, *et seq.*, of the California Government Code, including payments made by the State with respect to any property taxes that would otherwise be due on real or personal property but for an exemption of such property from such taxes), and including that portion of such taxes otherwise required by section 33334.3 of the Law to be deposited in the

Low and Moderate Income Housing Fund, but only to the extent necessary to repay that portion of the Loan or any Parity Debt (including applicable reserves and financing costs) attributed to amounts deposited in the Low and Moderate Income Housing Fund for use pursuant to section 33334.2 of the Law to increase, improve or preserve the supply of low and moderate income housing within or of benefit to the Merged Project Area; but excluding all other amounts of such taxes (if any) required to be deposited into the Low and Moderate Income Housing Fund of the Agency pursuant to section 33334.3 of the Law and excluding amounts payable by the Agency pursuant to Section 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Loan and any Parity Debt, as applicable. Except as limited by the forgoing definition, the term "Tax Revenues" has the same meaning as the term "Pledged Tax Revenues" as defined in the CIEDB Loan Agreement (defined below).

Pass-Through Agreements. None.

AB 1290 Tax Sharing Payments. The Project Area is subject to AB 1290 Tax Sharing Payments on a basis senior to the 2003 Loan Agreement. See "SECURITY FOR THE 2003 LOAN AGREEMENTS — Statutory Pass-Throughs" above for a description of the payments.

Parity Debt. CIEDB Loan Agreement. Pursuant to a Tax Allocation Loan Agreement (the "CIEDB Loan Agreement") made and entered into as of January 28, 2002 by and between the County Agency and the California Infrastructure and Economic Development Bank ("CIEDB"), CIEDB loaned the County Agency $10,000,000 to finance projects in the Project Area. Currently, $10,000,000 aggregate principal amount of the loan is outstanding and the final term of the loan is December 1, 2031. The CIEDB Loan Agreement is secured by a pledge of Tax Revenues on a parity with the 2003 Mather/McClellan Loan Agreement and the projections of debt service coverage herein reflect such parity payments.

2003 Mather/McClellan Merged Housing Loan Agreement. Concurrently with the issuance of the Bonds, the Authority has issued its $8,345,000 2003 Taxable Housing Tax Revenue Bonds, Series B (Sacramento County Merged Project Area) (the "Series B Bonds"). Pursuant to the Mather/McClellan Merged Housing Loan Agreement (the "2003 Mather/McClellan Merged Housing Loan Agreement") dated as of December 1, 2003 by and between the Authority and the County Agency, the Authority has loaned the Series B Bond proceeds to the County Agency which are payable through December 1, 2033. The 2003 Mather/McClellan Merged Housing Loan Agreement is secured by a pledge of Housing Tax Revenues (as defined therein) on a parity with the housing component of the 2003 Mather/McClellan Loan Agreement and the projections of debt service coverage herein reflect such parity payments.

Subordinate Debt. Pursuant to the 2003 Mather/McClellan Loan Agreement, the County Agency may incur debt payable from Tax Revenues subordinate to the 2003 Mather/McClellan Loan Agreement and any Parity Debt at any time subject to the Plan Limits. The County Agency has Subordinate Debt obligations, pursuant to a Disposition and Development and Public Improvement Development Agreement with Mather Housing Company (under the ownership control of KB Homes) which is outstanding in an amount of approximately $5 million. The County Agency anticipates applying 2003 Loan proceeds to repay the outstanding Subordinate Debt. See "PLAN OF FINANCE."

Parity Debt Test. In addition to the Loan, the 2003 Mather/McClellan Merged Housing Loan Agreement and the CIEDB Loan, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency pursuant to the terms of the 2003 Mather/McClellan Loan Agreements. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS."

THE DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA

Background

The Del Paso Heights Redevelopment Project Area consists of 1,071 acres of primarily residential property. During the Second World War, the Del Paso Heights community grew substantially, mostly owing to its proximity to McClellan Air Force Base and the need for workers' housing. Even so, for many years, the area remained unincorporated and semi-rural in character, with little infrastructure development. During the 1950s and 1960s, as the wartime economy wound down and workers left McClellan, Del Paso Heights began to show signs of economic decline. To begin addressing the urban problems that were emerging in the area, the City annexed Del Paso Heights in 1964. In 1970, the Del Paso Heights Redevelopment Project Area was adopted.

At the time the Project Area was adopted, a major focus of the Redevelopment Agency was to provide the infrastructure necessary to make the area a functioning, modern neighborhood. Between 1970 and 1990, more than $8 million of tax-increment and federal Community Development Block Grant ("CDBG") funds were invested in the upgrading and installation of streets, curbs, gutters, sidewalks, lighting, drainage, water and sewer systems.

During the late 1980s, City Agency began to focus on improving the housing stock and providing community facilities for the area. Since 1991, the City Agency has also worked to support economic development, to continue public facilities improvements, and to facilitate and assist private development, especially along Marysville Boulevard, the neighborhood's commercial corridor. In all, over $46 million in public and private dollars have been invested in the revitalization of Del Paso Heights.

The Del Paso Heights Redevelopment Plan

The City Council approved and adopted the Redevelopment Plan for the Del Paso Heights Project, Neighborhood Development Program, Project No. 5 (the "Del Paso Heights Redevelopment Plan") on May 12, 1970 by Ordinance No. 2884. The City Council subsequently amended the Del Paso Heights Redevelopment Plan on August 6, 1970 by adopting Ordinance No. 2913, on May 21, 1985 by adopting Ordinance No. 85-047, on November 18, 1986 by adopting Ordinance No. 86-108, on October 4, 1994 by adopting Ordinance No. 94-046, on October 27, 1998 by adopting Ordinance No. 98-045, and on June 24, 2003 by adopting Ordinance No. 94-046, which approved Plan Amendment No. 6.

Plan Amendment No. 6 revised the existing Del Paso Heights Redevelopment Plan to extend by ten years (i) the time limit on the effectiveness of the Del Paso Heights Redevelopment Plan, (ii) the time limit on receipt of tax increment, and (iii) the deadline for repayment of tax increment. Plan Amendment No. 6 also revised the existing Del Paso Heights Redevelopment Plan to make applicable the inclusionary housing requirements established in the Redevelopment Law Section 33413(b)(2)(A)(i) requiring that at least 15 percent of all new or substantially rehabilitated dwelling units developed in a project area by public or private entities or persons other than the Agency shall be available at affordable housing costs to persons and families of low or moderate income and shall be occupied by these persons and families and to require that not less than 40 percent of these units shall be available to and occupied by very low income households.

Plan Amendment No. 6 also revised the existing Del Paso Heights Redevelopment Plan to increase the minimum amount that must be deposited in the Low and Moderate Income Housing Fund from 20 percent of the total tax increment received each year to 30 percent of the total tax increment received each year, commencing in the first fiscal year after the amendment is adopted (except as otherwise provided in Redevelopment Law Section 33333.10(g)).

Del Paso Heights Redevelopment Plan Limits

The Redevelopment Law requires that a redevelopment plan contain certain limitations on the redevelopment activities of the City Agency and related matters. On November 13, 2003, the City Agency pursuant to SB 1045 adopted a plan amendment extending the plan limits on the plan effectiveness and debt repayment by one year. The Ordinance approving the plan amendment takes effect on December 14, 2003. The current time limits for the Del Paso Heights Redevelopment Project Area, including SB 1045 extensions, are as follows:

	Limit
Debt Establishment	May 11, 2010
Plan Effectiveness	May 11, 2021
Debt Repayment	May 11, 2031
Bonded Debt	$ 41 million
Tax Increment Revenues	$131 million

In general, the City Agency will not receive Tax Increment Revenues for any purpose after the debt repayment limit is reached. The City Agency has covenanted in the 2003 Del Paso Heights Loan Agreement to comply with all requirements of law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County. The Fiscal Consultant's Report states that the Tax Increment Revenue limit will not be reached for the Del Paso Heights Redevelopment Project Area during the term of the projections contained in the Fiscal Consultant's Report. See APPENDIX A-1 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA."

Taxable Values by Land Use

The following table summarizes the taxable values of real property in the Del Paso Heights Redevelopment Project Area by land use, according to Fiscal Year 2003-04 assessed value.

Table 12

DEL PASO HEIGHTS
LAND USE CATEGORY SUMMARY 2003-04

	Parcels	*Taxable Value*	*Percent of Total*
Residential	2,255	$ 141,805,048	76.09%
Commercial	118	13,341,354	7.16
Industrial	25	7,319,870	3.93
Vacant Land	475	8,306,659	4.46
Other	259	4,607,421	2.47
Total Secured	3,132	175,380,352	94.11
Unsecured / State Assessed		10,978,765	5.89
Grand Total		**$ 186,359,117**	**100.00%**

Major Property Owners

The following table lists the ten largest property tax assessees in the Del Paso Heights Redevelopment Project Area for fiscal year 2003-04. The aggregate assessed value of the top ten secured property taxpayers accounted for approximately 11% of the total assessed value of the Del Paso Heights Redevelopment Project Area for 2003-04.

Table 13

Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	*Type of Use*	*2003-04 Secured Value* (1)	*2003-04 Unsecured Value* (1)	*Total*	*% of Value* (2)
Research Properties	Commercial	$ 4,462,512	$ 0	$ 4,462,512	2.39%
David J. & Mary L. Anderson	Industrial	2,722,625	0	2,722,625	1.46%
Woodhaven Senior Residences	Residential	2,651,938	0	2,651,938	1.42%
US Rentals Inc.	Commercial	2,095,747	0	2,095,747	1.12%
United Rentals Inc.	Unsecured	0	1,880,333	1,880,333	1.01%
IBM Credit Corporation	Unsecured	0	1,783,078	1,783,078	0.96%
Harry & Mariann Brix 1993 Family Trust	Industrial	1,570,824	0	1,570,824	0.84%
Sacramento Partners	Unknown	1,335,327	0	1,335,327	0.72%
Terkensha Associates	Commercial	1,331,063	0	1,331,063	0.71%
Crystal Bottling Company Inc.	Unsecured	0	1,153,511	1,153,511	0.62%
Total Valuation		16,170,036	4,816,922	20,986,958	11.26%

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2003-04 Project Area taxable value of $186,359,017.

Appeals of Assessed Values

According to the County, there are currently three appeals pending with respect to properties in the Projects Area in which the applicants are requesting a reduction of $4,642,694. The Fiscal Consultant's Report states that there is no recent appeal activity within the Project Area upon which to base the possible impact of the appeals. In projecting Tax Revenues for the Project Area, the Fiscal Consultant assumed that each assessee would receive a reduction based on fifty percent (50%) of their requested reductions. See APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA" and "HISTORIC AND PROJECTED TAX REVENUES — Del Paso Heights Redevelopment Project Area." Assessment appeals filed and granted in future years could adversely impact the availability of Tax Revenues to pay debt service on the 2003 Del Paso Heights Loan Agreement. See "RISK FACTORS" herein.

Security for 2003 Del Paso Heights Loan Agreement

The following is a description of certain terms and definitions specific to the security for the 2003 Del Paso Heights Loan Agreement.

Tax Revenues. The 2003 Del Paso Heights Loan Agreement defines "Tax Revenues" as all taxes annually allocated and paid to the Agency within the Plan Limit with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and other applicable State laws and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, but only to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of, premium (if any) and interest on the Loan and any Parity Debt; but (i) excluding all other amounts required to be deposited in the Low and Moderate Income Housing Fund, (ii) excluding amounts payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with

Section 16110) of the Government Code of the State, (iii) excluding amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds or to the payment of Parity Debt, as applicable, and (iv) excluding amounts payable by the Agency pursuant to the Del Paso Nuevo Agreement, unless and until any such taxes are released from the pledge contained in such Agreement.

Pass-Through Agreements. None.

AB 1290 Tax Sharing Payments. The Project Area is subject to AB 1290 Tax Sharing Payments on a basis senior to the 2003 Loan Agreement. See "SECURITY FOR THE 2003 LOAN AGREEMENTS — Tax Sharing Statutes" above for a description of the payments.

Del Paso Nuevo Agreement. "Del Paso Nuevo Agreement" means the Pledge, Assignment and Security Agreement, dated as of August 11, 1998, by the Agency in favor of the Secretary of Housing and Urban Development of the United States of America, pledging certain tax increment revenues allocated to the Redevelopment Project from a 137.6 acre residential/commercial portion of the Project Area. The pledge of Tax Increment Revenues under the Del Paso Nuevo Agreement is senior to the pledge under the 2003 Del Paso Heights Loan Agreement and any Parity Debt and the projections of Tax Revenues are reduced by such payments. See "HISTORIC AND ESTIMATED TAX REVENUES BY PROJECT AREA — Del Paso Heights Redevelopment Project Area," and APPENDIX A-2 — "FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA."

Parity Debt. Pursuant to the Del Paso Heights Loan Agreement (the "1999 Del Paso Heights Loan Agreement"), dated as of December 1, 1999, by and between the Agency, the City and the Sacramento City Financing Authority, the Agency borrowed $10,060,000 aggregate principal amount, of which $9,045,000 is currently outstanding. The term of the loan ends on 2019 and maximum payment in Fiscal Year 2019 is $920,460. The obligation to make payments from Tax Revenues pursuant to the 1999 Del Paso Heights Loan Agreement is on a parity with the obligations under the 2003 Del Paso Heights Loan Agreement and the projections of debt service coverage herein reflect such parity payments. Approximately 26.48% of the 1999 Del Paso Heights Agreement is payable from Housing Set Asides.

Subordinate Debt. Pursuant to the 2003 De Paso Heights Loan Agreement, the City Agency may issue or incur debt payable from Tax Revenues subordinate to the 2003 Del Paso Heights Loan Agreement at any time, subject to Plan Limits. The City currently has outstanding $2,270,000 pursuant to the Del Paso Heights Advance Repayment Agreement dated as of December 1, 1999 (the "1999 Del Paso Heights Agreement") by of between the City Agency and the City. Lease payments pursuant to the 1999 Del Paso Heights Agreement are payable from Tax Increment Revenues subordinate to the pledge pursuant to the 2003 Del Paso Heights Loan Agreement. Lease payments are approximately $218,000 annually and the term of 1999 Del Paso Heights Agreement ends in Fiscal Year 2019.

Parity Debt Test. In addition to the 2003 Del Paso Heights Loan and the 1999 Del Paso Heights Loan, the City Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the City Agency. The City Agency may issue and deliver any Parity Debt subject to the conditions precedent set forth in the 2003 Del Paso Heights Loan Agreement and the 1999 Del Paso Heights Loan Agreement. See APPENDIX E — "SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS."

RISK FACTORS

Structural Risks of Bonds

Revenues consist of payments by the Agencies pursuant to two separate 2003 Loan Agreements. Accordingly, the Bonds are subject to certain structural risks. Tax Revenues of a single Project Area are not pledged to or available for payment of the obligations of any other Project Area. Since the Revenues securing the Bonds are comprised of commingled Tax Revenues from separate Project Areas, an event of default under either 2003 Loan Agreement may result in insufficient Revenues for payment of the principal of, premium (if any) and interest on the Bonds. Any future decrease in the taxable valuation in either Project Area or in the applicable tax rates could reduce the Tax Revenues allocated to the applicable Agency and correspondingly could have an adverse impact on the ability of the Agency to pay debt service on the related 2003 Loan. Moreover, the Reserve Accounts established pursuant to each 2003 Loan Agreement are available only for payment of the 2003 Loan to which each corresponds. Furthermore, as set forth under the caption "SECURITY FOR THE BONDS — Schedule of 2003 Loan Payments," the maturities and payment amounts of each of the 2003 Loan Agreements vary. For example, the 2003 Del Paso Heights Loan Agreement matures in 2030 prior to the final maturity of the Bonds. Moreover, individual 2003 Loan Agreements may be prepaid from time to time in accordance with their terms.

At any given point in time, then, the 2003 Loan Agreements may provide a different proportion of relative responsibility for the payment of debt service with respect to the Bonds. Thus, the risks associated with any such 2003 Loan Agreement are of greater or lesser importance from time to time, based on these debt service schedules.

Levy and Collection – Plan Limitations

The Agency has no independent power to levy and collect property taxes. Any reduction in the tax rate or the implementation of any constitutional or legislative property tax decrease could reduce the Tax Revenues, and accordingly, could have an adverse impact on the ability of the Agency to make debt service payments on the Bonds.

The Board of Supervisors of the County has adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in Section 4701 et seq. of the State Revenue and Taxation Code commencing with fiscal year 1993-94 with respect to public agencies which receive ad valorem tax revenues. In addition, the County has adopted a policy similar in effect to the Teeter Plan, in which the County pays to redevelopment agencies the full allocation of tax increment revenues, regardless of actual ad valorem delinquencies.

So long as the County's policy with respect to payments to redevelopment agencies remains in effect, the Agency's receipt of revenues with respect to the levy of ad valorem property taxes will not be dependent upon actual collections of the ad valorem taxes by the County. However, the Board of Supervisors could under certain circumstances terminate its policy in its entirety and, in particular, the Board of Supervisors could terminate the policy as to particular taxing entities for which the delinquency rate for all ad valorem property taxes in any year exceeds an amount determined by the Board of Supervisors. In the event that the policy were terminated, the amount of the levy of ad valorem property taxes in each Project Area would depend upon the applicable delinquency rate.

The debt repayment limit for the Del Paso Heights Redevelopment Project Area is May 11, 2031. The 2003 Del Paso Heights Loan matures on December 1, 2030, shortly before the debt repayment limit. In general, the City Agency will not receive Tax Increment Revenues for any purpose after the debt repayment limit is reached.

Reduction in Taxable Value

Tax Increment Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property in a project area caused by economic factors beyond the Agency's control, such as a relocation out of a project area by one or more major property owners, successful appeals by property owners for a reduction in a property's assessed value, blanket reductions in assessed value due to general reductions in property values or the complete or partial destruction of such property caused by, among other eventualities, an earthquake or other natural disaster, could cause a reduction in Tax Revenues securing the Bonds. Such risks may increase when ownership of property is heavily concentrated, as is the case in the Mather/McClellan Merged Project Area. Based upon the Fiscal Year 2003-04 secured tax roll, the ten largest secured taxpayers in the Mather/McClellan Merged Project Area accounted for approximately 25.56% of the assessed value from such Project Area. A reduction of Tax Revenues could have an adverse effect on each Agency's ability to make timely payments of principal of and interest on their respective 2003 Loan Agreements.

Unsecured assessed valuation may present special risks. Such unsecured assessed valuation may be more susceptible to fluctuation from year to year than valuation reflected on the secured roll. The unsecured roll represents approximately 35% of the overall 2003-04 assessed value for the Mather McClellan Project Area and aircraft represent 26% of total assessed value. The Mather airport and the McClellan airport located within the boundaries of the Mather/McClellan Merged Project Area and the assessment of commercial cargo and general aviation aircraft in the Project Area, will be significant contributing factors to Tax Increment Revenues from the Mather/McClellan Merged Project Area.

In general, because property on the unsecured tax roll includes personal property and leasehold interests, the values of property on the unsecured roll are more likely to fluctuate and are more susceptible to reduction due to adverse economic circumstances affecting the owner of the properties. Unsecured properties in the Mather/McClellan project area are particularly affected by economic conditions which affect the operation of the airports and which affect the commercial cargo and general aviation activities generally. For example, if these factors were to cause the commercial cargo operations at Mather airport to reduce flights to and from the airport, or if competitive factors with other airports or general economic conditions affecting general aviation activity result in fewer general aviation aircraft being located within the Project Area, the assessed value in the Mather/McClellan project area could be substantially reduced.

As described above, airport operations may affect the assessed value of property within the Mather/McClellan Merged Project Area, including the assessed valuation of real property as well as aircraft, leasehold interests and other unsecured values. The activities within the Project Area related to the aircraft operations may be subject to competition and variable demand. Other factors, such as fuel and regulatory costs, could also have a significant impact. The Agency cannot predict the impact of these factors on assessed valuations within the Mather/McClellan Merged Project Area in the future.

Reduction in Inflationary Rate and Changes in Legislation; Further Initiatives

As described in greater detail above under the caption "LIMITATIONS ON TAX REVENUES", Article XIIIA of the California Constitution provides that the full cash value base of real property used in determining taxable value may be adjusted from year to year to reflect the inflationary rate, not to exceed a two percent increase for any given year, or may be reduced to reflect a reduction in the consumer price index or comparable local data. Such measure is computed on a calendar year basis.

Article XIIIA of the California Constitution, which significantly affected the rate of property taxation, was adopted pursuant to California's constitutional initiative process. From time to time, other initiative measures could be adopted by California voters. The adoption of any such initiative might alter the calculation of tax increment revenues, reduce the property tax rate, or broaden property tax exemptions. Future legislative reallocation of the 1% basic levy among the affected taxing entities could increase the taxes retained by certain taxing entities with a corresponding reduction in Tax Revenues. See the caption "LIMITATIONS ON TAX REVENUES — Property Tax Limitations — Article XIIIA."

Recent Litigation Regarding Increase in Assessed Valuation

On November 2, 2001, the Orange County California Superior Court issued a Minute Order in the case of County of Orange v. County of Orange County Assessment Appeals Board No. 3. The case involved the assessed value of a property that exceeded the prior year's assessed value by more than 2%. The increase of a property's assessed value by more than 2% is a common practice among California assessors when the prior year value of the property is less than the base year value of the property (the value assigned upon change of ownership or new construction) and the current year, market value of property is equal to or higher than the computed base year value for the current year. Such instances occur when the prior year value of the property was determined by an appeal or assessor initiated reduction and the condition causing reduction (e.g., recession in the real estate market) has ceased to influence the value of property.

The court ruled that the California Constitution and the California Revenue and Taxation Code limit the year to year change in value of property to 2% except in situations described in law but not limited to the instances mentioned above. The court also found that the California Constitution does not authorize a temporary decline in the base value of property that can be restored at a rate higher than 2% in a single year. On December 12, 2002, the Orange County Superior Court certified the lawsuit as a class action lawsuit and the case has been submitted on appeal to the State's Fourth District Court of Appeal. The Fourth District Court of Appeal has scheduled oral arguments for December 16, 2003. See APPENDIX C — "FISCAL CONSULTANT'S REPORT." Other similar cases may be pending or brought in other counties in California.

The Agencies are unable to predict the effect on Tax Revenues if the ruling described above is ultimately determined to have applicability to the County and the Tax Revenues allocated to the Agencies. The Agencies have not made any adjustment in their presentation of Tax Revenues shown in the text of the Official Statement by reason of the foregoing litigation. Tax Revenues that secure the Agencies' respective obligations under the 2003 Loan Agreements could be reduced, which in turn could impair the ability of the Authority to make payments on the Bonds when due if the above described litigation is upheld and any similar litigation is brought with respect to property in the Project Areas.

Educational Revenue Augmentation Fund; 2003-04 Budget

The Agencies' Tax Increment Revenues may be reduced by specific legislative shifts in property tax allocations. The State budget for fiscal year 1993-94 transferred $2.6 billion to school districts from cities, counties and other local governments, including redevelopment agencies. As part of the budget's transfer of moneys to school districts, the State Legislature required redevelopment agencies to transfer approximately $65 million to the Educational Revenue Augmentation Fund ("ERAF") in both fiscal years 1993-94 and 1994-95. The amount required to be paid by a redevelopment agency under such legislation was apportioned among all of its redevelopment project areas on a collective basis, and was not allocated separately to individual project areas. Faced with a projected $23.6 billion budget gap for fiscal year 2002-03, the State Legislature adopted and the Governor signed AB 1768 requiring redevelopment agencies to pay into ERAF $75 million. AB 1768 required the payment into ERAF in Fiscal Year 2002-03 only. As part of the overall legislation to enact the 2003-04 Budget, the State enacted as urgency legislation, SB 1045, Chapter 260, Statutes of 2003 ("Chapter 260") as part of the 2003-04 State Budget requiring redevelopment agencies to pay into ERAF in fiscal year 2003-04 an aggregate amount of $135 million. Chapter 260 requires the payment into ERAF in fiscal year 2003-04 only. Chapter 260 provides that one-half of an agency's ERAF obligation is calculated based on the gross tax increment received by such Agency and the other one-half of such Agency's ERAF obligation is calculated based on the net tax increment revenues (after any pass-through payments to other taxing entities), as such tax increment revenues are shown in Table 7 of the fiscal year 2001-02 Annual Report of the California Controller. The Agencies' respective ERAF obligations for fiscal year 2003-04 are $75,051 for the Mather/McClellan Merged Project Area and $86,847 for the Del Paso Heights Redevelopment Project Area. Each Agency expects to pay such amount from available fund balances.

The 2003-04 State Budget does not resolve the State's significant structural deficit between revenues and expenditures. It is therefore anticipated that there will be additional future legislation which addresses this situation. The Agencies cannot predict what measures may be proposed or implemented for the current fiscal year or in the future. The new Governor has proposed a different solution to this year's budget woes, but the Legislature has not yet acted on these proposals. Given the magnitude of the State's budgetary deficit, it is possible that future legislation will further reduce Tax Increment Revenues.

At least two components of the State's fiscal year 2003-04 Budget are the subject of legal challenges. Plaintiffs have challenged the legality of $10.7 billion of deficit reduction bonds which the State planned to issue and a Superior Court in Sacramento recently held that the State's plan to finance approximately $1.9 billion of contributions to its pension funds was unconstitutional. If these legal challenges are ultimately successful or result in delays beyond the current fiscal year, the State could take other actions to balance the budget in the 2003-04 fiscal year that would have an adverse financial impact on the Agencies. In addition, other elements of the State's budget for this and future years may be affected by other legal challenges related to the motor vehicle license fee increase (and subsequent reinstatement), and the recall of the Governor of the State. Accordingly, budget solutions for this year or subsequent years may be affected in ways that would have an adverse financial impact on the Agencies and their Tax Increment Revenues.

Hazardous Substances

The assessed value of property within the Project Areas could also be reduced due to the discovery of new hazardous substances or failure to remediate existing hazardous substances that would limit the beneficial use of taxable property within such Project Areas. In general, the owners and operators of a property may be required by law to remedy conditions of the property relating to releases or threatened releases of hazardous substances. The owner or operator may be required to remedy a hazardous substance condition of property whether or not the owner or operator had anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within the Project Areas be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition and/or other amounts. As discussed above under the caption "MATHER/McCLELLAN MERGED PROJECT AREA," significant portions of the McClellan Project Area component and the Mather Project Area component are known to contain hazardous substances and are currently undergoing remediation. The timely and effective remediation of such contamination could delay the transfer of fee title of property in the McClellan Project Area component to the County and private developers and, accordingly, slow development within the Project Area and/or slow the transfer of assessed values from the unsecured roll to the secured roll. See "MATHER/McCLELLAN MERGED PROJECT AREA" above for a description of environmental remediation in the Mather/McClellan Merged Project Area.

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the 2003 Bonds and the obligations of the Commission may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable 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 servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2003 Bonds 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.

Seismic Factors

The assessed valuation of properties in the Project Areas could be substantially reduced as a result of a major earthquake proximate to the Project Areas. The area in and surrounding the Project Areas, like much of California, may be subject to unpredictable seismic activity. Although the Agencies believe that no active or inactive fault lines pass through, or near, the Project Areas, if there were to be an occurrence of severe seismic activity in the Project Areas, there could be a negative impact on assessed values of taxable values of property in the Project Areas. Of particular concern, in this regard, is possible liquefaction caused by seismic activity. Liquefaction could cause significant failures of the levee systems protecting the City and could result in severe flooding in the Project Areas. See "Flood Risk Considerations" below. This could lead to a reduction in Tax Revenues and Revenues. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest due on their respective 2003 Loan Agreements, which in turn could cause a reduction in Revenues which could have an adverse effect on the Authority's ability to make timely payments of principal and interest on the Bonds.

Flood Risk Considerations

In and around the City, flooding caused by river overflow or heavy rainfall could cause possible damage to property in the City and County, including property in the Project Areas. Normally, water is contained within the rivers, creeks, canals, and adjacent levee systems. During the severe winter storms in the Sacramento area in 1986 and again in 1997, the American and Sacramento River levee systems carried a record volume of water due to heavy rainfall of long duration. Although these storms caused some flooding in certain areas, the major levee systems that protect the City and County from disaster withstood the record water flows.

Neither component of the Mather/McClellan Project Area nor the Del Paso Heights Redevelopment Project Area is located within a 100-year flood plain.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, will render an opinion with respect to the Bonds substantially in the form set forth in APPENDIX F to this Official Statement. Copies of this opinion will be available at the time of delivery of the Bonds. Certain legal matters will be passed upon for the Agency by Stradling Yocca Carlson & Rauth, Newport Beach, California, as Disclosure Counsel, for the County Agency and for the City Agency by SHRA's General Counsel and for the Authority by County Counsel of the County.

CONTINUING DISCLOSURE

The Agencies have each covenanted in their respective 2003 Loan Agreements for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to such Agency annually by not later than nine months following the close of their fiscal year (currently December 31) (the "Annual Report"), commencing with the report for the 2003 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by or on behalf of the Agency with each Nationally Recognized Municipal Securities Information Repository and with a State Depository, if any. The notices of material events will be filed by or on behalf of the Agency with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Report or the notices of material events will be set forth in a Continuing Disclosure Certificate to be executed by the County Agency and the City Agency upon issuance of the Bonds. See APPENDIX D — "FORM OF CONTINUING DISCLOSURE CERTIFICATES." These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). Since the effective date of the continuing disclosure requirements under S.E.C. Rule 15c2-12(b)(5), there has been no instance in which the City Agency has failed to comply in all material respects with any previous undertakings with regard to said rule. The County Agency has no previous undertakings with respect to said rule.

FISCAL CONSULTANT

The Agencies have retained the firm of Fraser & Associates to act as fiscal consultant (the "Fiscal Consultant") for the Agencies with respect to the Project Areas. As part of the duties of Fiscal Consultant, the Fiscal Consultant has prepared Fiscal Consultant's Reports concerning the Agencies, the Project Areas and current and expected development activity therein. The full text of the Fiscal Consultant's Reports is attached hereto as Appendix A-1 and Appendix A-2.

FINANCIAL STATEMENTS

The audited financial statements of the Agencies included as Appendix C, including the footnotes thereto, should be reviewed in their entirety. Macias, Gini & Company, LLP, Certified Public Accountants (the "Auditor") has not consented to the inclusion of its report as Appendix C and has not undertaken to update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by the Auditor with respect to any event subsequent to its report dated May 13, 2003.

RATINGS

Standard & Poor's Credit Market Services, a Division of the McGraw-Hill Companies ("S&P"), has assigned its municipal bond rating of "AAA" to the Bonds with the understanding that upon delivery of such Bonds a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Insurer. In addition, the Agency has obtained an underlying rating on the Bonds of "A-" from S&P.

The ratings issued reflect only the view of such rating agency, and any explanation of the significance of such ratings should be obtained from such rating agency. There is no assurance that such ratings will be retained for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of any ratings obtained may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Bonds are being purchased for reoffering by Stone & Youngberg LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds from the Authority at a purchase price of $33,400,460.92, being the aggregate principal amount of the Bonds less an Underwriter's discount of $226,147.58 and less a net original issue discount of $68,979.45. The purchase contract pursuant to which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices different from the prices stated on the cover page of this Official Statement. The offering prices may be changed from time to time by the Underwriter.

LITIGATION

There is no litigation pending or, to the Agencies' or the Authority's knowledge, threatened in any way to restrain or enjoin the issuance, execution or delivery of the Bonds, to contest the validity of the Bonds, the Indenture, or the 2003 Loan Agreements, or any proceeding of the Agencies or the Authority with respect thereto. In the opinion of the County Agency and its counsel there are no lawsuits or claims pending against the County Agency which will materially affect the County Agency's finances so as to impair its ability to pay the installments on the Mather/McClellan Loan. In the opinion of the City Agency and its counsel, there are no lawsuits or claims pending against the City Agency which will materially affect the City Agency's finances so as to impair its ability to pay the installments on the Del Paso Heights Loan. In the opinion of the Authority and its counsel, there are no lawsuits or claims pending against the Authority which will materially affect the Authority's finances so as to impair its ability to pay the principal of, premium (if any) and interest on the Bonds when due.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the Authority and the Agencies comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority and the Agencies have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

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

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

In the further opinion of Bond Counsel, such interest is exempt from personal income taxation imposed by the State of California.

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

FINANCIAL INTERESTS

The fees being paid to the Financial Advisor, the Underwriter, Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the Bonds. From time to time, Bond Counsel and Disclosure Counsel represent the Underwriter on matters unrelated to the Bonds.

MISCELLANEOUS

The quotations from, and summaries and explanations of the Indenture, 2003 Loan Agreements and other statutes and documents contained herein do not purport to be complete, and reference is made to such documents, Indenture, 2003 Loan Agreements, and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the City, the County, the Agencies, or the Authority. The information contained herein should not be construed as representing all conditions affecting the Agencies, the Authority, the Insurer or the Bonds.

All information contained in this Official Statement pertaining to the Agencies, the City, the County and the Authority has been furnished by the Agencies, the City, the County and the Authority, and the execution and delivery of this Official Statement have been duly authorized by the Authority and the Agencies.

SACRAMENTO COUNTY PUBLIC FINANCING AUTHORITY

By: /s/ Anne M. Moore
Executive Director

APPENDIX A-1

FISCAL CONSULTANT'S REPORT — MATHER/McCLELLAN MERGED PROJECT AREA

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FISCAL CONSULTANT REPORT

Redevelopment Agency of the County of Sacramento

Mather / McClellan Merged Redevelopment Project Area

December 2003

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Section A - Introduction

The Sacramento County Public Financing Authority (Authority) is considering the issuance of its 2003 Tax Allocation Revenue Bonds (Bonds). The Bonds will be secured through a Loan Agreement with the Redevelopment Agency of the County of Sacramento (Loan and Agency). The Agency intends to pledge a portion of the tax increment revenues generated from the Mather/McClellan Merged Redevelopment Project Area (Project Area), to repayment of the Loan.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues of the Project Area to be used to support repayment of the Loan. The Report includes the following sections that address various aspects of the revenue stream:

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **General Information**: Provides information on the Project Area, including a general description of the Redevelopment Plan and the financial and time limits of the Project Area. A brief description of the systems and procedures used by Sacramento County for the allocation of tax increment is also included.
C. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the Top Ten Assessees in the Project Area and the historical trends in values and revenues.
D. **Assessment Appeals**: The findings from a review of the records of the Sacramento County Assessment Appeals Board are included in this section.
E. **Estimate of Current and Future Revenues**: This part of the report includes the tax increment projections for the Project Area.
F. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and senior liens on the revenue stream. Both adjustments and senior liens have been deducted from the revenue estimates and projections. The section also includes information on parity obligations, although the amounts payable under these obligations have not been deducted from the revenue estimates or projections.
G. **Other Issues**: This final section describes certain provisions of the Community Redevelopment Law (CRL) and court cases that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information, data and assumptions which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Sacramento County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

Section B - General Information

The Project Area

The Redevelopment Plan for the Mather Air Force Base Redevelopment Project (Mather Project) was originally adopted on May 9, 1995 by Ordinance No. 0990. The Redevelopment Plan for the McClellan AFB/Watt Avenue Redevelopment Project (McClellan Project) was originally adopted on November 22, 2000 by Ordinance No. 1492. The merger amendment reflected the first amendment to both Projects. The current time and financial limits for the two constituent Project Areas are shown below:

Limit	Mather Project	McClellan Project
Debt Establishment	5/9/2015	11/22/2020
Plan Effectiveness	5/9/2025	11/22/2030
Debt Repayment	5/9/2040	11/22/2045
Bond Debt	$400 million	$339 million

The CRL does not require Redevelopment Plan that were adopted after January 1, 1994 to contain a cumulative tax increment limit. Due to this, the Mather Project does not have a tax increment limit. Although not required, the Agency established a tax increment limit of $927 million for the McClellan Project. The Agency received its first payment of tax increment for the McClellan Project for 2002-03 in the amount of $820,325. Tax increment projections prepared for this report indicate that the tax increment limit will not be hit for the Project Area during the term of the projections (through 2033-34).

SB 1045 was approved during the last legislative session and requires redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend their Redevelopment Plan to extend the plan effectiveness and tax increment receipt dates by one year. The Agency has indicated that it intends to extend the allowable time limits for both Redevelopment Plans pursuant to SB 1045.

The Mather Project includes approximately 4,012 acres of the former military base. The McClellan Project encompasses approximately 2,856 acres of the former military base and an additional 634 acres of commercial property along Watt Avenue. A breakdown of the land uses by taxable value is provided for the Project Area in the table on the next page.

LAND USE CATEGORY SUMMARY 2003-04 Mather / McClellan	Parcels	Taxable Value	Percent of Total
Residential	1,229	$207,218,254	28.54%
Commercial	153	157,515,752	21.69%
Industrial	50	42,563,754	5.86%
Vacant Land	156	11,652,831	1.60%
Other	462	56,305,946	7.75%
Total Secured	2,050	475,256,537	65.45%
Unsecured / State Assessed		250,897,035	34.55%
Grand Total		**726,153,572**	**100.00%**

Property Tax Allocation Procedures

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, Sacramento County's procedures for the allocation of property taxes and tax increment were evaluated.

Sacramento County calculates tax increment to redevelopment project Area by applying the current year tax rate to secured and unsecured incremental taxable value. The County also allocates unitary revenue on the basis of the total unitary revenue in a project area, without reductions for base year revenues. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment generated from the secured tax roll is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County does adjust secured tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments. Tax increment generated from the application of the 1 percent tax rate to the unsecured incremental value of a project area is based on the actual collections of unsecured revenues on a countywide basis. Unsecured revenues are not allocated pursuant to the Teeter Plan.

Subsequent sections of this Report include a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues, to the extent applicable.

Section C – Taxable Values and Historical Revenues

Taxable Values

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) provides valuations for state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure the payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Such property is annually appraised at the full cash value of the property.

Aircraft is also subject to taxation pursuant to section 5301-5456 of the Revenue & Taxation Code. The value of aircraft is based on its market value. The SBE prepares a publication, *Aircraft Valuation Data,* which serves as a guide to local assessors on the value of aircraft. Those values are to be adjusted based on the condition of the aircraft and other variables. The allocation of aircraft value to a situs location differs for general aircraft and commercial aircraft. The value of general aircraft is allocated to the location where such aircraft is habitually located when not in flight. The value of commercial aircraft is taxed based on the time spent in different locations. In allocating value, the assessor takes into account: 1) flight and ground time (weighted 75 percent); and 2) arrivals and departures (weighted 25 percent).

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, the value of unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454. State-assessed non unitary values and railroad values are reported at the local tax rate area level.

Project Area Value Trends

Table 1 shows the historical taxable values of the Project Area over the past five years. We have separated the two constituent Projects on Table 1, since taxable value for the McClellan Project were only available for the 2000-01 base year, 2002-03 and 2003-04.

Taxable values have increased from $32.4 million in 1999-00 to $314.5 million in 2003-2004 in the Mather Project. The total percentage change was 869.51 percent over the five year period. The average annual percentage change in values was 76.46 percent.

Secured taxable values from 1999-2000 to 2003-04 increased by over $239 million. This growth has largely been driven by the single family housing development being constructed in the Mather Project known as Independence at Mather. KB Homes is the developer of the project, and it is authorized to construct up to 1,271 homes. Of this total, it is estimated that 928 units have been completed and sold and have added $188.7 million in value. An additional 307 units are at various stages of completion. The developer has not pulled permits for 36 other units. As will be discussed further in Section E, additional taxable value is projected to be added over the next two fiscal years from the continuing construction and sale of units. In addition, several other new developments have been completed and added over $36 million in value since 1999-2000.

For the McClellan Project, taxable values have increased from $232.3 million in 2000-01 (the base year), to $411.6 million in 2003-04. The total percentage change was 77.19 percent since 2000-01. The average annual percentage change in values was 21.01 percent.

Unsecured values in both Projects consist of a significant amount of aircraft value, which has driven the growth in such value. Table 1 provides historical aircraft values. The table below provides a breakdown of the unsecured value in each Project for 2003-04, allocates it between aircraft and other unsecured value (leasehold interests as well as the value of other business property), and shows the major assessees.

	Mather	McClellan	Use
Total Unsecured Value	$67,492,775	$183,404,260	
General Aircraft	40,286,700	140,524,061	
Commercial Aircraft	9,745,245	0	
Other Unsecured Value	17,460,830	42,880,199	
Major Unsecured Assessees			
Intel Corporation	23,700,689		General Aircraft
ABX Air	7,073,838		Commercial Air
Sutter Connect	4,529,931		Leasehold
Lynxs Sacto Cargoport	3,230,442		Leasehold
Wing and A Prayer		39,651,138	General Aircraft
Ohana Aircraft Limited		26,201,869	General Aircraft
Knight Ridder Leasing		19,429,911	General Aircraft
Gordon P. Getty		15,300,000	General Aircraft
Total For Majors	$38,534,900	$100,582,918	

Each of the major assesses shown above have been added to the Project Area within the past five years and have caused the major value increases in unsecured values. The aircraft owned by Wing and A Prayer has moved to the Stockton Airport and will no longer be included in the McClellan Project's taxable values. For purposes of the tax increment projections shown in Section E, we have reduced the value for the Project Area by $39.7 million beginning with the 2004-05 fiscal year.

A parcel verification was not performed as part of our analysis of taxable values. We have assumed that the reported taxable values from the County are correct.

Historical Tax Increment Revenues

Table 2 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends.

As shown on Table 2, actual receipts of tax increment have varied from the levy since 1999-00 for the Project Area. This has occurred in part because the County Auditor-Controller did not correctly allocate tax increment from aircraft in 1999-2000 to the Mather Project. The County then made a payment in 2000-01 equal to the amount that had been misallocated in 1999-2000. In addition, the County levies for 2001-02 and 2002-03 were understated. Finally, the County did not include unsecured value in the levy calculation for the McClellan Project for 2002-03, but did allocate unsecured tax increment to the Project. In order to account for these items, Table 2 includes an estimate of adjusted allocations, assuming that the levy had been correctly calculated and payments had been made in the proper fiscal year. As shown on Table 2, adjusted allocations equaled approximately 100 percent of the levy in 1999-2000 and 2001-02. For 2000-01, tax increment appears to have been over allocated by $107,600. For 2002-

03, the allocation of unsecured tax increment to the McClellan Project caused the actual receipts to exceed the levy.

Supplemental property tax receipts are also shown on Table 2. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. Supplemental property taxes have been negative in the Project Area. Staff of the County have indicated that negative supplemental property taxes have been caused by changes of ownership that resulted in a lower value for certain properties. Given the level of development activity in the Project Area, this does not adequately explain the reasons why supplemental property taxes were negative. We have recommended that the Agency audit the supplemental property tax records of the County to determine if errors have occurred.

Top Ten Assessees

The Top Ten Assessees in the Project Area are summarized on Table 3. Taxable value for the Top Ten Assessees represents 25.56 percent of the overall value of the Project Area and 37.59 percent of the incremental value.

Section D – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. Based on information provided by the Sacramento County Assessor's Office, there are open appeals for the 2002-03 fiscal year. Appeal information for the 2003-04 fiscal year is not yet available.

Open Appeals				
Assessee	Original Roll Value	Applicant's Opinion of Value	Estimated Resolved Value	Estimated Valuation Reduction
Mather / McClellan				
ABX Air Inc.	6,808,314	4,031,459	5,419,887	1,388,428
Union Flights	1,340,146	582,355	961,251	378,896
Polar Air Cargo Inc.	885,824	307,328	596,576	289,248
Evergreen International	135,620	67,810	101,715	33,905
Total	**9,169,904**	**4,988,952**	**7,079,428**	**2,090,476**

There has been no recent appeals activity in the Project Area upon which to base the possible impact of the appeals. We have therefore assumed that each assessee would receive reductions based on 50 percent of their requested reductions. For purposes of the tax increment projections shown on Table 5, we have reduced taxable values in 2004-05 for the potential impact of the appeals.

Sacramento County allocates refunds related to appeals to the Project Area on the basis of the Project's AB 8 apportionment factor applied to all refunds countywide. (The AB 8 apportionment factor represents a project area's tax increment revenue in relation to total countywide property taxes). Although refunds from appeals that occur both inside and outside the Project Area could negatively affect future tax increment revenues in the Project Area, such refunds have had only a minor impact on the collection of tax increment revenues in the Project Area. We have therefore not adjusted tax increment revenues by a refund factor.

Section E - Estimate of Current and Future Tax Increment Revenue

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated to the Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment. However, transfers of ownership and other roll corrections can sometimes trigger refunds of property taxes and cause supplemental revenues to be negative.

Current Year Revenues

Projections of current year (2003-04) tax increment revenues are shown on Table 4. The values utilized are based on information derived from the records of Sacramento County.

Tax increment generated from the application of the tax rate to incremental taxable value for 2003-2004 is estimated at $4,958,000 in the Project Area. Tax rates are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates for 2003-04 are not yet available from the County. The rate for 2003-04 has been estimated on the basis of the actual 2002-03 tax rate, reduced by the average annual decline in tax rates since 1994-95. The tax rate is levied by the Regional Sanitation District and is only applied to the incremental land and improvement values in the Project Area. That rate has been estimated at $.00745 per $100 of assessed value for 2003-04.

Unitary revenues are estimated to equal $5,000 for the Project Area. The estimates are based on the actual unitary revenues received in the Project Area for 2002-03.

Projected Revenues

Projections of tax increment revenues are shown on Table 5. Real property shown on the tables consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by Sacramento County for 2003-04 (see "Current Year Revenues" above). Real property values have been increased based on a 2 percent inflation factor. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years the inflation factor has been less than 2 percent. Should inflation not reach 2 percent in the future, tax increment could be lower than that shown on Table 5.

Future year tax increment revenues have also been increased for new developments that have been recently completed or that are currently under construction in the Project Area. Table 6 shows the new developments that have been included, which are further described below:

1. McCuen Office: Phase 2 of this development is a 95,000 square foot office building that is currently under construction. It is expected the building will be completed by June 2004 and add value to the 2004-05 and 2005-06 tax rolls.
2. Felton Property : A change of ownership occurred on this site since the last lien date and is expected to add $2.9 million in value to the 2004-05 tax roll.
3. Independence at Mather: It is estimated that KB Homes will have completed and sold an additional 95 homes by the end of 2003, 106 homes by the end of 2004, and 106 homes by the end of 2005. No value has been included for 35 units for which permits have not been issued. We have assumed that new value would be added to the 2004-05 through 2006-07 tax rolls.
4. McClellan Business Park: The McClellan Air Force Base was conveyed from the County to McClellan Business Park, LLC (MBP) in December of 2001 pursuant to a Purchase & Sale Agreement. The full value of the transfer has not been reflected on the 2003-04 tax roll. Based on summary information provided by the Office of McClellan Base Conversion, the estimated value of real property that was transferred to MBP was $56.4 million. For purposes of the tax increment projections shown on Table 5, we have assumed that this value would be reflected on the 2004-05 tax roll. We have also reduced the value by $8.5, which reflects the leasehold value for certain properties that are included in MBP, but which are already reflected on the 2003-04 unsecured tax roll. The County Assessor has also indicated, on a preliminary basis, that the value of MBP may be $108 million. The Assessor has also found that the value of the improvements that will constitute the possessory interest for MBP are sufficient to secure the payment of property taxes. Therefore, the Board of Supervisors has been requested to approve a resolution placing the value for MBP on the secured tax roll.

Taxable values have been reduced for the impact of assessment appeals. For 2004-05, we have reduced the value of real property for open appeals in the Project Area by $2.1 million. Taxable values have also been reduced by $39.7 million in 2004-05 due to the relocation of aircraft (Wing and a Prayer) to the Stockton Airport.

The debt service tax rate levied by the Regional Sanitation District is estimated to decline to $.00145 by 2011-12, based on the average annual decline in the tax rate since 1994-95. The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 5 do not include post January 1, 1989 tax rates.

Section F – Adjustments and Liens on Tax Increment

The tax increment revenues of the Project Area are subject to certain adjustments and senior liens, as described in this section. The adjustments and senior liens must be paid prior to the payment of debt service on the Loan. The Agency also has a parity obligation that is described herein. For purposes of the tax increment estimates and projections, we have not shown the parity obligation on Table 4 or 5.

Adjustments to Revenue

There is one adjustment to the tax increment revenues shown on Table 5 for property tax administrative fees. State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 5.

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. It is our understanding that the Agency intends to deposit a portion of the bond proceeds from the Loan into the Housing Fund. A portion of bond debt service can therefore be made from the housing set-aside revenues. Although the Agency can use a portion of the housing set-aside to meet bond debt service, we have shown the full housing set-aside on Table 5. The Official Statement includes tables that show the amount of the housing set-aside that is used to pay bond debt service.

Senior Tax Sharing Payments

Pursuant to 1994 legislation, AB 1290, the Agency is required to make payments to the affected taxing entities for the Project Area. The pass through payments are based on a three tier formula. All payments are made after the Agency's deposit to its housing set-aside. For purposes of the table below, we have reduced the percentage of tax increment that must be allocated to the taxing entities by the housing set aside deposit.

Tier	Payment Required
Tier 1	20% of total tax increment during the entire term the Agency receives tax increment.
Tier 2	Beginning in the 11th year that the Agency receives tax increment, an additional payment equal to 16.8% of the tax increment attributable to growth above year 10 levels.
Tier 3	Beginning in the 31st year that the Agency receives tax increment, an additional payment equal to 11.2% of the tax increment attributable to growth above year 30 levels.

Tier 1 payments are currently being made for the Project Area. Because the sponsoring entity (Sacramento County) has elected not to receive its share of the Tier 1 payments for the Mather Project, its share is retained by the Agency. This has had the impact of reducing the Tier 1 payment from 20 percent of total tax increment to 15.8 percent.

Educational Revenue Augmentation Fund (ERAF)

Due to a shortfall in the state budget, legislation was approved (AB 1768) that required redevelopment agencies to shift $75 million of tax increment revenues to the Educational Revenue Augmentation Fund (ERAF) in 2002-03. The shift to ERAF offset the need for a similar amount of state aid to education. AB 1768 required that the shift be made for the 2002-03 fiscal year only and that half of the shift be calculated on the basis of the 2000-01 gross tax increment of a project area and the other half on net revenues after tax sharing payments.

Due to continuing state budget problems, legislation has been approved (SB 1045), which requires an ERAF shift of $135 million for 2003-04. The legislation requires that half of the shift be calculated on the basis of the 2001-02 gross tax increment of a project area and the other half on net revenues after tax sharing payments.

It should be noted that the Agency's fiscal year runs from January 1 through December 31. Property taxes are allocated on a fiscal year basis that runs from July 1 through June 30. This has had an impact on the amount of tax increment that the agency reports in the State Controllers Report, which is used to calculate ERAF obligations. The Agency's obligation is higher than what it would otherwise have been if its fiscal year were a standard property tax fiscal year.

The Project Area's share of the Agency's ERAF obligation is estimated at $15,274 for 2002-03 and $75,000 for 2003-04. The Agency has indicated that it has available funds to pay the 2003-04 ERAF, so we have not reduced the amount of tax increment shown on Table 5 for such amounts.

Parity Obligations

The Project Area has one obligation that has a parity lien on Tax Revenues. This is the Tax Allocation Loan Agreement with the California Infrastructure and Economic Development Bank that was entered into in January, 2002. Amounts due on the parity obligations are not shown on the tax increment estimates or projections tables.

Section G – Other Issues

The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 5) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

County of Orange v. Orange County Assessment Appeals Board

This case was decided at the Superior Court level and does not represent binding precedent in any future cases. Under the facts in the case, a property owner purchased property in 1995 that was placed on the 1996-97 tax roll at $330,000, which reflected the Proposition 13 base year value. In 1997-98, the property was not increased by the allowed 2 percent inflation factor, because the Assessor believed the resulting value would have exceeded the market value of the property. For 1998-99, the Assessor found that the factored base year value of the property, (the value adjusted by 2 percent per year for 1997-98 and 1998-99), was less than the market value. The Assessor therefore increased the property value by 4 percent. This is sometimes referred to as a "recapture" of the 2 percent inflation adjustment and is the common practice in all counties in California. The issue of whether the inflation adjustment can exceed 2 percent per year was ultimately brought before the Superior Court.

The Court found that, based on the facts in this case, that the inflation adjustment couldn't exceed 2 percent per year when applied to the base year value of the property and therefore recapture is not allowed. However, the Court also stated that the value of property could be increased by more than 2 percent per year "in situations described in the law". This seems to indicate that increases of value that occur under Proposition 8 appeals that exceed 2 percent per year are not included in the Court's ruling. In 2002 two courts (in Los Angeles and San Diego) ruled differently on the recapture provision. Orange County is also appealing the Superior Court decision.

Table 1
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year		Locally-Assessed Secured Value	Unsecured Aircraft Value	Other Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
Mather Project								
2003-04		$247,048,436	$50,031,945	$17,460,830	$0	$314,541,211	50%	$314,461,761
2002-03		141,523,874	48,652,677	19,244,929	0	209,421,480	71%	209,342,030
2001-02		72,984,088	32,308,067	17,401,160	0	122,693,315	91%	122,613,865
2000-01		28,693,973	20,066,887	15,460,772	0	64,221,632	98%	64,142,182
1999-2000		7,955,000	14,625,662	9,862,805	0	32,443,467	N/A	32,364,017
Total Percentage Change							869.51%	
Average Percentage Change							76.46%	
McClellan Project								
2003-04		227,928,315	140,524,061	42,880,199	279,786	411,612,361	37%	179,306,743
2002-03		217,725,462	71,328,937	10,781,198	336,333	300,171,930	29%	67,866,312
2001-02		Data not reported for this year ----------						
2000-01	(2)	202,976,758		29,190,357	138,503	232,305,618	N/A	0
Total Percentage Change							77.19%	
Average Percentage Change							21.01%	

(1) Taxable Value above base year value of $79,450 for Mather Project.
(2) Base year value for McClellan Project.

Source: Sacramento County Auditor-Controller Office

Table 2
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

HISTORICAL RECEIPTS (1)

	Levy per County (2)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
Actual Levy and Allocations (3)						
2002-03	$1,951,808	$2,934,400	150.34%	($32,478)	$2,901,922	148.68%
2001-02	1,039,382	1,248,938	120.16%	(36,135)	1,212,803	116.69%
2000-01	645,227	870,975	134.99%	0	870,975	134.99%
1999-00	325,374	207,864	63.88%	(355)	207,509	63.78%
Adjusted Levy and Allocations (4)						
2002-03	$2,319,902	$2,934,400	126.49%	($32,478)	$2,901,922	125.09%
2001-02	1,232,795	1,248,938	101.31%	(36,135)	1,212,803	98.38%
2000-01	645,227	752,834	116.68%	0	752,834	116.68%
1999-00	325,374	326,005	100.19%	(355)	325,650	100.08%

(1) Receipts per Agency records.
(2) Intial levy reported by Sacramento County.
(3) Tax increment receipts have differed from the levy because the County did not include tax increment from aircraft in the Mather Project in 1999-2000. Payment for aircraft tax increment received in 2000-01. For 2002-03, the County levy for McClellan did not include unsecured tax increment, but the County did allocate unsecured to the Project.
(4) Allocations adjusted for aircraft tax increment. The receipts for 2000-01 appear to have been over allocated. The County levy for 2001-02 and 2002-03 is also understated and has been adjusted per Fraser & Associates calculation.

Table 3
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Parcels	Type of Use	2003-04 Secured	2003-04 Unsecured	2003-04 Taxable Value (1)	%of Total Value (2)	%of Inc. Value (3)
Wing and A Prayer (4)	1	Aircraft	$0	$39,651,138	$39,651,138	5.46%	8.03%
Ohana Aircraft Limited LLC	1	Aircraft	0	26,201,869	26,201,869	3.61%	5.31%
Intel Corporation	4	Aircraft	0	23,700,689	23,700,689	3.26%	4.80%
Knight Ridder Leasing Company	1	Aircraft	0	19,429,911	19,429,911	2.68%	3.94%
JPI XXI Limited Partnership	2	Office	17,182,995	0	17,182,995	2.37%	3.48%
Watt North Highlands LP	5	Commercial	15,500,000	0	15,500,000	2.13%	3.14%
Gordon P. Getty	1	Aircraft	0	15,300,000	15,300,000	2.11%	3.10%
Shiva Inc.	1	Office	10,219,329	0	10,219,329	1.41%	2.07%
Plant Bros Corporation	2	Office	9,632,562	0	9,632,562	1.33%	1.95%
Hawthorne Apartments LLC	3	Apartments	8,805,857	0	8,805,857	1.21%	1.78%
Total Valuation			**61,340,743**	**124,283,607**	**185,624,350**	**25.56%**	**37.59%**

(1) Based on ownership of locally-assessed secured and unsecured property.
(2) Based on 2003-04 Merged Project Area taxable value of $726,153,572.
(3) Based on 2003-04 incremental value of $493,768,504.
(4) This aircraft is no longer located in the McClellan Project. The value has been reduced in the projections shown on Table 5.0 beginning in 2004-05.

Source: Records of Sacramento County Assessor

Table 4
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

ESTIMATE OF INCREMENTAL TAX REVENUE
FOR FISCAL YEAR 2003-04

	2003-04 Taxable Value (1)	Base Year Taxable Value	Incremental Taxable Value
Local Secured			
Land	$143,931,469		
Improvements	338,216,788		
Personal Property	2,771,036		
Gross Local Secured	484,919,293		
Exempt	9,942,542		
Net Local Secured	474,976,751	202,987,758	271,988,993
State Assessed	279,786	138,503	141,283
Unsecured			
Land	1,745,789		
Improvements	18,932,545		
Personal Property	49,902,874		
Aircraft	180,858,914		
Total Unsecured	251,440,122		
Exempt	543,087		
Net Unsecured	250,897,035	29,258,807	221,638,228
Total Secured & Unsecured	726,153,572	232,385,068	493,768,504
Tax Increment (2)			4,958,000
Unitary Tax Increment (3)			5,000
Total Tax Increment Revenue			**4,963,000**
Adjustments to Tax Increment Revenue:			
Property Tax Administration Fees (4)			103,000
Liens on Tax Increment			
Housing Set-Aside (5)			972,000
AB 1290 Tax Sharing (6)			842,000
Tax Revenues			**3,046,000**

(1) Based on taxable value information from the records of Sacramento County.
(2) Calculated based on the application of the estimated tax rate for 2003-04.
(3) Reflects actual unitary revenue for 2002-03.
(4) The administrative fee is estimated based on actual amount from 2002-03.
(5) Total housing set-aside calculated at 20 percent of tax increment without reduction for the amount that can be used for bond debt service.
(6) Tax sharing payments per the provisions of AB 1290.

Table 5
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Total Real Property	Other (3) Property	Total Value	Value Over Base	Tax (4) Increment	Unitary (5) Revenue	Total Tax Increment	Property Tax Admin. Fees (6)	Housing Set-Aside	AB 1290 Tax Sharing Payment (7)	Tax Revenues
2003 - 2004	$492,884	N/A	$492,884	$233,270	$726,154	$493,769	$4,958	$5	$4,963	$103	$972	$842	$3,046
2004 - 2005	500,609	71,483	572,093	193,618	765,711	533,326	5,352	5	5,357	111	1,049	908	3,289
2005 - 2006	583,534	27,028	610,562	193,618	804,181	571,796	5,735	5	5,740	119	1,124	970	3,527
2006 - 2007	622,774	21,945	644,719	193,618	838,337	605,952	6,075	5	6,080	126	1,191	1,069	3,694
2007 - 2008	657,613	0	657,613	193,618	851,232	618,847	6,202	5	6,207	128	1,216	1,102	3,761
2008 - 2009	670,766	0	670,766	193,618	864,384	631,999	6,332	5	6,337	131	1,241	1,136	3,828
2009 - 2010	684,181	0	684,181	193,618	877,799	645,414	6,464	5	6,469	134	1,267	1,170	3,898
2010 - 2011	697,864	0	697,864	193,618	891,483	659,098	6,599	5	6,603	136	1,293	1,205	3,968
2011 - 2012	711,822	0	711,822	193,618	905,440	673,055	6,736	5	6,740	139	1,320	1,241	4,040
2012 - 2013	726,058	0	726,058	193,618	919,677	687,292	6,875	5	6,880	142	1,348	1,289	4,102
2013 - 2014	740,579	0	740,579	193,618	934,198	701,813	7,018	5	7,023	145	1,376	1,337	4,165
2014 - 2015	755,391	0	755,391	193,618	949,009	716,624	7,166	5	7,171	148	1,405	1,387	4,231
2015 - 2016	770,499	0	770,499	193,618	964,117	731,732	7,317	5	7,322	151	1,434	1,438	4,299
2016 - 2017	785,909	0	785,909	193,618	979,527	747,142	7,471	5	7,476	154	1,464	1,490	4,368
2017 - 2018	801,627	0	801,627	193,618	995,245	762,860	7,629	5	7,633	158	1,495	1,542	4,438
2018 - 2019	817,659	0	817,659	193,618	1,011,278	778,893	7,789	5	7,794	161	1,527	1,596	4,510
2019 - 2020	834,013	0	834,013	193,618	1,027,631	795,246	7,952	5	7,957	164	1,559	1,651	4,583
2020 - 2021	850,693	0	850,693	193,618	1,044,311	811,926	8,119	5	8,124	168	1,591	1,708	4,657
2021 - 2022	867,707	0	867,707	193,618	1,061,325	828,940	8,289	5	8,294	171	1,625	1,765	4,733
2022 - 2023	885,061	0	885,061	193,618	1,078,679	846,294	8,463	5	8,468	175	1,659	1,823	4,811
2023 - 2024	902,762	0	902,762	193,618	1,096,381	863,995	8,640	5	8,645	179	1,693	1,883	4,890
2024 - 2025	920,817	0	920,817	193,618	1,114,436	882,051	8,821	5	8,825	182	1,729	1,944	4,971
2025 - 2026	939,234	0	939,234	193,618	1,132,852	900,467	9,005	5	9,009	186	1,765	2,006	5,053
2026 - 2027	958,018	0	958,018	193,618	1,151,637	919,252	9,193	5	9,197	190	1,801	2,085	5,121
2027 - 2028	977,179	0	977,179	193,618	1,170,797	938,412	9,384	5	9,389	194	1,839	2,165	5,191
2028 - 2029	996,722	0	996,722	193,618	1,190,341	957,956	9,580	5	9,584	198	1,877	2,248	5,261
2029 - 2030	1,016,657	0	1,016,657	193,618	1,210,275	977,890	9,779	5	9,784	202	1,916	2,332	5,334
2030 - 2031	1,036,990	0	1,036,990	193,618	1,230,608	998,223	9,982	5	9,987	206	1,956	2,417	5,407
2031 - 2032	1,057,730	0	1,057,730	193,618	1,251,348	1,018,963	10,190	5	10,194	211	1,997	2,504	5,483
2032 - 2033	1,078,884	0	1,078,884	193,618	1,272,503	1,040,118	10,401	5	10,406	215	2,038	2,593	5,559
2033 - 2034	1,100,462	0	1,100,462	193,618	1,294,080	1,061,695	10,617	5	10,622	219	2,080	2,696	5,626

(1) Prior Year Real Property increased by 2 percent per year as allowed by Article XIIIA of the California Constitution.
The value for 2004-05 has been reduced by the estimated impact of appeals.
(2) See Table 6, "Schedule of New Development".
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
The value for 2004-05 has been reduced for aircraft no longer located in McClellan Project.
(4) Based on the application of Project Area tax rates to incremental taxable value.
(5) Reflects actual unitary for 2002-03. Future unitary revenue held constant in the projections.
(6) Per SB 2557, reflects Project Area share of Sacramento County's property tax administrative costs.
(7) Mandatory tax sharing payment per the provisions of AB 1290.

Table 6
Redevelopment Agency of the County of Sacramento
Mather/McClellan Merged Project Area

SCHEDULE OF NEW VALUES

Development Description	Sq. Footage/ No. Units	Net Value Added (1) (000's Omitted)	Estimated Completion Date
Mather Project			
McCuen Office - Phase II	95,000	10,165	June-04
Felton Property - Change of Ownership	N/A	2,900	Completed
Independence At Mather	227	59,449	End of 2004
McClellan Project			
McClellan Business Park	N/A	47,942	On 2004-05 Roll
Total		**120,456**	

(1) Total value reduced by the value on the 2003-04 tax roll.

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APPENDIX A-2

FISCAL CONSULTANT'S REPORT — DEL PASO HEIGHTS REDEVELOPMENT PROJECT AREA

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FISCAL CONSULTANT REPORT

Redevelopment Agency of the City of Sacramento

Del Paso Height Redevelopment Project Area

December 2003

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Section A - Introduction

The Sacramento County Public Financing Authority (Authority) is considering the issuance of its 2003 Tax Allocation Revenue Bonds (Bonds). The Bonds will be secured through a Loan Agreement (Loan) with the Redevelopment Agency of the City of Sacramento (Agency). The Agency intends to pledge a portion of the tax increment revenues generated from the Del Paso Heights Redevelopment Project Area to repayment of the Loan.

The purpose of this Fiscal Consultant Report (Report) is to provide in depth information about the tax increment revenues of the Project Area to be used to support repayment of the Loan. The Report includes the following sections that address various aspects of the revenue stream:

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **General Information**: Provides information on the Project Area, including a general description of the Redevelopment Plan and the financial and time limits of the Project Area. A brief description of the systems and procedures used by Sacramento County for the allocation of tax increment is also included.
C. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the Top Ten Assessees in the Project Area and the historical trends in values and revenues.
D. **Assessment Appeals**: The findings from a review of the records of the Sacramento County Assessment Appeals Board are included in this section.
E. **Estimate of Current and Future Revenues**: This part of the report includes the tax increment projections for the Project Area.
F. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and senior liens on the revenue stream. Both adjustments and senior liens have been deducted from the revenue estimates and projections. The section also includes information on parity and subordinate obligations, although the amounts payable under these obligations have not been deducted from the revenue estimates or projections.
G. **Other Issues**: This final section describes certain provisions of the Community Redevelopment Law (CRL) and court cases that could affect the tax increment revenues of the Project Area.

The value and revenue estimates contained in this Report are based upon information, data and assumptions which we believe to be reasonable and accurate. The assessment practices and county allocation procedures discussed in this Report are based on information provided by representatives of Sacramento County. Assessment practices and allocation procedures are set, in part, administratively and can be changed. Nothing came to our attention during this review to indicate changes are imminent. To a certain extent, the estimates of revenue are based on assumptions that are subject to a degree of uncertainty and variation and therefore we do not represent them as results that will actually be achieved. However, they have been conscientiously prepared on the basis of our experience in the field of financial analysis for redevelopment agencies.

Section B - General Information

The Project Area

The Del Paso Heights Project Area was originally adopted on May 12, 1970, by Ordinance No. 2884. The Redevelopment Plan has been amended six times. The two most recent amendments (the Fifth and Sixth Amendments) established new time and financial limits for the Project Area, as follows:

Limit	Del Paso Heights
Debt Establishment	5/11/2010
Plan Effectiveness	5/11/2020
Debt Repayment	5/11/2030
Cumulative Tax Increment	$131 million
Bond Debt	$ 41 million

The Agency has received approximately $19.7 million in tax increment through 2002-03. Tax increment projections prepared for this report indicate that the Agency will not hit the tax increment limit during the term when the Agency can receive tax increment for the Project Area.

SB 1045 was approved during the last legislative session and requires redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF). As part of the legislation, redevelopment agencies can amend their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by one year. The Agency has indicated that it intends to extend the allowable time limits for the Redevelopment Plan pursuant to SB 1045.

The Del Paso Heights Project is located in the northern section of the City of Sacramento and contains approximately 1,028 acres. The Project Area includes primarily residential land uses with some retail and industrial uses. A breakdown of the land uses by taxable value is shown in the table on the following page.

LAND USE CATEGORY SUMMARY 2003-04			
	Parcels	Taxable Value	Percent of Total
Residential	2,255	$141,805,048	76.09%
Commercial	118	13,341,354	7.16%
Industrial	25	7,319,870	3.93%
Vacant Land	475	8,306,659	4.46%
Other	259	4,607,421	2.47%
Total Secured	3,132	175,380,352	94.11%
Unsecured / State Assessed		10,978,765	5.89%
Grand Total		**186,359,117**	**100.00%**

Property Tax Allocation Procedures

The method by which a county allocates property taxes and tax increment revenues can have a significant impact on the receipt of such revenues. Incorrectly allocated revenues can result in a redevelopment project area receiving erroneous amounts of revenue. In addition, the method a county uses to allocate delinquent taxes, roll corrections and property tax refunds will impact the amount of tax increment received. For these reasons, Sacramento County's procedures for the allocation of property taxes and tax increment were evaluated.

Sacramento County calculates tax increment to redevelopment project areas by applying the current year tax rate to secured and unsecured incremental taxable value. The County also allocates unitary revenue on the basis of the total unitary revenue in a project area, without reductions for base year revenues. The allocation of unitary revenue is based on revenues received in 1987-88, adjusted by the actual growth or decline in unitary revenues on a countywide basis.

Tax increment generated from the secured tax roll is allocated based on 100 percent of the County calculated levy. The method is often referred to as the Teeter Plan. Under the Teeter Plan, taxing entities and redevelopment projects are shielded from the impact of delinquent property taxes. The County does adjust secured tax increment payments for roll corrections, such as refunds of property taxes due to successfully appealed assessments. Tax increment generated from the application of the 1 percent tax rate to the unsecured incremental value of a project area is based on the actual collections of unsecured revenues on a countywide basis. Unsecured revenues are not allocated pursuant to the Teeter Plan.

Subsequent sections of this Report include a discussion of the impact of the County's allocation practices on the Project Area's tax increment revenues, to the extent applicable.

Section C – Taxable Values and Historical Revenues

Taxable Values

Property is valued as of January 1 of each year. Property which is subject to taxation is valued at 100 percent of its full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) provides valuations for state assessed property.

Real property consists of land and improvements and can either appear on the secured or the unsecured roll. The secured roll includes property on which the property tax levied becomes a lien on the property to secure the payment of taxes. Unsecured property does not become a lien on such property, but may become a lien on other property of the taxpayer.

Locally assessed real property is subject to the provisions of Article XIII A of the California Constitution, commonly referred to as Proposition 13. Under Proposition 13, property is valued based either on its value in 1975-76 or if newly constructed or sold after this date, then on the full cash value of the property at that time. Property values may only increase by an inflation factor of up to 2 percent annually. The Proposition 13 value of property is sometimes referred to as the factored base year value. Pursuant to Section 51 (b) of the Revenue and Taxation Code, assessors must enroll the lesser of the market value or the factored base year value of property.

Personal property values can be classified as either secured or unsecured property. Personal property is not subject to the provisions of Proposition 13. Such property is annually appraised at the full cash value of the property.

State-assessed property is also not subject to the provisions of Proposition 13. Such property is valued by the SBE based on the full cash value of the property. State-assessed property is categorized as secured property and is either unitary or non-unitary property. Since 1987-88, the value of unitary property has been reported on a countywide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in AB 454. State-assessed non unitary values and railroad values are reported at the local tax rate area level.

Project Area Value Trends

Table 1 shows the historical taxable values of the Project Area over the past five years. Taxable values have grown from $141.2 million in 1999-00 to $186.4 million in 2003-04. The total percentage change was 32 percent over the five year period. The average annual percentage growth in values was 7 percent.

For 2003-04, secured values increased by almost $20 million. A large portion of this was due to the construction and sale of new housing units as part of the Del Paso Nuevo development, which added approximately $5 million in new value. The 2 percent inflation adjustment allowed by Proposition 13 added an additional $3 million in value. The balance of the growth can be attributed to changes of ownership and other investment in the Project Area.

Historical Tax Increment Revenues

Table 2 provides information on the historical receipt of tax increment revenues in the Project Area. The initial County levy is first compared to the actual receipt of tax increment exclusive of supplemental revenues to determine collection trends. On average, the Agency has received 101.34 percent of the levy for the Del Paso Heights Project.

Supplemental property tax receipts are also shown on Table 2. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. When supplemental property taxes are included, the Agency has received, on average, 104.42 percent of the levy.

Top Ten Assessees

The Top Ten Assessees in the Project Area are summarized on Table 3. The Top Ten assessees represent 11.26 percent of the overall value of the Project Area and 13.17 percent of the incremental value.

Section D – Assessment Appeals

Taxpayers may appeal their property tax assessments. The value of locally assessed property is appealed to the local county assessor, while the value of state assessed property is appealed to the SBE. Both real and personal property assessments can be appealed. Personal property appeals are filed based on disputes over the full cash value of the property.

Under California law, there are two types of appeals for the value of real property. A base year appeal involves the Proposition 13 value of property. If an assessee is successful with a base year appeal, the value of the property is permanently reduced. In the future, the value can only be increased by an inflation factor of up to 2 percent annually. Appeals can also be filed pursuant to Section 51 (b) of the Revenue and Taxation Code. Under this section of the code, also referred to as Proposition 8 appeals, the value of property can be reduced due to damage, destruction, removal of property or other factors that cause a decline in value. When the circumstance that caused the decline is reversed the value of the property can be increased up to the factored base year value of the property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor.

Due to the impact that assessment appeals can have on the taxable values and tax increment revenues of a project area, a review of recently resolved and open appeals was conducted. Based on information provided by the Sacramento County Assessor's Office, the following are the open appeals for the 2002-03 fiscal year. Appeal information for the 2003-04 fiscal year is not yet available.

Open Appeals

Assessee	Original Roll Value	Applicant's Opinion of Value	Estimated Resolved Value	Estimated Valuation Reduction
Del Paso Heights Project				
US Rentals Inc.	2,095,747	1,020,000	1,557,874	537,874
ADT Security Services Inc.	84,479	28,545	56,512	27,967
Woodhaven Senior Residence	2,472,468	1,930,590	2,201,529	270,939
Total	**$4,652,694**	**$2,979,135**	**$3,815,915**	**$836,780**

There has been no recent appeals activity in the Project Area upon which to base the possible impact of the appeals. We have therefore assumed that each assessee would receive reductions based on 50 percent of their requested reductions. For purposes of the tax increment projections shown on Table 5, we have reduced taxable values in 2004-05 for the potential impact of the appeals.

Sacramento County allocates refunds related to appeals to each Project Area on the basis of the Project's AB 8 apportionment factor applied to all refunds countywide. (The AB 8 apportionment factor represents a project area's tax increment revenue in relation to total countywide property taxes). Although refunds from appeals that occur both inside and outside the Project Area could negatively affect future tax increment revenues in the Project Area, such refunds have had only a minor impact on the collection of tax increment revenues. We have therefore not adjusted tax increment revenues by a refund factor.

Section E - Estimate of Current and Future Tax Increment Revenue

Tax increment revenues are calculated by first subtracting the base year value of a project area from the current year taxable value in order to determine the incremental taxable value of the project area. Applicable tax rates are then applied to the incremental taxable value in order to determine tax increment revenues.

Unitary revenues are allocated to the Project Area based on a formula contained in AB 454. Generally, the Agency receives unitary revenues on the basis of amounts that were received in the prior fiscal year. The prior year allocations are adjusted annually based on changes in unitary revenue on a countywide basis.

The Agency also receives supplemental property taxes for the Project Area on an annual basis. Due to the difficulty of estimating supplemental revenues, we have not included such revenues in the projections. Supplemental property taxes typically increase the receipt of tax increment. However, transfers of ownership and other roll corrections can sometimes trigger refunds of property taxes and cause supplemental revenues to be negative.

Current Year Revenues

Projections of current year (2003-04) tax increment revenues are shown on Table 4. The values utilized are based on information derived from the records of Sacramento County.

Tax increment generated from the application of the tax rate to incremental taxable value for 2003-2004 is estimated at $1,606,000 for the Project Area. Tax rates are composed of the basic one percent tax rate and debt service tax rates (tax rates levied to repay voter approved indebtedness). Debt service tax rates for 2003-04 are not yet available from the County. The rate for 2003-04 has been estimated on the basis of the actual 2002-03 tax rate, reduced by the average annual decline in tax rates since 1994-95. The tax rate is levied by the Regional Sanitation District and is only applied to the incremental land and improvement values in the Project Area. That rate has been estimated at $.00745 per $100 of assessed value for 2003-04.

Unitary revenues for the Project Area are estimated to equal $47,000. The estimates are based on the actual unitary revenues received in the Project Area for 2002-03.

Projected Revenues

Projections of tax increment revenues are shown on Table 5. Real property shown on the tables consists of locally reported secured and unsecured land and improvement values. The other property category includes personal property and state assessed values.

The future level of real and other property values has been estimated based on actual values reported by Sacramento County for 2003-04 (see "Current Year Revenues" above). Real property values have been increased based on a 2 percent inflation factor. The 2 percent factor is the maximum inflation factor that county assessors can use to increase real property values. However, in certain fiscal years the inflation factor has been less than 2 percent. Should inflation not reach 2 percent in the future, tax increment could be lower than that shown on Table 5. Taxable values have been reduced for the impact of assessment appeals. For 2004-05, we have reduced the value of real property for open appeals in the Project Area by $837,000.

The debt service tax rate levied by the Regional Sanitation District is estimated to decline to $.00145 by 2011-12, based on the average annual decline in the tax rate since 1994-95. The Agency is not eligible to receive tax increment from debt service tax rates that were approved by the voters after January 1, 1989. The tax rates used to estimate tax increment shown on Table 5 do not include post January 1, 1989 tax rates.

Section F – Adjustments and Liens on Tax Increment

The tax increment revenues of the Project Area are subject to certain adjustments and senior liens, as described in this section. The adjustments and senior liens must be paid prior to the payment of debt service on the Loan. The Agency also has a number of parity and subordinate obligations that are described herein. For purposes of the tax increment estimates and projections, we have not shown the parity or subordinate obligations on the tables.

Adjustments to Revenue

There is one adjustment to the tax increment revenues shown on Table 5 for property tax administrative fees. State law allows counties to charge taxing entities, including redevelopment agencies, for the cost of administering the property tax collection system. The fees have been estimated and shown on Table 5.

Housing Set-Aside

Redevelopment agencies are required to deposit not less than 20 percent of the tax increment generated in a project area into a special fund to be used for qualified low and moderate income housing programs. The most recent amendment to the Redevelopment Plan triggered a minimum housing set-aside of 30 percent of total tax increment. It is our understanding that the Agency has deposited a portion of prior bond issues to the Housing Fund for the Project Area. The Agency also intends to deposit a portion of the bond proceeds from the 2003 Loan into the Housing Fund. A portion of bond debt service can therefore be made from the housing set-aside revenues for the Project Area. Although the Agency can use a portion of the housing set-aside to meet bond debt service, we have shown the full housing set-aside on Table 5. The Official Statement includes tables that show the amount of the housing set-aside that is used to pay bond debt service.

Senior Tax Sharing Payments

Pursuant to 1994 legislation, AB 1290, the Agency is required to make payments to the affected taxing entities for the Project Area. These payments are required because the time period to incur debt was extended pursuant to a prior amendment to the Redevelopment Plan. Payments of the pass through payments are only due on increases in tax increment revenues above levels that were received in 1999-00. The pass through payments are based on a three tier formula. All payments are made after the Agency's deposit to its housing set-aside. For purposes of the table below, we have reduced the percentage of tax increment that must be allocated to the taxing entities by the housing set aside deposit.

Tier	Payment Required
Tier 1	20% of tax increment above the amount received in 1999-2000 during the remaining term the Agency receives tax increment.
Tier 2	Beginning in 2010-11, an additional payment equal to 16.8% of the tax increment attributable to growth above levels in 2009-10.
Tier 3	The Project Area will no longer be receiving tax increment when this tier is triggered.

Educational Revenue Augmentation Fund (ERAF)

Due to a shortfall in the state budget, legislation was approved (AB 1768) that required redevelopment agencies to shift $75 million of tax increment revenues to the Educational Revenue Augmentation Fund (ERAF) in 2002-03. The shift to ERAF offset the need for a similar amount of state aid to education. AB 1768 required that the shift be made for the 2002-03 fiscal year only and that half of the shift be calculated on the basis of the 2000-01 gross tax increment of a project area and the other half on net revenues after tax sharing payments.

Due to continuing state budget problems, legislation has been approved (SB 1045), which requires an ERAF shift of $135 million for 2003-04. The legislation requires that half of the shift be calculated on the basis of the 2001-02 gross tax increment of a project area and the other half on net revenues after tax sharing payments.

It should be noted that the Agency's fiscal year runs from January 1 through December 31. Property taxes are allocated on a fiscal year basis that runs from July 1 through June 30. This has had an impact on the amount of tax increment that the agency reports in the State Controllers Report, which is used to calculate ERAF obligations. The Agency's obligation is higher than what it would otherwise have been if its fiscal year were a standard property tax fiscal year.

The Project Area's share of the Agency's ERAF obligation is estimated at $46,785 for 2002-03 and $86,800 for 2003-04. The Agency has indicated that it has available funds to pay the 2003-04 ERAF, so we have not reduced the amount of tax increment shown on Table 5 for such amounts.

Parity Obligations

The Agency has one obligation for a 1999 Loan Agreement with the Sacramento City Financing Authority that has a parity lien on the Tax Revenues of the Project Area. Amounts due on the parity obligation are not shown on the tax increment estimates or projections tables.

Subordinate Obligations

The Agency has entered into one subordinate obligation for the Project Area to repay the Sacramento City Financing Authority for a portion of the debt service on the Authority's 1999 Revenue Bonds. For purposes of the projections shown on Table 5, we have not shown the payments under this obligation.

Section G – Other Issues

The CRL requires that as a part of the Agency's annual audit, that the legislative body be informed of any major violations of the CRL. Major violations include failure to: 1) File an independent financial audit and fiscal statement; 2) Establish time limits for each project area; 3) Establish a low and moderate income housing fund and accrue interest to the fund; 4) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 5) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

County of Orange v. Orange County Assessment Appeals Board

This case was decided at the Superior Court level and does not represent binding precedent in any future cases. Under the facts in the case, a property owner purchased property in 1995 that was placed on the 1996-97 tax roll at $330,000, which reflected the Proposition 13 base year value. In 1997-98, the property was not increased by the allowed 2 percent inflation factor, because the Assessor believed the resulting value would have exceeded the market value of the property. For 1998-99, the Assessor found that the factored base year value of the property, (the value adjusted by 2 percent per year for 1997-98 and 1998-99), was less than the market value. The Assessor therefore increased the property value by 4 percent. This is sometimes referred to as a "recapture" of the 2 percent inflation adjustment and is the common practice in all counties in California. The issue of whether the inflation adjustment can exceed 2 percent per year was ultimately brought before the Superior Court.

The Court found that, based on the facts in this case, that the inflation adjustment couldn't exceed 2 percent per year when applied to the base year value of the property and therefore recapture is not allowed. However, the Court also stated that the value of property could be increased by more than 2 percent per year "in situations described in the law". This seems to indicate that increases of value that occur under Proposition 8 appeals that exceed 2 percent per year are not included in the Court's ruling. In 2002 two courts (in Los Angeles and San Diego) ruled differently on the recapture provision. Orange County is also appealing the Superior Court decision.

Table 1
Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

HISTORICAL TAXABLE VALUE

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (1)
2003-04	$175,380,352	$10,978,665	100	$186,359,117	12%	$159,300,479
2002-03	155,517,070	10,202,990	100	165,720,160	2%	138,661,522
2001-02	152,741,578	9,707,545	100	162,449,223	9%	135,386,401
2000-01	139,231,321	10,111,613	100	149,343,034	6%	122,280,212
1999-00	130,914,634	10,300,076	100	141,214,810	3%	114,151,988

Total Percentage Change	31.97%
Average Percentage Change	7.18%

(1) Through 2001-02, the County used a base year value of $27,062,822. Starting with 2002-03, the County revised the base year value to $27,058,638.

Source: Sacramento County Assessors Office

Table 2
Redevelopment Agency of the City of Sacramento
Del Paso Heights Project

HISTORICAL RECEIPTS (1)

	Levy per County (2)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received
2002-03	$1,446,941	$1,487,811	102.82%	$106,358	$1,594,169	110.18%
2001-02	1,413,274	1,428,004	101.04%	42,196	1,470,200	104.03%
2000-01	1,277,899	1,287,406	100.74%	7,927	1,295,333	101.36%
1999-00	1,197,938	1,204,107	100.51%	8,092	1,212,199	101.19%
Average Receipts to Levy			**101.34%**			**104.42%**

(1) Receipts per Agency records.
(2) Intial levy reported by Sacramento County.

Table 3
Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Type of Use	2003-04 Secured Value (1)	2003-04 Unsecured Value (1)	Total	%of Value (2)	%of Inc. Value (3)
Research Properties	Commercial	$4,462,512	$0	$4,462,512	2.39%	2.80%
David J. & Mary L. Anderson	Industrial	2,722,625	0	2,722,625	1.46%	1.71%
Woodhaven Senior Residences	Residential	2,651,938	0	2,651,938	1.42%	1.66%
US Rentals Inc.	Commercial	2,095,747	0	2,095,747	1.12%	1.32%
United Rentals Inc.	Unsecured	0	1,880,333	1,880,333	1.01%	1.18%
IBM Credit Corporation	Unsecured	0	1,783,078	1,783,078	0.96%	1.12%
Harry & Mariann Brix 1993 Family Trust	Industrial	1,570,824	0	1,570,824	0.84%	0.99%
Sacramento Partners	Unknown	1,335,327	0	1,335,327	0.72%	0.84%
Terkensha Associates	Commercial	1,331,063	0	1,331,063	0.71%	0.84%
Crystal Bottling Company Inc.	Unsecured	0	1,153,511	1,153,511	0.62%	0.72%
Total Valuation		**16,170,036**	**4,816,922**	**20,986,958**	**11.26%**	**13.17%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2003-04 Project Area taxable value of $186,359,117.
(3) Based on 2003-04 incremental value of $159,300,479.

Table 4
Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

ESTIMATE OF INCREMENTAL TAX REVENUE
FOR FISCAL YEAR 2003-04

	2003-04 Taxable Value (1)	Base Year Taxable Value	Incremental Taxable Value
Local Secured			
Land	$52,226,247		
Improvements	146,831,733		
Personal Property	257,567		
Gross Secured	199,315,547		
Less: Exemptions	23,935,195		
Net Secured	175,380,352	26,532,871	
State-Assessed	100	0	
Total Secured	175,380,452	26,532,871	148,847,581
Unsecured			
Land	789,535		
Improvements	1,691,223		
Personal Property	8,714,829		
Gross Unsecured	11,195,587		
Less: Exemptions	216,922		
Net Unsecured	10,978,665	525,767	10,452,898
Total Secured & Unsecured	186,359,117	27,058,638	159,300,479
Tax Increment (2)			1,606,000
Unitary Revenue (3)			47,000
Total Tax Increment			**1,653,000**
Adjustments to Tax Revenue:			
Property Tax Administration Fees (4)			34,000
Liens on Tax Increment:			
Housing Set-Aside (5)			496,000
Tax Sharing Payments (6)			90,000
Del Paso Nuevo Obligation (7)			71,000
Tax Revenues			**962,000**

(1) Based on taxable value information from the records of Sacramento County.
(2) Calculated based on the application of the estimated tax rate for 2003-04.
(3) Reflects actual unitary revenue for 2002-03.
(4) The administrative fee is estimated based on actual amount from 2002-03.
(5) Total housing set-aside calculated at 30 percent of tax increment without reduction for the amount that can be used for bond debt service.
(6) Tax sharing payments per the provisions of AB 1290.
(7) Pursuant to an agreement with the Federal Government represent tax increment generated in the Del Paso Nuevo area.

Table 5
Redevelopment Agency of the City of Sacramento
Del Paso Heights Redevelopment Project Area

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Total Real (1) Property	Other (2) Property	Total Value	Value Over Base Of $27,059	Tax (3) Increment	Unitary (4) Property Tax Revenue	Total Tax Increment Revenue	Property Tax (5) Admin Fee	Housing Set-Aside (6)	AB 1290 (7) Tax Sharing Payments	Del Paso Nuevo (8) Payment	Tax Revenue
2003 - 2004	$177,604	$8,756	$186,359	$159,300	$1,606	$47	$1,654	$34	$496	$90	$71	$963
2004 - 2005	180,302	8,756	189,058	161,999	1,632	47	1,680	35	504	96	72	974
2005 - 2006	183,908	8,756	192,664	165,605	1,667	47	1,715	35	514	103	73	989
2006 - 2007	187,586	8,756	196,342	169,283	1,703	47	1,750	36	525	110	75	1,004
2007 - 2008	191,338	8,756	200,094	173,035	1,739	47	1,786	37	536	118	76	1,020
2008 - 2009	195,165	8,756	203,920	176,862	1,776	47	1,823	38	547	125	78	1,036
2009 - 2010	199,068	8,756	207,824	180,765	1,814	47	1,861	38	558	133	79	1,052
2010 - 2011	203,049	8,756	211,805	184,746	1,852	47	1,900	39	570	148	81	1,062
2011 - 2012	207,110	8,756	215,866	188,807	1,891	47	1,939	40	582	163	83	1,072
2012 - 2013	211,253	8,756	220,008	192,950	1,931	47	1,978	41	594	178	84	1,082
2013 - 2014	215,478	8,756	224,233	197,175	1,972	47	2,019	42	606	194	86	1,092
2014 - 2015	219,787	8,756	228,543	201,484	2,015	47	2,062	42	619	209	88	1,104
2015 - 2016	224,183	8,756	232,939	205,880	2,059	47	2,106	43	632	226	89	1,116
2016 - 2017	228,667	8,756	237,422	210,364	2,104	47	2,151	44	645	242	91	1,128
2017 - 2018	233,240	8,756	241,996	214,937	2,149	47	2,197	45	659	259	93	1,141
2018 - 2019	237,905	8,756	246,660	219,602	2,196	47	2,243	46	673	276	95	1,153
2019 - 2020	242,663	8,756	251,418	224,360	2,244	47	2,291	47	687	294	97	1,166
2020 - 2021	247,516	8,756	256,272	229,213	2,292	47	2,340	48	702	312	99	1,179
2021 - 2022	252,466	8,756	261,222	234,163	2,342	47	2,389	49	717	330	101	1,193
2022 - 2023	257,516	8,756	266,271	239,213	2,392	47	2,440	50	732	348	103	1,206
2023 - 2024	262,666	8,756	271,422	244,363	2,444	47	2,491	51	747	367	105	1,220
2024 - 2025	267,919	8,756	276,675	249,616	2,496	47	2,544	52	763	387	107	1,235
2025 - 2026	273,278	8,756	282,033	254,975	2,550	47	2,597	53	779	406	109	1,249
2026 - 2027	278,743	8,756	287,499	260,440	2,604	47	2,652	55	796	426	111	1,264
2027 - 2028	284,318	8,756	293,074	266,015	2,660	47	2,708	56	812	447	113	1,279
2028 - 2029	290,005	8,756	298,760	271,702	2,717	47	2,764	57	829	468	116	1,295
2029 - 2030	295,805	8,756	304,560	277,502	2,775	47	2,822	58	847	489	118	1,310

(1) Prior Year Real Property increased by 2 percent per year as allowed by Article XIIIA of the California Constitution. The value for 2004-05 has been reduced by the estimated impact of appeals.
(2) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(3) Based on the application of Project Area tax rates to the total incremental taxable value.
(4) Reflects actual unitary for 2002-03. Future unitary revenue held constant in the projections.
(5) Per SB 2557, reflects Project Area share of Sacramento County's property tax administrative costs.
(6) Total housing set-aside calculated at 30 percent of tax increment without reduction for the amount that can be used for bond debt service.
(7) Tax sharing payments pursuant to AB 1290.
(8) Pursuant to an agreement with the Federal Government, represents tax increment generated in this area.

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APPENDIX B

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION REGARDING THE COUNTY OF SACRAMENTO, CALIFORNIA

Population and Income

Population in Sacramento County reflects continued growth as shown in the following table. Population rose 62.7% in the 1940's and 81.4% in the 1950's. During the 1960's, 1970's, 1980's and 1990's, population growth totaled 26.2%, 23.5%, 32.9%, and 16.2%, respectively. Since 1980, population growth has totaled 67.2%.

The State Department of Finance estimates county population at 1,309,600 as of January 1, 2003. Sacramento County currently has seven incorporated cities: Citrus Heights, Elk Grove, Folsom, Galt, Isleton, Rancho Cordova and Sacramento. Approximately 33.1% of the County's population lives in the City of Sacramento. Approximately 47.1% of the County's population lives in unincorporated areas, giving Sacramento County one of the largest unincorporated populations among all counties in the State.

SACRAMENTO COUNTY
Population

Area	*1970*	*1980*	*1990*	*2000*	*2001*	*2002*	*2003*
Cities:							
Citrus Heights[(1)]	--	--	--	84,700	86,000	87,300	87,200
Elk Grove[(2)]	--	--	--	--	75,300	80,800	85,800
Folsom	5,810	11,003	29,802	50,800	56,500	60,700	63,800
Galt	3,200	5,514	8,889	19,300	20,000	21,300	22,000
Isleton	909	914	833	830	830	840	840
Sacramento	257,105	275,741	369,365	406,500	412,800	424,400	433,400
Unincorporated Area[(3)]	367,349	490,209	632,330	655,500	595,500	605,500	616,700
Total	634,373	783,381	1,041,219	1,217,600	1,247,000	1,280,900	1,309,600

(1) Effective January 1, 1997, Citrus Heights became Incorporated.
(2) Effective July 1, 2000, Elk Grove became Incorporated.
(3) Includes City of Rancho Cordova, which was incorporated on July 1, 2003.
Source: U.S. Census, except for 2000, 2001, 2002 and 2003 figures which are from the State Department of Finance.

Industry and Employment

Three major job categories comprised 77.0% of the Sacramento MSA's work force during 2002. They were services (35.4%), government (27.0%), and wholesale and retail trade (14.6%).

The following table summarizes annual average employment by industry in Sacramento Metropolitan Statistical Area, which includes Sacramento, Placer, and El Dorado Counties.

SACRAMENTO METROPOLITAN STATISTICAL AREA
Labor Market Survey[1]
1998-2002

Title	*1998*	*1999*	*2000*	*2001*	*2002*
Civilian Labor Force	760,100	786,900	805,600	832,800	863,800
Civilian Employment	723,200	755,300	773,000	798,800	818,500
Civilian Unemployment	36,900	31,600	32,600	34,000	45,300
Civilian Unemployment Rate	4.9%	4.0%	4.0%	4.1%	5.2%
Total Farm	3,700	3,900	4,000	4,000	3,400
Total Nonfarm	652,100	685,900	709,700	731,200	743,700
Total Private	480,300	507,300	528,300	543,400	547,800
Goods Producing	81,600	89,000	93,800	99,800	97,400
Natural Resources and Mining	500	500	600	600	600
Construction	37,300	43,900	48,300	54,800	56,100
Manufacturing	43,900	44,600	44,900	44,400	40,800
Service Providing	570,500	596,900	615,900	631,500	646,200
Trade, Transportation and Utilities	107,100	112,900	117,300	120,000	120,700
Wholesale Trade	18,600	19,700	20,200	21,400	21,300
Retail Trade	73,900	77,400	81,000	82,900	84,400
Information	16,500	17,500	17,400	21,300	21,900
Financial Activities	49,000	50,100	48,900	49,300	51,300
Professional and Business Services	82,900	90,000	96,200	90,500	88,700
Educational and Health Services	60,200	62,200	65,300	70,300	72,100
Leisure and Hospitality	59,400	61,200	64,500	66,300	69,200
Other Services	23,500	24,400	25,000	25,900	26,500
Government[2]	171,800	178,600	181,400	187,800	195,800
Total, All Industries	655,800	689,800	713,800	735,200	747,100

(1) Employment is reported by place of work; it does not include persons involved in labor-management disputes. Figures are rounded to the nearest hundred. Columns may not add to totals due to rounding.
(2) The City of Sacramento is the capital of the State of California and various State agencies have been, and are anticipated to continue to be, a major source of employment in the Sacramento area.
Source: California Employment Department; based on March 2002 benchmark.

Major Employers

Major private employers in the Sacramento area include those in electronics, medical services, retail sales, and communications services. Major private employers, their products or services, and their number of employees in 2001-02 are listed in the table on the following page.

The State currently employs 70,902 personnel in the County in various branches of government, making the State the largest employer in the area. County employees account for 14,433 additional jobs in the community. The City currently has 4,680 authorized positions for Fiscal Year 2003-04.

Employment

Largest non-government employers in the Sacramento area include those in medical services, electronics, retail sales, communications services, and financial services. Major private employers, their products or services, and their number of employees are listed in the following table:

GREATER SACRAMENTO AREA
Largest Non-Government Employers

Company	*Product/Service*	*Employees*
UC Davis Medical Center	Hospitals	9,000
INTEL Corporation	Semiconductors	6,700
Hewlett-Packard Company	Computer Manufacturing	6,130
Kaiser Hospitals	Hospitals	5,590
First Union	Small Business Investment Company	3,500
Pacific Bell	Telephone Communications	3,320
Mercy Hospitals	Hospitals	2,500
SMUD	Electric Power Generation	2,200
Wal-Mart	Discount Department Store	2,160
PRIDE Industries	Contract Manufacturing	2,100
Raley's Supermarket	Supermarkets	2,090
Albertson's Supermarket	Supermarkets	2,030
Macy's	Department Stores	2,030
Sacramento Bee	Newspapers	2,000
Bank of America	National Commercial Banks	1,920
Target	Department Stores	1,830
JC Penny	Department Stores	1,820
Kmart	Discount Stores	1,710
Apple Computer	Computer Manufacturing	1,700
Gencorp	Guided Missile Units & Pharmaceuticals	1,600

Source: Sacramento Regional Research Institute, February 2002.

Commercial Activity

Commercial activity is an important contributor to Sacramento County's economy. Between 1997 and 2001, taxable retail sales increased 42.2% from $8.23 billion to $11.70 billion. As shown in the following table, total taxable sales increased 37.4% from $12.53 billion to $17.22 billion.

SACRAMENTO COUNTY
Taxable Transactions 1997 Through 2001
(Amounts Expressed in Thousands)

	1997	*1998*	*1999*	*2000*	*2001*
Apparel Stores	$ 351,076	$ 364,544	$ 369,927	$ 410,328	$ 435,758
General Merchandise Stores	1,559,591	1,663,856	1,875,947	1,960,570	1,996,605
Specialty Stores	1,335,040	1,449,835	1,624,485	1,800,343	1,780,073
Food Stores	644,514	641,284	696,416	758,169	792,603
Package Liquor Stores	55,851	60,809	66,236	71,301	75,536
Eating and Drinking Places	949,013	1,008,886	1,080,021	1,163,483	1,242,312
Home Furnishings and Appliances	457,570	466,468	523,294	579,375	598,487
Building Materials and Farm Implements	693,847	655,614	932,551	1,049,133	1,102,951
Service Stations	595,943	517,785	630,998	811,847	816,696
Automobile, Boat, Motorcycle and Plane Dealers and Parts outlets	1,584,697	1,643,460	2,139,002	2,467,982	2,860,446
Total Retail Outlets	$ 8,227,142	$ 8,715,401	$ 9,938,877	$ 11,072,531	$ 11,701,467
Business and Personal Services	552,663	619,589	705,364	729,836	861,189
All Other Outlets	3,754,364	3,993,656	4,335,152	4,791,358	4,659,145
Total All Outlets	$ 12,534,169	$ 13,328,646	$ 14,979,393	$ 16,593,725	$ 17,221,801

Source: State Board of Equalization

Agriculture

Agriculture continues to be an important factor in the county's economy; however, with the ever-increasing urban and commercial development of Sacramento County, agriculture's relative impact on the local economy declines. The gross value of agricultural production in 2002 reached $275,937,000. Major individual products in terms of dollar value are shown in the following table:

SACRAMENTO COUNTY
Agricultural Production
1998 through 2002
(Amounts Expressed in Thousands)

	1998	*1999*	*2000*	*2001*	*2002*
Field Crops	$ 37,135	$ 42,356	$ 43,756	$ 42,558	$ 42,558
Livestock and poultry products	51,103	48,790	43,121	49,927	38,824
Livestock and poultry	27,852	24,220	25,841	28,965	28,819
Vegetable crops	25,639	30,636	17,088	19,433	23,938
Fruit and nut crops	110,297	124,217	126,911	124,151	104,429
Nursery products	17,933	17,113	26,408	28,968	26,678
Seed crops	5,290	6,412	3,041	4,882	3,775
Apiary products	159	115	65	59	55
Total	$ 275,408	$ 293,859	$ 286,231	$ 298,719	$ 275,934

Source: Sacramento County Agricultural Commissioner.

Effective Buying Income

"Effective Buying Income" is defined as personal income less personal tax and nontax payments, a number often referred to as "disposable" or "after-tax" income. Personal income is the aggregate of wages and salaries, other than labor-related income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, nontax payments, fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as "disposable personal income."

The following table summarizes the Effective Buying Income for the County, the State and United States for the period 1999 through 2003.

COUNTY OF SACRAMENTO,
STATE OF CALIFORNIA AND THE UNITED STATES
Total Effective Buying Income and Median Household Effective Buying Income
For the Years 1999 through 2003[1]

	Total Effective Buying Income (000s Omitted)[2]	*Median Household Effective Buying Income*
1999		
Sacramento County	$ 18,925,291	$ 34,891
California	551,999,317	37,091
United States	4,621,491,173	35,377
2000		
Sacramento County	$ 20,192,052	$ 37,152
California	590,376,663	39,492
United States	4,877,786,658	37,233
2001		
Sacramento County	$ 22,895,128	$ 40,970
California	652,190,282	44,464
United States	5,230,824,904	39,129
2002		
Sacramento County	$ 22,127,827	$ 40,690
California	650,521,407	43,532
United States	5,303,481,498	38,365
2003		
Sacramento County	$ 22,645,845	$ 39,879
California	647,879,427	42,484
United States	5,340,682,818	38,035

(1) Not comparable with prior years. Effective Buying Income is now based on money income (which does not take into account sale of property, taxes and social security paid, receipt of food stamps, etc.) versus personal income.
(2) Dollars in thousands.
Source: "Survey of Buying Power," *Sales & Marketing Management Magazine*, dated 1999, 2000, 2001, 2002 and 2003.

Construction Activity

The value of building permits issued in the County totaled $2,784,188,218 in 2002, an increase of 16.8% from the prior year. From 1998 through 2002, the value of nonresidential building permits reflects a total reduction of 41.7%. Residential permit valuation increased 126.9% over the same period. In addition to annual building permit valuations, the numbers of permits for new dwelling units issued each year from 1998 through 2002 are shown in the following table.

SACRAMENTO COUNTY
Building Permit Valuations
1998 through 2002
(Amounts Expressed in Thousands)

	1998	*1999*	*2000*	*2001*	*2002*
Valuation:					
Residential	$ 1,021,230	$ 1,158,833	$ 1,449,414	$ 1,835,507	$ 2,317,674
Nonresidential	800,309	948,189	1,183,303	547,986	466,514
Total	$ 1,821,539	$ 2,107,022	$ 2,632,717	$ 2,383,493	$ 2,784,188
New Dwelling Units:					
Single family	5,110	5,523	7,054	8,616	10,519
Multiple family	2,610	4,900	3,362	973	2,609
Total	7,720	10,423	10,416	9,589	13,128

Source: Sacramento County Assessor's Office.

Transportation

The county's location and transportation network have contributed to the county's economic growth. The County is traversed by the main east-west and north-south freeways serving northern and central California. Interstate 80 connects Sacramento with the San Francisco Bay Area, Reno, Nevada, and points east. U.S. Highway 50 carries traffic from Sacramento to the Lake Tahoe Area. Interstate 5 is the main north-south route through the interior of California; it runs from Mexico to Canada. California State Highway 99 parallels Interstate 5 through central California and passes through Sacramento.

Transcontinental and intrastate rail service is provided by the Union Pacific Railroad. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and Sacramento Regional Transit.

The Port of Sacramento provides direct ocean freight service to all major United States and world ports. It is a deep-water ship channel, located 79 nautical miles northeast of San Francisco. The three major rail links serving Sacramento connect with the Port. Interstate 80 and Interstate 5 are immediately adjacent to the Port.

Sacramento International Airport is about 12 miles northwest of downtown Sacramento. The airport is served by ten major carriers, two regional carriers, and two commuter carriers. Executive Airport, located in Sacramento, is a full-service, 680-acre facility serving general aviation. In addition to Sacramento International Airport, Executive Airport, and Mather Airport, there is one other county operated general airport and numerous private airports.

Sacramento County voters passed a ballot measure in November of 1988 providing for collection of an additional 1/2 cent sales tax (approximately $91,104,000 for 2003/04) to be used exclusively for transportation and air quality projects. Ballot language specified formula distribution: (1) for the cities and unincorporated area of the County; (2) for projects to reduce air pollution; and (3) for mass transit improvements. The 2003/04 share for the unincorporated area of the County is estimated to be $26,100,000.

Education

Public school education is available through nine elementary, two high school and five unified school districts. There are approximately 170 private schools in the County with an enrollment of approximately 22,324. Public school enrollment for 2002/03 was approximately 232,612.

The Los Rios Community College District serves the majority of Sacramento County, as well as portions of El Dorado, Placer, Yolo and Solano Counties. The District maintains four campuses in the County -- American River College, located in the northeastern unincorporated area of Carmichael; Sacramento City College, located in Sacramento; Cosumnes River College, located in the southern area of the City of Sacramento; and Folsom Lake-El Dorado College located in the northeast area of the County. Spring 2003 enrollment at the four campuses totaled approximately 72,220. The southernmost portion of the County is served by the San Joaquin Delta Community College District.

California State University at Sacramento offers four-year programs in business administration, liberal arts, engineering, education, and nursing, and master's degrees in service fields. Current enrollment is approximately 26,960. Other higher education facilities located in Sacramento are the University of Phoenix, University of Southern California, McGeorge School of Law which is a branch of the University of the Pacific, University of San Francisco, University of California at Davis Extension, and the Medical Center of the University of California at Davis.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE AGENCIES

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Sacramento Housing & Redevelopment Agency

A Component Unit of the

City of Sacramento, California

Comprehensive Annual Financial Report

For the year ended December 31, 2002

**THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
SACRAMENTO HOUSING and REDEVELOPMENT AGENCY**

A Component Unit of the City of Sacramento, California
For the Year Ended December 31, 2002

ACKNOWLEDGEMENT

Prepared by the Sacramento Housing and Redevelopment Agency
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Dawn Graham, Account Clerk
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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
A COMPONENT UNIT OF THE CITY OF SACRAMENTO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2002

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
A COMPONENT UNIT OF THE CITY OF SACRAMENTO, CALIFORNIA
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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
A COMPONENT UNIT OF THE CITY OF SACRAMENTO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 2002

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Introductory Section

Sacramento Housing & Redevelopment Agency

May 15, 2003

City Council, Housing Authority and
Redevelopment Agency of the City of Sacramento
Board of Supervisors, Housing Authority and
Redevelopment Agency of the County of Sacramento
Sacramento Housing and Redevelopment Commission
Sacramento Housing Development Corporation
Sacramento, California

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Sacramento Housing and Redevelopment Agency (the Agency) for the year ended December 31, 2002. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Agency. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and changes in the financial position of the various funds of the Agency and all disclosures necessary to enable the reader to gain an understanding of the Agency's financial activities have been included.

Accordingly, the audit firm of Macias, Gini & Company LLP, has audited the basic financial statements and issued their unqualified (clean) opinion that the basic financial statements of the Agency for the year ended December 31, 2002 are fairly presented in accordance with accounting principles generally accepted in the United States of America (GAAP).

A comprehensive annual financial report is presented in three sections: introductory, financial and statistical.

- The *introductory section* provides general information on the Agency's structure and personnel as well as information useful in assessing the Agency's financial condition.

- The *financial section* includes the independent auditor's report on the basic financial statements, the narrative introduction, overview and analysis found in Management's Discussion and Analysis (MD&A) as required by Governmental Accounting Standards Board Statement No. 34 as supplementary information, the audited basic financial statements including note disclosures. required supplementary information and supporting statements and schedules necessary to fairly present the financial position and the changes in financial position of the Agency in conformity with accounting principles generally accepted in the United States of America.

- The *statistical section* provides a broad range of trend data covering key financial indicators from the past ten years (for instance, general government revenues and expenditures, tax increments and debt). It also contains demographic and miscellaneous data useful in assessing the Agency's financial and operating condition.

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PROFILE OF THE AGENCY

The Agency's financial statements are included in the comprehensive annual financial report of the City of Sacramento (City) as a component unit because of the operational and financial relationship that exists between the City and the Agency.

This comprehensive annual financial report includes all of the funds of the following legal entities:

- Housing Authority of the City of Sacramento
- Housing Authority of the County of Sacramento (County)
- Redevelopment Agency of the City of Sacramento
- Redevelopment Agency of the County of Sacramento
- Component Units:
  - Sacramento Housing Development Corporation
  - Riverview Plaza Associates
  - Norwood Avenue Housing Partnership/Corporation
  - Shasta Hotel Investors Partnership/Corporation
  - Foundation Uniting Needs and Dollars (FUND Inc.)

C-5

The Agency is a joint powers authority of both City and County agencies, and operates under a delegatory agreement with its oversight governing boards: the City of Sacramento City Council and the County of Sacramento Board of Supervisors. The Agency provides staffing for the Housing Authorities of the City and County of Sacramento and the Redevelopment Agencies of the City and County of Sacramento, which are responsible for the development and implementation of housing, redevelopment, and selected economic development programs and activities for the City and County of Sacramento.

Sacramento County serves as the core of a four county Metropolitan Statistical Area, and is the largest urban center in the Central Valley of California.

FACTORS AFFECTING FINANCIAL CONDITION

The Agency is located in Sacramento, California. The City of Sacramento, the state's capital and seat of the county's government, is the largest incorporated city within the surrounding metropolitan area. The estimated population on January 1, 2002 was 426,000 for the City of Sacramento and 1,279,000 for the County of Sacramento. Sacramento offers an outstanding business climate for the entire region, with its major airport, deepwater port, transcontinental rail line and interstate freeway system.

The Sacramento work force includes broad-based employment in professional, technical, production, transportation and service occupations. The region's manufacturing sectors have grown steadily since the late 1970s largely due to the expansion in high technology industries. The Sacramento area continues to have diverse employment opportunities, with the largest three employment sectors identified as services, government, and retail trade. The area's unemployment rate, however, has increased to five percent.

Sales tax revenues for the City and County are declining. This is offset by an increase in the real estate market, especially the residential market. The prices for homes have increased, as have the volume of home sales. The non-residential market is also growing. Because the Agency relies on tax increment revenue, which is directly related to real property assessed valuation growth in the redevelopment areas; annual revenues derived from existing redevelopment project areas slightly increased over the prior year.

There is a definite link between the fiscal health of the State of California (State) and local government in the Sacramento region. With a weak local, state, and national economy and a significant state budget deficit, local government is facing significant financial uncertainties. The Agency's 2003 Budget was reduced due to the State's Education Revenue Augmentation Fund (ERAF) use of tax increment monies. Future State actions are unknown.

The primary sources of non-local revenue are from numerous programs sponsored by the U.S. Department of Housing and Urban Development (HUD). Congress and the Administration continue to revise HUD practices, programs and overall expenditure levels. Consequently, the Agency anticipates the impact of these revisions may result in reductions in revenues from HUD sources.

In response to the negative impacts of the conditions outlined above, the Agency has taken a proactive approach and instituted a strategic planning effort to assure continued viability and relevance to the Agency's economic, housing and redevelopment missions. Revenue enhancements and expenditure mitigation measures are continually being evaluated.

MAJOR INITIATIVES

The Housing Authorities provide affordable housing and rental assistance opportunities to very low-income and low-income families, seniors and disabled/handicapped individuals. The Authorities remain one of the largest landlords in the County of Sacramento with an inventory of approximately 3,600 units of public housing and other housing funded through special programs. These programs provide quality affordable housing to over 12,000 low and moderate income households, servicing over 25,000 individuals.

In addition to providing housing, the Housing Authorities are committed to empowering residents to become self-sufficient. The Housing Authorities operate a Family Self-Sufficiency Program as well as resident training programs in the areas of painter apprentice and janitorial services.

The Housing Choice Voucher (HCV), formerly Section 8, Program continued to grow during the year 2002. The HCV program has increased from 6,800 to 10,853 vouchers over the last five years. This represents a 60 percent increase in the program's ability to serve low-income households in our community. During 2002, more than 1,000 additional families received housing subsidies bringing total enrollment to 10,100 families. The wait list for the Housing Choice Voucher program was closed in June of 2001. The wait list, which stood at 33,000, has been pared to 8,000 families by the end of 2002 and may be reopened sometime during 2003. Marginal growth of the HCV program is anticipated during the next few years through Opt-out/Preservation conversions and allocations of Family Unification and Mainstream Housing Vouchers for the Disabled. In 2002, HCV rental subsidies were used for the first time to help families buy their own homes. During the year, ten families purchased homes with the help of their vouchers.

The Agency has continued to assist in the development of affordable housing and in providing homeownership opportunities to City and County residents. In the year 2002, 511 new homeowners participated in mortgage and down payment assistance programs. We rehabilitated 468 units of multifamily housing and approved 1,080 units of new construction multifamily housing. Also, 993 units of housing were approved for rehabilitation. Seven tax-exempt mortgage revenue bond allocations were awarded for mixed-income developments for families and seniors in downtown locations and new growth areas, producing 1,294 total units and 567 assisted units.

The Agency also financed its first permanent supportive housing development for 61 homeless families and began the rehabilitation of two mothballed buildings for a transitional housing program at Mather Field, both in collaboration with the County social service departments.

In addition, available resources were used to facilitate the positive economic, community, and redevelopment objectives of the Agency in numerous areas in Sacramento City and County. Of particular merit were activities in the Town of Locke and in the redevelopment areas for Auburn Boulevard, Mather and McClellan for the County. Significant undertakings in the City include housing activities for Del Paso Nuevo and Phoenix Park (formerly known as Franklin Villa), and focus on commercial corridors such as Marysville Boulevard, Stockton Boulevard, Franklin Boulevard, Del Paso Boulevard, and Broadway.

FINANCIAL INFORMATION

Risk Management

The Agency is a member of two risk management pools. California Housing Authority Risk Management Agency (CHARMA) provides general liability coverage up to $5,000,000, auto insurance liability coverage up to $5,000,000, property coverage for full replacement value, and employment practice liability coverage. California Housing Workers' Compensation Authority (CHWCA) provides workers' compensation coverage up to $2,000,000. In addition, the Agency purchases flood insurance from the National Flood Insurance Program (NFIP) for Housing Authority properties in the flood plain.

As a member of the risk management pools, an annual Risk Control Work plan is prepared evaluating risk management policies and procedures, with the incentive of reducing the premiums. In addition, the Agency is an active participant in CHARMA's safety committee, and implements its risk management practices through this committee.

Enterprise Funds and Component Units

Enterprise funds of both the primary government and component units are used to finance and account for the acquisition, operation, and maintenance of Agency facilities and services which are intended to be predominantly self-supporting from user charges. The operations are accounted for in such a manner as to show a profit or loss, as in comparable private enterprises. At December 31, 2002, the Agency maintained 15 public housing and commercial purpose enterprise funds and four component units, accounted for using the economic resources measurement focus and accrual basis of accounting.

Cash Management

Cash and investments totaled $170 million at December 31, 2002. This amount increased approximately $52 million from the prior year.

The cash management and investment program of the Agency is primarily managed by the City Treasurer. Temporarily idle cash is invested in short-term U. S. Government securities and other authorized instruments permitted under the California Government Code.

Investments are in four separate investment pools based upon the source of funds, the Agency's authority with respect to the investment of such funds, and liquidity requirements. Investments consist primarily of obligations of the U.S. Government and its Agencies and money market accounts.

The average daily balance of the Agency's four investment accounts (D, J, K and L) was approximately $144 million with an approximate weighted average yield at cost of 3.57 percent for the year ended December 31, 2002.

The investment policy of the Agency is to maximize investment income consistent with liquidity requirements and safe and prudent investment practices. This includes the implementation of recognized portfolio management techniques to enhance income and monitoring unrealized losses or gains, which may be incurred relating to the investment pools, and the establishment and enforcement of investment trading authorizations and limits for the Treasurer's staff. Consistent with a conservative investment strategy, the Agency does not authorize reverse repurchase activity, and does not invest in high risk securities.

OTHER INFORMATION

Independent Audit

The Agency is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to this Single Audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs and auditor's reports on compliance and on internal control over financial reporting are included in a separate report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Agency's MD&A can be found immediately following the report of the independent auditors.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Agency for its comprehensive annual financial report for the year ended December 31, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Agency has received a Certificate of Achievement for the last ten consecutive years (years ended 1992 - 2001). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Department. Their dedication to professional excellence is reflected in an improved comprehensive annual financial report. We would also like to commend the Agency's Commission, the City Council and the County Board of Supervisors for their interest, support of this substantial effort, and shared commitment to assuring the financial viability of an Agency which remains progressively committed to meeting the economic, redevelopment and housing needs of the communities we serve.

Respectfully submitted,

ANNE M. MOORE
Executive Director

SATOSHI MATSUDA
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento Housing and Redevelopment Agency, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2001

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

President

Executive Director

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
A COMPONENT UNIT OF THE CITY OF SACRAMENTO, CALIFORNIA

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2002

DIRECTORY OF OFFICIALS

COUNTY HOUSING AUTHORITY AND REDEVELOPMENT AGENCY

District 1 - Roger Dickinson
District 2 - Illa Collin
District 3 - Muriel Johnson
District 4 - Roger Niello
District 5 - Don Nottoli

CITY HOUSING AUTHORITY AND REDEVELOPMENT AGENCY

Heather Fargo, Mayor
District 1 – Ray Tretheway
District 2 – Sandy Sheedy
District 3 - Steve Cohn
District 4 – Jimmie Yee
District 5 - Lauren Hammond
District 6 - Dave Jones
District 7 - Robbie Waters
District 8 - Bonnie Pannell

HOUSING AND REDEVELOPMENT COMMISSION

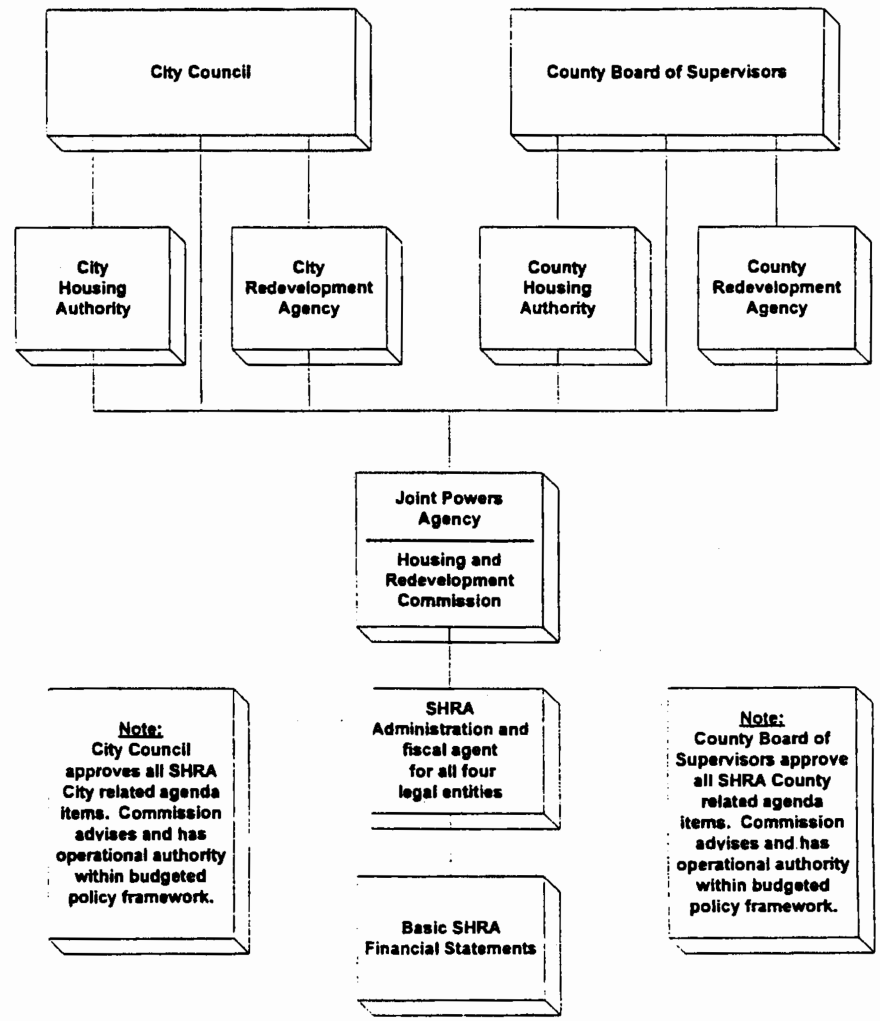
Carl Amundson
Sam Burns
Tom Burruss
John Castello
Luis Cespedes
Kristin Faust
Bobbie Harland
Jim Hoag
Kevin McCarty
Julius Piatkowski
Karolyn Simon

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Executive Director - Anne M. Moore
Agency Clerk - Joan Roberts
Agency Counsel - Dana Phillips

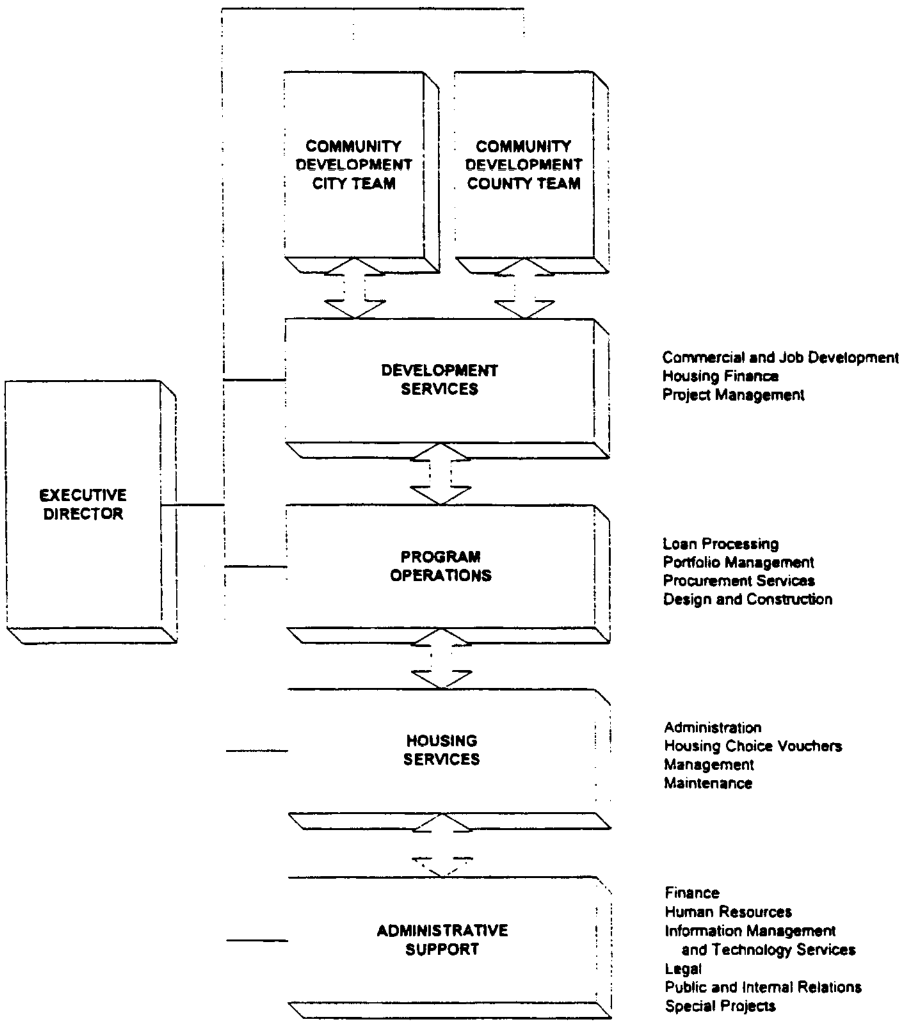
SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

GOVERNING BODIES AND ADMINISTRATION ORGANIZATION CHART



SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

DEPARTMENT/DIVISION ORGANIZATION CHART



Financial Section

Macias, Gini & Company LLP
Certified Public Accountants and Management Consultants

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Sacramento, CA 95834-1922

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916•928•2755 FAX
www.maciasgini.com

Honorable Members of the Sacramento
City Council, County Board of Supervisors, and
Housing and Redevelopment Commission
Sacramento Housing and Redevelopment Agency
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sacramento Housing and Redevelopment Agency (Agency), a component unit of the City of Sacramento, California, as of and for the year ended December 31, 2002, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Agency as of December 31, 2002, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2003 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) and Schedule of Funding Progress on pages 3 through 15 and page 62, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Agency taken as a whole. The introductory section, combining and individual fund statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Agency. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias, Gini & Company LLP

Certified Public Accountants

Sacramento, California
May 15, 2003

Management's Discussion and Analysis

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This portion of the Sacramento Housing and Redevelopment Agency's (Agency) annual financial report presents a narrative overview and analysis of the Agency's financial activities for the year ended December 31, 2002. Please read this in conjunction with the transmittal letter at the beginning of this report and the Agency's financial statements following this section. All dollar amounts are expressed in thousands unless otherwise indicated.

FINANCIAL HIGHLIGHTS

- The assets of the Agency exceeded liabilities at the end of the 2002 year by $275,508 (net assets). Of this amount, $196,551 is restricted to specific purposes (restricted net assets), and $230,027 is invested in capital assets, net of related debt. The negative unrestricted net assets of ($151,070) are mainly the result of redevelopment debt that does not produce capital assets.

- The Agency's total net assets increased by $16,316 during the year. This increase is the result of capital asset donations of $11,000 in the governmental activities and capital asset contributions of $9,998 in the business-type activities.

- As of December 31, 2002, the Agency governmental funds reported combined fund balances of $186,861, an increase of $61,224 for the year. Approximately six percent of the combined fund balances, $11,572 is available to meet the Agency's current and future needs (unreserved fund balance).

- The long-term debt of the Agency increased by $49,808 in comparison with the prior year. The Agency entered into a bond issue and master lease agreements with the City of Sacramento totaling $56,820 which accounted for the majority of the increase. The new debt issues were offset by a decrease due to scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements are designed to provide readers with a broad overview of Agency finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all Agency 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 Agency is improving or deteriorating.

The *statement of activities* presents information showing how 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 result in cash flows in future fiscal periods (e.g., uncollected tax increment and grant revenue, accounts payable, and earned but unused vacation leave).

Both of these government-wide financial statements distinguish functions of the Agency that are principally supported by tax increments and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or in part a portion of their costs through user fees and charges *(business-type activities)*. The governmental activities of the Agency include a variety of federal, state and local housing programs, community redevelopment programs funded by the federal government, including both the City and County Community Development Block Grant Program (CDBG), low and moderate housing activities associated with the redevelopment project areas using Tax Increment funds, Community Social Service Programs, and capital projects which include acquisition and construction of major capital facilities. The business-type activities of the Agency consist of Assisted Housing, which includes Public Housing subsidized by the Department of Housing and Urban Development, locally funded housing projects, and units subsidized by the State of California's Department of Housing and Community Development. In addition, the Housing Authority operates the Housing Choice Voucher (formerly Section 8) Program.

Component units included in the Agency's basic financial statements consist of legally separate entities whose inclusion is necessary for fair presentation in accordance with generally accepted accounting principles. Included within this grouping are: FUND, Inc, Riverview Plaza Associates, Norwood Avenue Housing Partnership, Sacramento Housing Development Corporation, and Shasta Hotel Investors Partnership.

The government-wide financial statements can be found on pages 16 - 18 of this report.

Fund Financial Statements are groupings of related funds that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the Agency can be divided into three categories: *governmental funds, proprietary funds* and *fiduciary 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 funds financial statements focus on *near-term inflows* and *outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the Agency's near-term financing requirements.

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

The Agency maintains 100 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the City and County CDBG funds, City and County HOME funds, City Merged Downtown Debt Service fund, City Merged Downtown Capital Projects fund and the City Low and Moderate Merged Downtown Capital Projects fund as each is considered a major fund. 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 governmental funds financial statements can be found on pages 19 - 24 of this report.

Proprietary funds include two different types of funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Agency uses enterprise funds to account for City and County Public Housing Authorities' operations, locally funded housing projects, units funded by the State of California's Department of Housing and Community Development and the Housing Choice Voucher program. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Agency's various functions. The Agency uses internal service funds to account for the internal support services of administrative divisions, payroll, Community-Social Services staff assigned to Sacramento County's Department of Human Assistance and the Community Services Planning Council, and self-insurance. Because these services predominantly benefit governmental rather that business-type functions, they have been included with *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City and County Public Housing Authorities and the City and County Housing Choice Voucher Programs are considered to be major funds of the Agency. The Agency's two internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. Individual fund data for the nonmajor enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The proprietary funds financial statements can be found on pages 25 - 27 of this report.

(dollar amounts expressed in thousands)

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The Agency's fiduciary fund is not reflected in the government-wide financial statements because the resources of that fund are not available to support the Agency's own programs.

The fiduciary fund financial statement can be found on page 28 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 32 - 61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds, nonmajor enterprise funds, and internal service funds are presented immediately following the Notes to the Basic Financial Statements. Combining and individual fund statements and schedules can be found on pages 63 – 137 of this report.

GOVERNMENT-WIDE FINANCIAL ANAYLSIS

The government-wide financial statements provide long-term information about the Agency's overall financial condition. This analysis addresses the financial statements of the Agency as a whole.

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As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by $275,508 at the close of the most recent fiscal year.

Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Current and other assets	$ 280,201	$ 215,814	$ 5,215	$ 5,310	$ 285,416	$ 221,124
Capital assets	52,174	52,871	179,901	174,920	232,075	227,791
Total assets	332,375	268,685	185,116	180,230	517,491	448,915
Long-term liabilities outstanding	213,655	162,033	813	850	214,468	162,883
Other liabilities	25,937	24,865	1,578	1,975	27,515	26,840
Total liabilities	239,592	186,898	2,391	2,825	241,983	189,723
Net assets:						
Invested in capital assets, net of related debt	50,939	51,380	179,088	174,070	230,027	225,450
Restricted	193,743	173,365	2,808	2,916	196,551	176,281
Unrestricted	(151,899)	(142,958)	829	419	(151,070)	(142,539)
Total net assets	$ 92,783	$ 81,787	$ 182,725	$ 177,405	$ 275,508	$ 259,192

The largest portion of the Agency's net assets of $230,027 reflects its investment in capital assets (e.g., land, buildings, property, and equipment), less any related debt used to acquire those assets that is still outstanding. The Agency uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although this investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The amount invested in capital assets increased by $4,577 in the current year. The business-type activities increased by $5,018 as a result of capital contributions and the governmental activities decreased by $441 due to deletions, transfers and depreciation.

An additional portion of the Agency's net assets of $196,551 represents resources that are subject to external restrictions on how they may be used. Restricted net assets increased by $20,270 during the current year. The amount restricted for debt service increased by $5,492, restricted for housing decreased by $461, restricted for community development increased by $15,312, and restricted for other decreased by $73. The increases in debt service and community development are a result of the 2002 bond issue and increased tax increment revenues, which restrict funding for low and moderate income housing and community redevelopment projects. Notes receivable, operating grants and contributions and capital grants and contributions also increased.

The negative amount of ($151,899) for governmental activities unrestricted net assets is primarily the result of the Agency issuing bonds as a Redevelopment Agency. In the Agency's case, the debt proceeds are used for assorted redevelopment and economic development projects in the community that are not capitalized. The result is a negative unrestricted asset. The redevelopment debt will be repaid from future tax increment revenue. Issuing debt also increased the Agency's cash and long-term liabilities.

(dollar amounts expressed in thousands)

The following table indicates the changes in net assets for governmental and business-type activities.

Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Revenues:						
Program revenues:						
Charges for services	$ 1,940	$ 1,182	$ 8,806	$ 7,243	$ 10,746	$ 8,425
Operating grants and contributions	35,002	31,473	70,400	58,104	105,402	89,577
Capital grants and contributitions	18,510	7,196	-	-	18,510	7,196
General revenues:						
Tax increments	29,300	27,751	-	-	29,300	27,751
Investment earnings	4,338	8,206	124	236	4,462	8,442
Gain on sale of capital assets	-	1,865	-	-	-	1,865
Miscellaneous	5,025	2,981	-	307	5,025	3,288
Total revenues	94,115	80,654	79,330	65,890	173,445	146,544
Expenses:						
Housing operations	6,307	6,355	-	-	6,307	6,355
Community development	62,182	45,097	-	-	62,182	45,097
Community social services	3,738	2,881	-	-	3,738	2,881
Loans and grants	-	2,799	-	-	-	2,799
Local housing	-	-	3,613	2,672	3,613	2,672
Public housing	-	-	19,937	19,423	19,937	19,423
Housing Choice Vouchers	-	-	61,352	48,436	61,352	48,436
Total expenses	72,227	57,132	84,902	70,531	157,129	127,663
Increase (decrease) in net assets before transfers	21,888	23,522	(5,572)	(4,641)	16,316	18,881
Transfers	(10,892)	(106)	10,892	106	-	-
Increase (decrease) in net assets	10,996	23,416	5,320	(4,535)	16,316	18,881
Net assets - beginning	81,787	58,371	177,405	181,940	259,192	240,311
Net assets - ending	$ 92,783	$ 81,787	$ 182,725	$ 177,405	$ 275,508	$ 259,192

Governmental Activities. Governmental activities increased the Agency's net assets by $10,996. The key elements of this increase are as follows:

- Operating grants and contributions increased by $3,529 due largely to increases in the CDBG and HOME entitlements.
- Capital grants and contributions increased due to a capital asset donation from the City of Sacramento for $11,000. The Agency sold one parcel of the donated land in 2002 to a developer and also plans to sell the second parcel.
- Tax increment revenues increased by $1,549.
- The above increases in revenue were offset by an increase of $17,085 in community development expenditures. The majority of these expenditures are for land acquisition for Phoenix Park and Del Paso Nuevo housing projects.

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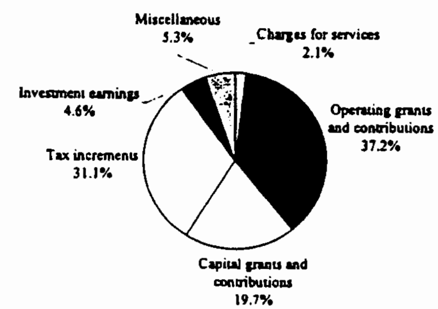
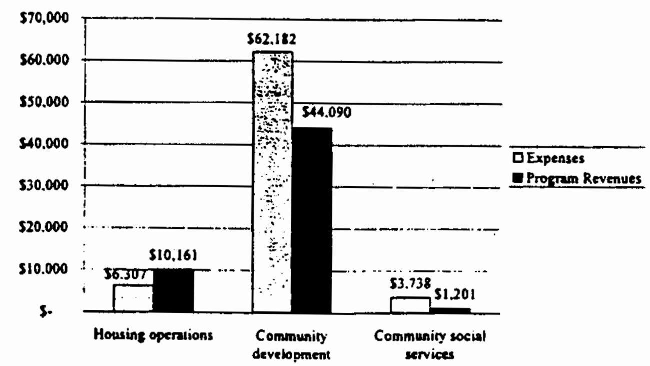
The following graphs show the breakdown of revenue by source and a comparison of expenses and program revenues for governmental activities.

Revenues by Source - Governmental Activities



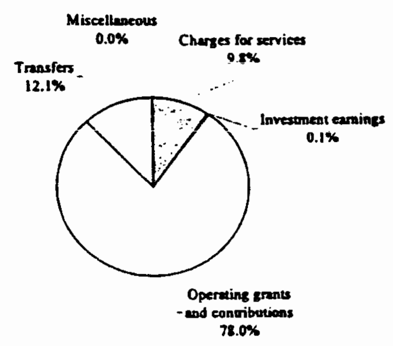
Expenses and Program Revenues - Governmental Activities



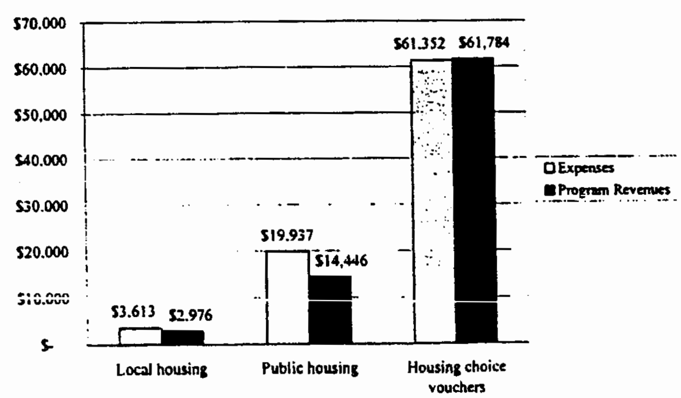
Business-type activities. Business-type activities increased the Agency's net assets by $5,320. Capital asset contributions in the City and County Public Housing Authority funds and the Phoenix Park fund are a key factor that contributed to this increase. Operating grants and contributions increased by $12,296 due to an increase in housing choice vouchers and had a correlating increase in expenses.

The following graphs show the breakdown of revenue by source and a comparison of expenses and program revenues for business-type activities.

Revenues by Source - Business-type Activities



Expenses and Program Revenues - Business-type Activities



FINANCIAL ANALYSIS OF THE AGENCY'S FUNDS

As noted earlier, the Agency uses ***fund accounting*** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the Special Revenue, Debt Service, and Capital Project Funds. The Agency does not have a General Fund. The focus of the Agency's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Agency's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Agency's governmental funds reported combined ending fund balances of $186,861, an increase of $61,224 in comparison with the prior year. The major funds listed below are responsible for ninety five percent of the increase in the combined fund balances and the nonmajor funds are responsible for the remaining five percent.

The City Merged Downtown debt service fund has a total fund balance of $3,825, of which $741 is reserved for the payment of debt service and $3,084 is unreserved. The net increase in fund balance during the current year in the debt service fund was $3,735. This increase is the result of a sale of capital assets in the amount of $5,100 and is offset by an increase in debt service principal and interest payments due to the Agency's 2002 bond issue.

The City Merged Downtown capital projects fund has a total fund balance of $54,364, of which $48,926 is reserved for capital projects, $3,099 is reserved to liquidate contracts and purchase orders of the prior period, $2,591 is reserved for non-current assets, and ($252) is unreserved. The net increase in fund balance during the current year in the capital projects fund was $43,740. This increase is the result of the Agency's 2002 bond issue.

The City Low and Moderate Merged Downtown capital projects fund has a total fund balance of $28,750, of which $16,837 is reserved for capital projects, $658 is reserved to liquidate contracts and purchase orders of the prior period, $10,770 is reserved for non-current assets, and $485 is unreserved. The net increase in fund balance during the current year in the low and moderate capital projects fund was $10,632. This increase is the result of the Agency's 2002 bond issue.

The City and County CDBG funds and the City and County HOME funds have no fund balances.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Agency's investment in capital assets for its governmental and business type activities as of December 31, 2002, amounted to $232,075 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, property and equipment, and construction in progress.

During 2002, the Agency actively acquired real property for two major projects known as Phoenix Park and Del Paso Nuevo. Phoenix Park is a 900+ unit multi-family condo complex, of which, the Agency closed or filed eminent domain action on several hundred units in 2002. While the filing of eminent domain actions requires deposit of funds with the State Treasurers' Office, the Agency does not receive ownership of the properties until the court has approved the sales. Additionally, the Agency closed or filed eminent domain actions on several parcels related to the Del Paso Nuevo project which is a single family housing development currently on track to complete 200 homes over the next two years. The Agency is still completing site acquisition for the next phases of the project. While the Agency is actively acquiring property in Del Paso Nuevo, the property is not held by the Agency for lengthy periods. Specifically, the property is subdivided and ownership is transferred to the developer. Consequently, the Agency's acquisition and disposition of capital assets during 2002 resulted in a net increase of less than one percent.

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Capital assets for the governmental and business-type activities are presented below.

Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total		Increase/ (Decrease)
	2002	2001	2002	2001	2002	2001	Percent of Change
Land	$ 32,758	$ 31,135	$ 14,914	$ 14,181	$ 47,672	$ 45,316	5.20%
Building and improvements	8,262	12,322	164,207	159,990	172,469	172,312	0.09%
Property and equipment	543	866	780	749	1,323	1,615	-18.08%
Construction in progress	10,611	8,548	-	-	10,611	8,548	24.13%
Total	$ 52,174	$ 52,871	$ 179,901	$ 174,920	$ 232,075	$ 227,791	1.88%

Sacramento Housing And Redevelopment Agency
Management's Discussion and Analysis *(Continued)*
December 31, 2002
(dollar amounts expressed in thousands)

Long-term Debt. At the end of the current calendar year, the Agency had long-term debt outstanding of $210,170. This is a net increase of $49,808 from the prior year total of $160,362.

Governmental notes payable increased due to the addition of six new notes:

- Community Development Block Grant Section 108 note for the rehabilitation of the Hampton Inn ($550);
- Community Development Block Grant Section 108 note for retail development in the Auburn Blvd. Redevelopment Area. ($250);
- CHFA note for acquisition of property in Phoenix Park ($985);
- County of Sacramento note for demolition and relocation activities in the Auburn Blvd redevelopment area ($300);
- City of Sacramento Master Lease Agreement for financing redevelopment projects in the Merged Downtown Redevelopment Area ($26,740);
- City of Sacramento Master Lease Agreement for financing redevelopment projects in the Stockton Blvd. Redevelopment Area ($3,265).

During the current year the Agency made final payments on two Community Development Block Grant Section 108 notes and paid off the Library Plaza Group note payable with sale proceeds.

Governmental bonds payable increased $20,179 due to the addition of a tax allocation bond for financing redevelopment projects in the Merged Downtown Redevelopment Area ($26,815). During the current year the Agency made final payments on two tax allocation bonds that were used to finance redevelopment projects in the Alkali Flat Redevelopment Area.

Business type mortgage notes payable decreased $37 from the prior year as no new notes were issued and payment of outstanding principal reduced the year-end balances.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2002	2001	2002	2001	2002	2001
Notes payable	$ 59,831	$ 30,165	$ 813	$ 850	$ 60,644	$ 31,015
Bonds payable	149,526	129,347	-	-	149,526	129,347
Total	$ 209,357	$ 159,512	$ 813	$ 850	$ 210,170	$ 160,362

Additional information about the Agency's capital assets and total long-term debt is presented in Note III.E. and Note III.F., respectively, to the financial statements on pages 49 - 50 and 51 - 57 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency is a combined Housing Authority and a Redevelopment Agency. As such, its revenues and expenditures are dependent on external factors such as the assessment of property values and the availability of federal funding.

As a Redevelopment Agency, the Agency collects tax increment revenues that are based on growth within each of the thirteen redevelopment areas. Some of these areas, such as Mather and North Sacramento, are growing very rapidly, while other areas, such as the Army Depot and Auburn Boulevard, have negative growth, are stagnant, or have low growth. In general, as long as the local economy continues to grow, tax increment revenues, in total, are expected to continue to grow at a modest rate. However, budget problems at the State level have resulted in less tax increment funding available to the Agency. The 2002-03 State of California budget included the Education Revenue Augmentation Fund (ERAF), which took money from redevelopment agencies to increase funding for schools. For the Agency, ERAF charges will amount to $854 for the 2003 year. State mid-year budget discussions are on-going and it is unknown whether additional ERAF charges will be imposed.

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The Agency also operates the Community Development Block Grant (CDBG) and the HOME programs. Both of these programs are funded by the Department of Housing and Urban Development (HUD), which in turn is funded by the United States Congress. Given the current federal budget conditions, it is impossible to predict what the future revenues for these programs will be. Historically, the CDBG revenues have declined over the last few years but are increasing for 2003 as a result of the new 2000 census data. HOME revenues have grown slightly over the same time period but will show a very slight decrease in 2003.

The incorporation of Elk Grove and Rancho Cordova could result in a decline in revenue for these programs, which was the case when Citrus Heights became a city. Future year's revenues are unknown, but are expected to remain constant or decline slightly.
From a Housing Authority perspective, revenues should continue to grow. The Conventional Housing programs have observed a slow growth over the last few years but this trend reversed in 2002 and for 2003, HUD subsidies are expected to decline slightly. The Housing Choice Voucher (HCV) programs have grown more rapidly in the last few years and are expected to continue to grow in the near future. For example, administration revenues for this program have grown 93 percent during the six year period from 1997 to 2002. During this same time period, revenues for the housing assistance payment portion of the HCV (formerly Section 8) program have grown 103 percent.

As revenues and Agency workload have grown, so have expenses. The number of employees has grown slightly from 2000 to 2002 with a very slight decrease in 2003 and is anticipated to remain stable if funding levels remain constant. Salaries and benefits will grow as the 2000 Salary Study increases and union agreement Cost of Living Adjustments (COLA) become effective. Services and supply expenses should grow at a rate commensurate with program growth and rates of inflation.

REQUESTS FOR INORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director, Sacramento Housing and Redevelopment Agency, 630 I Street, Sacramento, California, 95814.

Basic Financial Statements

Sacramento Housing and Redevelopment Agency
Statement of Net Assets
December 31, 2002
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	$ 156,732	$ 3,579	$ 160,311	$ 326
Receivables (net)	11,613	678	12,291	72
Internal balances	500	(500)	-	-
Inventories	-	320	320	-
Deferred charges and prepaid items	1,539	6	1,545	52
Restricted cash and investments	8,208	953	9,161	507
Notes receivable (net)	93,306	179	93,485	-
Advances to component units	8,303	-	8,303	-
Advances to primary government	-	-	-	1,000
Capital assets				
Land and construction in progress	43,369	14,914	58,283	176
Depreciable buildings and improvements, and property and equipment, net	8,805	164,987	173,792	14,331
Total assets	332,375	185,116	517,491	16,464
LIABILITIES				
Accounts payable and accrued liabilities	17,481	621	18,102	147
Interest payable	1,423	-	1,423	-
Deferred revenue	4,927	6	4,933	-
Deposit and trust liability	1,106	951	2,057	68
Advances from primary government	-	-	-	8,303
Advances from component units	1,000	-	1,000	-
Long-term liabilities:				
Due within one year	14,001	41	14,042	5
Due in more than one year	199,654	772	200,426	6,247
Total liabilities	239,592	2,391	241,983	14,770
NET ASSETS				
Invested in capital assets, net of related debt	50,939	179,088	230,027	632
Restricted for:				
Debt service	9,474	-	9,474	-
Housing	38,134	2,808	40,942	-
Community development	145,968	-	145,968	-
Other	167	-	167	438
Unrestricted	(151,899)	829	(151,070)	624
Total net assets	$ 92,783	$ 182,725	$ 275,508	$ 1,694

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

Sacramento Housing and Redevelopment Agency
Statement of Activities
For the Year Ended December 31, 2002
(amounts expressed in thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:								
Governmental activities:								
Housing operations	$ 6,307	$ 1,420	$ 1,231	$ 7,510	$ 3,854	$ -	$ 3,854	$ -
Community development	62,162	20	33,070	11,000	(18,092)	-	(18,092)	-
Community social services	3,738	500	701	-	(2,537)	-	(2,537)	-
Total governmental activities	72,227	1,940	35,002	18,510	(16,775)	-	(16,775)	-
Business-type activities:								
Local housing	3,613	1,809	1,167	-	-	(637)	(637)	-
Public housing	19,937	6,997	7,449	-	-	(5,491)	(5,491)	-
Housing choice vouchers	61,352	-	81,784	-	-	432	432	-
Total business-type activities	84,902	8,806	70,400	-	-	(5,696)	(5,696)	-
Total primary government	$ 157,129	$ 10,746	$ 105,402	$ 18,510	(16,775)	(5,696)	(22,471)	-
Component units:								
Local housing	$ 2,915	$ 927	$ -	$ 50	-	-	-	(1,938)
Total component units	$ 2,915	$ 927	$ -	$ 50	-	-	-	(1,938)
General revenues:								
Tax increment					29,300	-	29,300	-
Investment earnings					4,338	124	4,462	35
Miscellaneous					5,025	-	5,025	764
Transfers, net					(10,892)	10,892	-	-
Total general revenues and transfers					27,771	11,016	38,787	799
Change in net assets					10,996	5,320	16,316	(1,139)
Net assets - beginning					81,787	177,405	259,192	2,833
Net assets - ending					$ 92,783	$ 182,725	$ 275,508	$ 1,694

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

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

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Sacramento Housing and Redevelopment Agency
Balance Sheet
Governmental Funds
December 31, 2002
(amounts expressed in thousands)

	City CDBG	County CDBG	City HOME	County HOME	City Merged Downtown Debt Service	City Merged Downtown Capital Projects	City Low Mod Merged Downtown Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS									
Assets:									
Cash and investments	$ 2,382	$ 2,938	$ 918	$ 1,782	$ 1,264	$ 52,447	$ 18,367	$ 86,000	$ 146,098
Accounts receivable (net)	44	28	57	53	-	-	-	108	268
Property taxes receivable	-	-	-	-	3,136	-	-	3,647	6,783
Due from other funds	-	-	-	-	-	17	-	3,695	3,712
Due from other governments	925	768	214	165	-	-	-	2,380	4,452
Notes receivable (net)	4,449	3,692	18,152	19,331	-	1,380	9,244	36,608	82,868
Advances to other funds	250	-	-	-	-	1,100	-	1,486	2,836
Advances to component units	2,708	-	-	-	-	101	1,526	3,968	8,303
Restricted cash and investments	-	-	-	-	756	-	-	6,820	7,576
Total assets	$ 10,758	$ 7,426	$ 19,341	$ 21,331	$ 5,156	$ 55,056	$ 29,137	$ 124,710	$ 272,914
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	$ 753	$ 641	$ 10	$ 20	$ -	$ 83	$ -	$ 2,591	$ 4,108
Accrued liabilities	8	-	-	-	15	-	-	65	88
Contracts payable	-	-	-	-	-	-	-	26	26
Due to other funds	-	-	-	-	1,316	-	116	2,280	3,712
Due to other governments	-	-	-	-	-	308	-	10,922	11,230
Deferred revenue	9,836	6,696	19,331	21,311	-	92	253	4,857	62,378
Deposit and trust liability	-	10	-	-	-	198	18	880	1,108
Advances from other funds	161	79	-	-	-	-	-	3,167	3,407
Total liabilities	10,758	7,426	19,341	21,331	1,331	691	387	24,788	86,053
Fund balances:									
Reserved for:									
Capital projects	-	-	-	-	-	48,926	18,837	37,411	103,174
Encumbrances	-	-	-	-	-	3,099	658	9,636	13,393
Debt service	-	-	-	-	741	-	-	6,820	7,561
Non-current assets	-	-	-	-	-	2,581	10,770	37,575	50,926
Loans	-	-	-	-	-	-	-	16	16
Housing operations	-	-	-	-	-	-	-	209	209
Unreserved, reported in:									
Special revenue funds	-	-	-	-	-	-	-	7,852	7,852
Debt service funds	-	-	-	-	3,084	-	-	(2,575)	509
Capital projects funds	-	-	-	-	-	(262)	485	2,978	3,211
Total fund balances	-	-	-	-	3,825	54,364	28,750	99,922	186,861
Total liabilities and fund balances	$ 10,758	$ 7,426	$ 19,341	$ 21,331	$ 5,156	$ 55,055	$ 29,137	$ 124,710	$ 272,914

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

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

Sacramento Housing and Redevelopment Agency
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2002
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of net assets are different because:		
Total fund balances of governmental funds		$ 186,861
Long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		57,449
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	$ 52,644	
Less: Accumulated depreciation	(1,814)	
		50,830
Internal service funds are used by management to charge the costs of administration and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The internal service funds include compensated absences of $2,801.		8,381
Costs of issuance related to bonds and notes payable are reported as current period expenditures in the funds:		
Deferred bond issuance costs		1,539
Certain current liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(1,423)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Tax allocation bonds payable	$(149,526)	
Notes payable	(59,831)	
Premium on bonds	(1,497)	
		(210,854)
Net assets of governmental activities		$ 92,783

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

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Sacramento Housing and Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City CDBG	County CDBG	City HOME	County HOME	City Merged Downtown Debt Service
REVENUES					
Intergovernmental	$ 9,746	$ 8,505	$ 4,106	$ 2,437	$ -
Property taxes	-	-	-	-	15,184
Rental income	-	20	-	-	-
Interest income	418	56	256	376	611
Miscellaneous	1,378	616	339	364	-
Total revenues	11,542	9,197	4,701	3,177	15,795
EXPENDITURES					
Current:					
Housing operations	-	-	-	-	-
Community development	8,799	7,607	2,543	3,177	-
Community social services	663	701	-	-	-
Capital outlay	1,242	476	2,158	-	-
Debt service:					
Principal retirement	-	-	-	-	5,512
Interest	9	5	-	-	5,967
Related charges	-	-	-	-	319
Bond issuance costs	-	-	-	-	-
Total expenditures	10,713	8,789	4,701	3,177	11,798
Excess (deficiency) of revenues over (under) expenditures	829	408	-	-	3,997
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	739
Premium on redevelopment bonds	-	-	-	-	-
Donation of capital assets	-	-	-	-	-
Sale of capital assets	-	-	-	-	5,100
Transfers in	-	-	-	-	-
Transfers out	(829)	(408)	-	-	(6,101)
Total other financing sources (uses)	(829)	(408)	-	-	(262)
Net change in fund balances	-	-	-	-	3,735
Fund balances, beginning	-	-	-	-	90
Fund balances, ending	$ -	$ -	$ -	$ -	$ 3,825

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

	City Merged Downtown Capital Projects	City Low/Mod Merged Downtown Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Intergovernmental	$ -	$ -	$ 16,546	$ 41,340
Property taxes	-	-	14,118	29,300
Rental income	-	-	6	26
Interest income	(70)	33	2,622	4,302
Miscellaneous	223	17	3,075	6,012
Total revenues	153	50	36,365	80,980
EXPENDITURES				
Current:				
Housing operations	-	-	4,685	4,685
Community development	6,736	856	15,507	45,227
Community social services	67	-	2,307	3,738
Capital outlay	1,449	-	10,036	15,361
Debt service:				
Principal retirement	-	-	4,398	9,910
Interest	-	-	4,924	10,905
Related charges	-	-	314	633
Bond issuance costs	1,215	354	70	1,639
Total expenditures	9,467	1,212	42,241	92,098
Excess (deficiency) of revenues over (under) expenditures	(9,314)	(1,162)	(5,876)	(11,118)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	40,696	11,517	6,803	59,755
Premium on redevelopment bonds	1,279	277	5	1,561
Donation of capital assets	6,820	-	-	6,820
Sale of capital assets	-	-	-	5,100
Transfers in	4,497	-	12,896	17,393
Transfers out	(238)	-	(10,711)	(18,287)
Total other financing sources (uses)	53,054	11,794	8,993	72,342
Net change in fund balances	43,740	10,632	3,117	61,224
Fund balances, beginning	10,624	18,118	96,805	125,637
Fund balances, ending	$ 54,364	$ 28,750	$ 99,922	$ 186,861

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

Sacramento Housing and Redevelopment Agency
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2002
(amounts expressed in thousands)

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (pages 21-22)		$ 61,224
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital outlay	$ 15,361	
Depreciation expense	(588)	
		14,773
Capital asset donations are not reported in the funds.		4,180
The net effect of various transactions involving capital assets (i.e., sales and donations) is to decrease net assets.		(9,577)
Capital assets transferred from governmental activities to business-type activities are reported as transfers in the statement of activities. The transfers are not reported in the governmental funds as the amount did not involve the transfer of financial resources:		
Capital assets transferred		(9,998)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but deferred and amortized throughout the period during which the related debt is outstanding in the statement of activities. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
Long-term debt issued	$ (59,755)	
Principal repayments on long-term debt:		
Notes payable	3,274	
Tax allocation bonds payable	6,636	
Bond issuance costs	1,639	
Premium on bond issue	(1,561)	
		(49,767)
Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Amortization of bond issuance costs	$ (100)	
Amortization of bond premium	64	
		(36)
Interest expense reported in the statement of activities does not require the use of current available resources, and therefore, is not reported as expenditures in governmental funds.		(228)
Earned deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		2,099
Internal service funds are used by management to charge the costs of certain activities, such as administration and insurance, to individual funds. The net expense of the internal service funds is reported with the governmental activities.		(1,674)
Change in net assets of governmental activities (page 16-17)		$ 10,996

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

Sacramento Housing and Redevelopment Agency
Statement of Net Assets
Proprietary Funds
December 31, 2002
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds						
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Assets							
Current assets:							
Cash and investments	$ 1,139	$ 866	$ -	$ 282	$ 1,292	$ 3,579	$ 10,634
Accounts receivable (net)	88	58	-	-	71	217	22
Due from other funds	412	-	-	-	237	649	-
Due from other governments	-	-	451	-	10	461	68
Deferred charges and prepaid items	-	-	-	-	6	6	-
Inventories	320	-	-	-	-	320	-
Total current assets	1,959	924	451	282	1,616	5,232	10,724
Noncurrent assets:							
Restricted cash and investments:							
Painting/replacement	-	-	-	-	73	73	-
Insurance impound/security deposits	416	237	-	-	17	670	-
Restricted cash	35	11	87	74	3	210	632
Total restricted assets	451	248	87	74	93	953	632
Notes receivable (net)	-	-	-	-	179	179	440
Advances to other funds	-	-	-	-	-	-	1,071
Capital assets:							
Land	7,899	5,249	-	-	1,766	14,914	979
Buildings and improvements	107,676	65,786	-	-	16,927	212,389	270
Property and equipment	2,493	1,507	7	7	34	4,048	1,485
Less accumulated depreciation	(27,936)	(18,023)	(7)	(7)	(5,477)	(51,450)	(1,390)
Total capital assets (net of accumulated depreciation)	90,132	74,519	-	-	15,250	179,901	1,344
Total noncurrent assets	90,583	74,767	87	74	15,522	181,033	3,487
Total assets	92,542	75,691	538	356	17,138	186,265	14,211
Liabilities							
Current liabilities:							
Accounts payable	137	20	38	7	115	317	933
Accrued liabilities	12	-	1	-	2	15	1,096
Compensated absences	-	-	-	-	-	-	1,497
Due to other funds	-	-	412	-	237	649	-
Due to other governments	-	-	-	275	14	289	-
Deferred revenue	-	-	-	-	6	6	-
Current portion of long-term debt	-	-	-	-	41	41	-
Current liabilities payable from restricted assets:							
Deposit and trust liability	439	248	87	74	103	951	-
Total current liabilities	588	268	538	356	518	2,268	3,526
Noncurrent liabilities:							
Compensated absences	-	-	-	-	-	-	1,304
Mortgage notes payable	-	-	-	-	772	772	-
Advances from other funds	-	-	-	-	500	500	-
Advances from component unit	-	-	-	-	-	-	1,000
Total noncurrent liabilities	-	-	-	-	1,272	1,272	2,304
Total liabilities	588	268	538	356	1,790	3,540	5,830
Net Assets							
Invested in capital assets, net of related debt	90,132	74,519	-	-	14,437	179,088	1,344
Restricted for housing operations	1,822	904	-	-	82	2,808	-
Unrestricted	-	-	-	-	829	829	7,037
Total net assets	$ 91,954	$ 75,423	$ -	$ -	$ 15,348	$ 182,725	$ 8,381

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

Sacramento Housing and Redevelopment Agency
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds						Governmental Activities-Internal Service Funds
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Other Enterprise Funds	Total	
Operating revenues							
Service fees	$ -	$ -	$ -	$ -	$ 184	$ 184	$ 5,818
Rental income	4,360	2,376	-	-	1,186	7,922	-
Miscellaneous	163	98	-	-	459	720	20
Total operating revenues	4,523	2,474	-	-	1,829	8,826	5,838
Operating expenses							
Employee services	3,538	1,786	1,876	1,490	658	9,348	4,210
Administrative services	976	508	630	654	328	3,096	-
Services and supplies	4,580	2,180	775	717	1,942	10,194	2,640
Utilities	1,134	592	-	-	252	1,978	-
Claims and judgments	-	-	-	-	-	-	559
Depreciation	2,530	2,106	-	-	379	5,015	75
Housing assistance payments	-	-	26,586	28,624	-	55,210	-
Total operating expenses	12,758	7,172	29,867	31,485	3,559	84,841	7,484
Operating loss	(8,235)	(4,698)	(29,867)	(31,485)	(1,730)	(76,015)	(1,646)
Nonoperating revenues (expenses)							
Intergovernmental	5,005	2,444	30,030	31,754	1,167	70,400	-
Interest income	63	30	-	-	31	124	(28)
Interest expense	(4)	(3)	-	-	(74)	(81)	-
Total nonoperating revenues (expenses)	5,064	2,471	30,030	31,754	1,124	70,443	(28)
Income (loss) before contributions and transfers	(3,171)	(2,227)	163	269	(606)	(5,572)	(1,674)
Capital contributions	3,705	1,771	-	-	4,522	9,998	-
Transfers in	453	116	-	-	1,021	1,590	-
Transfers out	-	-	(194)	(269)	(233)	(696)	-
Change in net assets	987	(340)	(31)	-	4,704	5,320	(1,674)
Total net assets, beginning	90,967	75,763	31	-	10,644	177,405	10,055
Total net assets, ending	$ 91,954	$ 75,423	$ -	$ -	$ 15,348	$ 182,725	$ 8,381

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

Sacramento Housing and Redevelopment Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds						Governmental Activities-Internal Service Funds
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Other Enterprise Funds	Total	
Cash flows from operating activities:							
Receipts from tenants	$ 4,468	$ 2,456	$ -	$ -	$ 1,742	$ 8,666	$ -
Receipts from interfund services provided	-	-	412	275	63	750	6,017
Received from (refunded to) tenants	41	24	(145)	74	-	(6)	-
Payments to suppliers for goods and services	(7,235)	(3,305)	(1,402)	(1,364)	(2,532)	(15,838)	(1,789)
Payments to employees for services	(3,524)	(1,786)	(1,575)	(1,490)	(710)	(9,085)	(4,112)
Housing assistance payments on behalf of tenants	-	-	(26,886)	(28,624)	-	(55,510)	-
Payments for claims and judgment	-	-	-	-	-	-	(394)
Net cash used in operating activities	(6,250)	(2,611)	(29,596)	(31,129)	(1,437)	(71,023)	(278)
Cash flows from noncapital financing activities							
Transfers in	453	116	-	-	1,021	1,590	-
Transfers out	-	-	(194)	(269)	(233)	(696)	-
Intergovernmental revenue received	5,008	2,449	29,277	31,562	1,169	69,465	-
Decrease (increase) in advance to other funds	-	-	-	-	-	-	560
Repayment of loans from other funds	-	-	-	-	(282)	(282)	-
Increase in notes receivable	-	-	-	-	(179)	(179)	(32)
Net cash provided by noncapital financing activities	5,461	2,565	29,083	31,293	1,496	69,898	528
Cash flows from capital and related financing activities.							
Purchase of capital assets	(5)	-	-	-	-	(5)	-
Repayments of long-term liabilities	-	-	-	-	(37)	(37)	-
Interest paid	(4)	(3)	-	-	(79)	(86)	-
Net cash used by capital and related financing activities	(9)	(3)	-	-	(116)	(128)	-
Cash flows from investing activities.							
Interest received	63	30	-	-	31	124	(28)
Net increase (decrease) in cash and cash equivalents	(735)	(19)	(513)	164	(26)	(1,129)	222
Cash and cash equivalents, January 1	2,325	1,133	600	192	1,411	5,661	11,044
Cash and cash equivalents, December 31	$ 1,590	$ 1,114	$ 87	$ 356	$ 1,385	$ 4,532	$ 11,266
Reconciliation of cash and cash equivalents to the statement of net assets.							
Cash and investments	$ 1,139	$ 866	$ -	$ 282	$ 1,302	$ 3,589	$ 10,634
Restricted cash and investments	451	248	87	74	83	943	632
Total	$ 1,590	$ 1,114	$ 87	$ 356	$ 1,385	$ 4,532	$ 11,266
Reconciliation of operating loss to net cash used in operating activities:							
Operating loss	$ (8,235)	$ (4,698)	$ (29,867)	$ (31,485)	$ (1,730)	$ (76,015)	$ (1,646)
Adjustments to reconcile operating loss to net cash used in operating activities							
Depreciation	2,530	2,106	-	-	379	5,015	75
Decrease (increase) in accounts receivable	(55)	(18)	-	-	(41)	(114)	3
Decrease (increase) in due from other funds	(412)	-	-	-	(237)	(649)	244
Increase in due from other governments	-	-	-	-	-	-	(68)
Increase in inventories	(3)	-	-	-	-	(3)	-
Decrease in deferred charges and prepaid items	-	-	-	-	-	-	74
Increase (decrease) in accounts payable	(128)	(25)	3	7	(67)	(210)	777
Increase (decrease) in accrued liabilities	12	-	1	-	-	13	(17)
Increase in due to other funds	-	-	412	275	217	904	-
Increase in compensated absences	-	-	-	-	-	-	280
Increase in due to other governments	-	-	-	-	6	6	-
Increase in deferred revenue	-	-	-	-	5	5	-
Increase (decrease) in deposit and trust liability	41	24	(145)	74	31	25	-
Total adjustments	1,985	2,087	271	356	293	4,992	1,368
Net cash used in operating activities	$ (6,250)	$ (2,611)	$ (29,596)	$ (31,129)	$ (1,437)	$ (71,023)	$ (278)
Noncash investing, capital and financing activities							
Transfer of capital assets	$ 3,705	$ 1,771	$ -	$ -	$ 4,522	$ 9,998	$ -

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

Sacramento Housing and Redevelopment Agency
Statement of Fiduciary Net Assets
Agency Fund
December 31, 2002
(amounts expressed in thousands)

		Neighborhood Housing Services
Assets:		
Cash and investments	$	10
Total assets	$	10
Liabilities:		
Deposit and trust liability	$	10
Total liabilities	$	10

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

Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Component Units
December 31, 2002
(amounts expressed in thousands)

	Riverview Plaza Associates	Norwood Avenue Housing Partnership	Sacramento Housing Development Corporation	Shasta Hotel Investors Partnership	Total
Assets					
Current assets:					
Cash and investments	$ -	$ 318	$ -	$ 8	$ 326
Accounts receivable (net)	2	49	-	21	72
Deferred charges and prepaid items	46	4	-	2	52
Total current assets	48	371	-	31	450
Noncurrent assets:					
Restricted cash and investments:					
Painting/replacement	72	195	-	172	439
Insurance impound	42	13	-	13	68
Total restricted assets	114	208	-	185	507
Advances to primary government	-	-	1,000	-	1,000
Capital assets:					
Land	-	176	-	-	176
Buildings and improvements	13,725	3,473	-	4,345	21,543
Property and equipment	317	-	-	8	325
Less accumulated depreciation	(5,121)	(1,066)	-	(1,350)	(7,537)
Total capital assets (net of accumulated depreciation)	8,921	2,583	-	3,003	14,507
Total noncurrent assets	9,035	2,791	1,000	3,188	16,014
Total assets	9,083	3,162	1,000	3,219	16,464
Liabilities					
Current liabilities:					
Accounts payable	-	23	-	25	48
Accrued liabilities	-	97	-	1	98
Due to other governments	-	1	-	-	1
Current portion of long-term debt	-	5	-	-	5
Current liabilities payable from restricted assets:					
Deposit and trust liability	42	13	-	13	68
Total current liabilities	42	139	-	39	220
Noncurrent liabilities:					
Mortgage notes payable	933	1,834	-	2,000	4,767
Advances from primary government	7,486	716	101	-	8,303
Other long - term obligations	392	412	-	676	1,480
Total noncurrent liabilities	8,811	2 962	101	2,676	14 550
Total liabilities	8,853	3 101	101	2 715	14 770
Net Assets					
Invested in capital assets, net of related debt	110	28	-	327	465
Restricted for other	71	195	-	172	438
Unrestricted	49	(162)	899	5	791
Total net assets	$ 230	$ 61	$ 899	$ 504	$ 1 694

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

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Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Riverview Plaza Associates	Norwood Avenue Housing Partnership	Sacramento Housing Development Corporation	Shasta Hotel Investors Partnership	Total
Operating revenues:					
Service fees	$ -	$ -	$ -	$ 4	$ 4
Rental income	490	157	-	276	923
Miscellaneous	670	8	-	86	764
Total operating revenues	1,160	165	-	366	1,691
Operating expenses:					
Employee services	292	-	-	-	292
Administrative services	-	61	-	195	256
Services and supplies	590	73	-	129	792
Utilities	121	16	-	46	183
Depreciation	343	116	-	158	617
Total operating expenses	1,346	266	-	528	2,140
Operating loss	(186)	(101)	-	(162)	(449)
Nonoperating revenues (expenses):					
Interest income	4	20	-	11	35
Interest expense	(611)	(104)	-	(60)	(775)
Total nonoperating revenues (expenses)	(607)	(84)	-	(49)	(740)
Loss before contributions	(793)	(185)	-	(211)	(1,189)
Capital contributions	-	50	-	-	50
Change in net assets	(793)	(135)	-	(211)	(1,139)
Total net assets, beginning	1,023	196	899	715	2,833
Total net assets, ending	$ 230	$ 61	$ 899	$ 504	$ 1,694

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

Sacramento Housing and Redevelopment Agency
Statement of Cash Flows
Component Units
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Riverview Plaza Associates	Norwood Avenue Housing Partnership	Sacramento Housing Development Corporation	Shasta Hotel Investors Partnership	Total
Cash flows from operating activities:					
Receipts from tenants	$ 442	$ 118	$ -	$ 273	$ 833
Receipts from primary government	670	-	-	86	756
Payments to suppliers for goods and services	(736)	(71)	-	(165)	(972)
Payments to employees for services	(292)	(61)	-	(195)	(548)
Net cash provided by (used in) operating activities	84	(14)	-	(1)	69
Cash flows from noncapital financing activities:					
Loans from primary government	314	170	-	-	484
Net cash provided by noncapital financing activities	314	170	-	-	484
Cash flows from capital and related financing activities:					
Repayments of long-term liabilities	-	(5)	-	-	(5)
Capital contributions	-	50	-	-	50
Interest paid	(584)	(58)	-	-	(642)
Net cash used by capital and related financing activities	(584)	(13)	-	-	(597)
Cash flows from investing activities:					
Interest received	4	20	-	11	35
Net cash provided by investing activities	4	20	-	11	35
Net increase (decrease) in cash and cash equivalents	(182)	163	-	10	(9)
Cash and cash equivalents, January 1	296	363	-	183	842
Cash and cash equivalents, December 31	$ 114	$ 526	$ -	$ 193	$ 833
Reconciliation of cash and cash equivalents to the statement of net assets:					
Cash and investments	$ -	$ 318	$ -	$ 8	326
Restricted cash and investments	114	208	-	185	507
Total	$ 114	$ 526	$ -	$ 193	$ 833
Reconciliation of operating loss to net cash provided by (used in) operating activities:					
Operating loss	$ (186)	$ (101)	$ -	$ (162)	$ (449)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation	343	116	-	158	617
Decrease (increase) in accounts receivable	(1)	(44)	-	(5)	(50)
Increase in deferred charges and prepaid items	(46)	(4)	-	(1)	(51)
Increase (decrease) in accounts payable	(26)	9	-	(7)	(24)
Increase in accrued liabilities	-	9	-	18	27
Decrease in due to other governments	-	-	-	(1)	(1)
Increase in deposit and trust liability	-	3	-	-	3
Decrease in deferred revenue	-	(2)	-	(1)	(3)
Total adjustments	270	87	-	161	518
Net cash provided by (used in) operating activities	$ 84	$ (14)	$ -	$ (1)	$ 69

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

Notes to the Basic Financial Statement

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Sacramento Housing and Redevelopment Agency (Agency) is a joint powers agency that includes the Housing Authorities of the City and County of Sacramento and the Redevelopment Agencies of the City and County of Sacramento, which are responsible for the development and implementation of housing, redevelopment, and selected economic development programs and activities for the City and County of Sacramento.

The Agency serves as the fiscal agent/administrator for the following four legal entities: The Housing Authorities of the City and County of Sacramento, and the Redevelopment Agencies of the City and County of Sacramento. The Housing Authorities of the City and County were formed in July 1939 and June 1940, respectively. The Redevelopment Agencies were formed in September 1950 and September 1974, respectively. Additionally, the Agency has served as the administrator of the Community Development Block Grant Programs for the City and County of Sacramento since June 1982.

The governing boards of the Agency include the City Council of the City of Sacramento (City), the Board of Supervisors of the County of Sacramento (County), and the Sacramento Housing and Redevelopment Commission (Commission). The City Council, acting as the City Housing Authority and the City Redevelopment Agency, approves all City related agenda items. The County Board of Supervisors, acting as the County Housing Authority and the County Redevelopment Agency, approves all County related agenda items. The Commission also serves in an advisory capacity for each entity. The Commission has operational authority within the budget and policy direction approved by the City Council and County Board of Supervisors.

The Agency has been classified as a blended component unit of the City of Sacramento because of the City's financial and operational relationship with the Agency. The Agency's governing body is substantively the same as the City's governing body.

The Agency has defined its reporting entity in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," which provides guidance for determining which governmental activities, organizations, and functions should be included in its reporting entity. The component units discussed in the following paragraphs are included in the Agency's reporting entity because of the significance of their operational or financial relationships with the Agency. Blended component units, although legally separate entities are, in substance, part of the government's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the Agency. Complete financial statements of individual component units can be obtained from the Finance Department of the Agency.

Blended Component Unit

Foundation Uniting Needs and Dollars (FUND, Inc.) - A nonprofit corporation established to maintain or aid charitable activities serving the public. It is a component unit of the Agency because the purpose of this corporation is to promote and support the activities and programs of the Sacramento Housing and Redevelopment Agency. The Board of Directors of FUND, Inc. is comprised of the members of the Commission. Acting in its capacity as the Board of Directors, the Commission approves the FUND, Inc. budget. The Executive Director of the Agency serves as the Executive Director of FUND, Inc.

Discretely Presented Component Units

Riverview Plaza Associates (RPA) - A California limited partnership created to provide affordable housing to seniors with limited income. It is a component unit of the Agency because one of the governing boards of the Agency (the Board of Supervisors) serves as the Board of Directors of the general partner. Additionally, it is a component unit because through contractual arrangement, the Agency is responsible for all financial matters including management of daily operations. Finally the Agency has guaranteed to fund up to a maximum of $658 per year to cover obligations of the RPA, to the extent that RPA revenues are inadequate. The guarantee agreement terminates on January 1, 2005.

Norwood Avenue Housing Partnership (Partnership) - A California limited partnership created to provide affordable housing to families with limited income. The Partnership is comprised of the following entities: (1) Norwood Avenue Housing Corporation, a nonprofit corporation with a governing board comprised of the Executive Director of the Agency and two Agency staff, as general partner; (2) Housing Allies, Inc., a Delaware corporation as an additional general partner; (3) Housing Authority of the City of Sacramento as the initial limited partner, and (4) Housing Allies Credit Partners -Norwood, a California limited partnership as limited partner. It is a component unit because through contractual arrangements, the Agency bears responsibility for financial and operational matters of the project.

Sacramento Housing Development Corporation (SHDC) - A nonprofit corporation created to serve as the general partner of RPA (component unit described above). It is a component unit of the Agency because the governing board of the SHDC is comprised of the members of one of the governing boards of the Agency, the County Board of Supervisors. The Redevelopment Agency of the City of Sacramento is legally obligated to finance any deficits of SHDC. The Executive Director of the Agency also serves as the Executive Director of SHDC.

Shasta Hotel Investors Partnership (Partnership) - A California limited partnership created for the purpose of constructing and operating an 80 unit rental housing project in Sacramento, California. The Partnership is comprised of the following two entities: (1) Shasta Hotel Corporation, a nonprofit corporation with a governing board comprised of Agency staff and representatives of selected nonprofit housing and social service entities as managing general partner and (2) National Equity Fund 1992 limited partnership, a California limited partnership. It is a component unit because the general partner's governing board members serve at the direction of the Executive Director, and through contractual arrangements, the Agency is responsible for financial and operational matters of the Partnership.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Interest expense relating to governmental notes and bonds payable are reported as community development expenses as these expenses are essential to the ongoing operations of those programs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

The Agency reports the following major governmental funds:

The *City and County Community Development Block Grant funds* account for a variety of capital projects and community service activities for targeted areas within the City and County of Sacramento, and federal and state loan programs on behalf of the federal and state governments.

The *City and County Home Investment Partnerships Act (HOME) funds* account for the activities of programs/projects to provide more units of low-income housing in the City and County of Sacramento.

The *City Merged Downtown Debt Service fund* accounts for the accumulation of monies for payment of interest and principal on bonds, notes and loans issued to finance capital improvements and redevelopment within the City Merged Downtown project area.

The *City Merged Downtown Capital Projects fund* accounts for the financing and construction activities of capital improvements in the City Merged Downtown project area.

The *City Low/Mod Merged Downtown Capital Projects fund* accounts for the financing and construction activities of low and moderate housing capital improvements in the City Low/Mod Merged Downtown project area.

The Agency reports the following major enterprise funds:

The *City and County Public Housing funds* account for the activity of the low-income rental units operated by the Agency within the City and County of Sacramento. This is a program subsidized by the U.S. Department of Housing and Urban Development.

The *City and County Housing Choice Vouchers funds* account for various U.S. Department of Housing and Urban Development programs that subsidize private landlords to house low-income households within the City and County of Sacramento.

Additionally, the Agency reports the following fund types:

Internal service funds are used to account for the costs of insurance and accumulated funds for catastrophic events and the financing of goods or services provided by one department to other departments of the Agency and to other government units, on a cost-reimbursement basis.

The *Neighborhood Housing Services Agency fund* is used to account for resources held on behalf of Sacramento Neighborhood Housing Services (NHS). NHS is a non-profit corporation whose purpose is to improve and restore neighborhoods throughout Sacramento County, primarily for the benefit of the neighborhood residents.

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

Eliminations have been made to minimize the double counting of internal activities in the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenues include tax increment revenues.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principle operating revenues of the Agency's enterprise funds are rental income from its public housing units. Operating expenses for enterprise funds include employee services, services and supplies, administrative expenses, utilities, depreciation on capital assets and housing assistance payments to landlords. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

Cash and investments, except those which must be legally segregated, are pooled together and managed by the City Treasurer. The share of each fund in the pooled cash account is separately accounted for and interest earned is apportioned monthly to funds that are legally required to receive interest based on the relationship of a fund's daily balance to the total of pooled cash and investments. The balance of pooled cash is maintained at a level sufficient to meet current operating requirements. Cash in excess of current requirements is invested. Investments for the Agency are stated at fair value, based on quoted market prices.

The City Treasurer manages investments of the Agency (except for funds held with fiscal agents) and is responsible for the regulatory oversight of the pool. The Sacramento City Council (City Council), by Resolution 89-167 and 95-108, has adopted investment guidelines that are generally consistent with the requirements of California Government Code Section 53601, although they do differ by allowing certain investments not authorized by that section. These resolutions were adopted by the City Council under the authority of the Sacramento City Charter.

During the year ended December 31, 2002, the Agency formally requested that the City invest the Agency's funds in compliance with Section 53601 and on March 18, 2003, a revised investment policy was adopted by the City Council.

Investments of funds serve to maximize investment income and are accomplished by various custodial financial institutions vested with responsibility for administering funds under the control of the City Treasurer. The fair value of investments is determined monthly. The value of the pooled shares in the City and with the Local Agency Investment Fund (LAIF) that may be withdrawn is determined on an amortized cost basis, which is different than fair value, but is adjusted to the fair value at year-end. However, the fair value of the Agency's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The Agency receives property tax revenue in the form of tax increments. Tax increments are derived from the increase in assessed value of tax rate areas from the date first established as a redevelopment area to the current date, multiplied by the area tax rate. The property tax rate pursuant to the state constitution is 1% of assessed value plus any amount necessary to provide coverage of debt established prior to 1977. Taxes are levied by the Sacramento County Assessor and become a lien on property on January 1 and are payable in two installments on November 1 and February 1. Taxes become delinquent December 10 and April 10. The County bills and collects property taxes and apportions them to the relevant public entities periodically during the year. The County utilizes an alternative method of distribution of property tax levies and assessments known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property assessments and supplemental property taxes based on the tax levy resulting in full payment to the Agency each fiscal year. Any subsequent delinquent payments and related penalties and interest collected reverts to the County.

The balance of property taxes receivable at December 31 represents current accrued property taxes, which were received from the County within 60 days of the Agency's year end.

Notes receivable amounts primarily represent loans made for redevelopment, economic development and property rehabilitation. A committee of the governing body approves deferral of payments. The Agency has created an allowance for loan losses for notes that the Agency has identified as potentially uncollectible. If the amounts become uncollectible, they will be written off and charged against the allowance when the determination is made. The allowance for loan losses as of December 31, 2002 was $3,449.

Amounts reported as due from other governments represent receivables from federal, state, and local governments for various programs including $939 due from the City of Sacramento and $757 due from the County of Sacramento.

3. Inventories and Prepaid Items

Inventories are stated at cost using the first-in, first-out method in the proprietary funds. Inventories are recorded as expenditures when consumed rather than when purchased.

(dollar amounts expressed in thousands)

Prepaid items represent costs for goods and/or services, which will benefit periods beyond December 31, 2002.

4. Restricted Cash and Investments

Certain proceeds of debt issues, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable debt covenants. In addition, certain cash and investments are restricted by grantors for replacement, tenant security deposits and insurance impounds. The total restricted assets on the government-wide statements equals $9,668 of which $8,418 represents cash and investments restricted by debt covenants, $512 is for replacement and $738 is for tenant security deposits and insurance impounds.

5. Capital Assets

Capital assets, which include land, buildings and improvements, and property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are recorded at the lower of actual historical cost or fair market value (as of the date donated for contributed assets). Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Property and equipment	5 to 10 years

It is the policy of the Agency to capitalize all land, buildings and improvements, and property and equipment with an initial cost of more than $5. Interest incurred during the construction phase of capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

In the government-wide statements and in the proprietary funds financial statements, costs of assets sold or retired (and related amounts of accumulated depreciation) are eliminated from the accounts in the year of sale or retirement and the resulting gain or loss is included in the operating statement of the related fund. In governmental funds, the proceeds of the sale of general capital assets are included in the statement of revenues, expenditures and changes in fund balances.

6. Compensated Absences

An employee accumulates vacation time in accordance with the employee's respective "Memorandum of Understanding". The amount of vacation vested and accrued depends on years of service and date of hire. Vacation vested may be accumulated up to various maximum hours and is paid in full upon termination or retirement. Sick leave time may be accumulated without limit. Upon termination, a represented employee in good standing after ten years of continuous service may receive in cash the value of twenty percent of accumulated sick leave hours. At retirement, a represented employee may convert unused accumulated sick leave towards retirement service credit or receive in cash the value of twenty percent of the accumulated sick leave hours. Upon termination an unrepresented employee in good standing after three years of continuous service may receive in cash the value of one-third (33.33%) of accumulated sick leave hours. At retirement an unrepresented employee may convert all unused sick leave towards retirement service credit or receive in cash the value of one-third (33.3%) and convert the balance of unused sick leave to retirement service credit. Annually, employees with an accumulated sick leave balance of 500 hours or more, and who have used 24 hours or less of sick leave by December 1 of the current calendar year, may receive in cash the value of up to 16 hours sick leave by December 31.

For governmental and proprietary fund types, accrued vacation and sick pay are charged as an expenditure/expense in the period earned. The related liability is recorded in the internal support internal service fund.

7. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period and when resources are received before the Agency has a legal claim to them.

8. Long-Term Obligations

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

Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

10. Statement of Cash Flows

For the purposes of the statement of cash flows, cash and cash equivalents have been defined as all highly liquid investments (including restricted cash and investments) with a maturity of three months or less from the date of purchase and pooled cash.

11. Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The annual budget of the Agency is adopted on a calendar year basis. Prior to December 1, the Executive Director submits a proposed operating budget to the governing bodies for review and approval. The budget is legally enacted through passage of a resolution prior to January 1.

The budget adoption resolution specifies that the legal level of budgetary control is at the fund level. Budgeted expenditures represent original appropriations adjusted by supplemental budgetary appropriation amendments.

(dollar amounts expressed in thousands)

Management has the authority to overexpend appropriations at the function or department level without additional approval of the governing bodies as long as the total appropriations for the fund are not exceeded.

The Executive Director is authorized to transfer up to $100 per transaction, within a fund without additional approval of the governing boards. In addition, the Executive Director has been delegated the authority to amend the budget for federally funded programs as approved by federal departments and for a variety of social services grants identified in the budget, provided that the grantor is fully funding the augmentation. The Executive Director has authority to allocate and transfer any available fund balances to accounts held for future projects or to reduce budget shortfalls in any other fund balances up to $50, provided monies so used are not restricted by law or regulations related to the funding source.

Encumbrance accounting is used during the year for budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather, a reservation of fund balance. The Agency honors contracts represented by year-end encumbrances in the subsequent year's appropriations provided that the Agency has adequate funding to complete these transactions. Encumbrance appropriation carryovers are limited to the balance remaining of operating budget appropriations. All other operating budget appropriations and encumbrances lapse at year-end.

Annual budgets are not adopted for the Agency's major special revenue funds but are adopted on a project length basis which may extend over several years. Annual budgets are adopted on a modified accrual basis for all Debt Service funds, Local Tax Special Revenue funds and Housing Special Revenue funds, except for the Revenue Bond Program, City and County Drug Elimination funds, FUND, Inc., and City and County Credit Check funds. The adopted budgets for the Community Development, Tax Increment, Revenue Bond Program and City and County Drug Elimination Special Revenue funds and for the Capital Project funds are adopted on a project length basis which may extend over several years. The City and County Credit Check funds were combined in an Enterprise fund in prior years and it was determined for the current year that they should be separated out and presented in Special Revenue funds. A budget was not adopted in the current year but will be adopted in future years. A budget is not adopted for FUND, Inc. since it is a blended component unit of the Agency. Additionally, although not legally required, the Agency adopts annual budgets for the Enterprise, Internal Service, and Component Unit funds.

For financial reporting purposes, budgetary information is presented on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America for those special revenue funds and debt service funds which have annual budgets.

B. Excess of expenditures over appropriations

For the year ended December 31, 2002, certain funds had the following expenditures in excess of budgeted appropriations at the fund level:

Special Revenue:		Debt Service:	
General Housing Reserve	$ 1	City Richards Boulevard	$ 28
County Mather Transitional Housing	17	City/County Auburn Boulevard	42
City Public Housing Homeownership	196	City Army Depot	27
City Local Tax	2	City CDBG	2

Fund expenditures exceeded budget appropriations in General Housing Reserve, County Mather Transitional Housing, City Public Housing Homeownership, and City Local Tax due to unanticipated operating expenditures. City Richards Boulevard, City/County Auburn Boulevard, Army Depot, and City CDBG had unanticipated interest and debt service related fees.

C. Net Assets/Fund Balances

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets, net of related debt - This category groups all capital assets into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted net assets – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Of the restricted net assets, $167 in the governmental funds and $195 in the Component Unit funds are categorized as *other*. The amount in the governmental funds is restricted for expenditures relating to the Shasta Hotel. The amount in the Component Unit funds are for operating and replacement reserves.

Unrestricted net assets – This category represents net assets of the Agency, not restricted for any project or other purpose.

In the fund financial statements, reserves segregate portions of fund balance, which do not represent expendable available resources or are legally segregated for a specific future use. The remaining portion is unreserved fund balance. A summary of reserved and unreserved fund balances for the governmental funds is as follows:

Reserved for:	Amount	Unreserved, reported in:	Amount
Capital projects	$ 103,174	Special revenue funds	$ 7,852
Encumbrances	13,393	Debt service funds	509
Debt service	7,561	Capital projects funds	3,211
Non-current assets	50,936	Total unreserved	
Loans	16	fund balance	11,572
Housing operations	209		
Total reserved fund balance	$175,289	Total fund balance	$186,861

D. Deficit Fund Equity

The following governmental funds have deficit fund balances:

Special Revenue:		Debt Service:	
Community Development:		City Richards Boulevard	$204
City CalHOME	$84	County Walnut Grove	308
County CalHOME	93	City/County Franklin Boulevard	264
		City/County Auburn Boulevard	358
Tax Increment Low and Moderate Income Housing:		County Mather/McClellan Merged	2,115
City Low/Mod Alkali Flat	116	City Army Depot	332
		City Northgate	40
		City 65th Street/Folsom Boulevard	250

The deficit fund balances within the special revenue and debt service funds noted above will be funded by future tax increment revenues and transfers from other funds of the Agency.

III. Detailed Notes on All Funds

A. Pooled Cash and Investments

At December 31, 2002, the carrying amount of the Agency's deposits is $753 and the bank balance is $3,693. Of the carrying amount, $326 represents deposits of the Agency's discretely presented component units. Of the bank balance, $913 is covered by federal depository insurance, $2,456 is collateralized with securities held by the pledging financial institution at 110% of the deposits, in accordance with the State of California Government Code and held in the Agency's name and $324 is uninsured and uncollateralized. Those amounts which are uninsured and uncollateralized are held with state and federal agencies.

The Agency's total investment in the LAIF, managed by the Treasurer for the State of California, at December 31, 2002 is $40,000. The total amount invested by all public agencies in LAIF at December 31, 2002, was $56,211,703. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling $396,578, and asset-backed securities totaling $942,158. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute.

For financial reporting purposes, investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Agency or its agent in the Agency's name. Category 2 includes uninsured and unregistered investments with securities held by a counterparty's trust department or agent in the Agency's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent, but not in the Agency's name.

At December 31, 2002, the Agency's investments are classified as Category 1 investments as presented below:

Category I Investments	Fair Value
U.S. Government and Agency Securities	$50,216
Corporate Notes	470
Total Categorized Investments	50,686
Uncategorized Investments and Deposits	
Investment in State Treasurer's Pool (LAIF)	40,000
Investment in City of Sacramento's Treasurer Pool A	21,271
Nations Treasury Fund	307
Money Market	57,298
Deposits	753
Total	$170,315

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Sacramento Housing And Redevelopment Agency
Notes to the Basic Financial Statements *(Continued)*
December 31, 2002
(dollar amounts expressed in thousands)

B. Receivables

Receivables as of year-end for the Agency's governmental activities on the statement of net assets are as follows:

	Accounts	Property Taxes	Due from other governments	Total receivables	Gross notes receivable	Allowances for loan losses	Net notes receivable
City CDBG	$ 44	$ -	$ 925	$ 969	$ 4,498	$ (49)	$ 4,449
County CDBG	28	-	768	796	3,859	(167)	3,692
City HOME	57	-	214	271	19,201	(1,049)	18,152
County HOME	53	-	165	218	19,990	(659)	19,331
City Merged Downtown Debt Service	-	3,136	-	3,136	-	-	-
City Merged Downtown Capital Projects	-	-	-	-	1,535	(145)	1,390
City Low/Mod Merged Downtown Capital Projects	-	-	-	-	9,290	(46)	9,244
Nonmajor funds	106	3,647	2,380	6,133	37,942	(1,334)	36,608
Internal Service	22	-	68	90	440	-	440
Total	$310	$6,783	$4,520	$11,613	$96,755	$ (3,449)	$93,306

Generally notes receivable are not expected to be collected within one year.

Receivables as of year-end for the Agency's business-type activities on the statement of net assets are as follows:

	Gross accounts receivable	Allowances for uncollectibles	Net accounts receivable	Due from other governments	Net Total receivables
City Public Housing Authority	$ 98	$ (10)	$ 88	$ -	$ 88
County Public Housing Authority	64	(6)	58	-	58
City Housing Choice Vouchers	-	-	-	451	451
Nonmajor Funds	71	-	71	10	81
Total	$233	$ (16)	$217	$461	$678

(dollar amounts expressed in thousands)

C. Payables

Payables as of year end for the Agency's governmental activities on the statement of net assets are summarized as follows:

	Accounts	Accrued Liabilities	Contracts	Due to Other Governments	Net Total Payables
City CDBG	$ 753	$ 8	$ -	$ -	$ 761
County CDBG	641	-	-	-	641
City HOME	10	-	-	-	10
County HOME	20	-	-	-	20
City Merged Downtown Debt Service	-	15	-	-	15
City Merged Downtown Capital Projects	93	-	-	308	401
Nonmajor Funds	2,591	65	26	10,922	13,604
Internal Service	933	1,096	-	-	2,029
Total	$5,041	$1,184	$26	$11,230	$17,481

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Payables as of year end for the Agency's business-type activities on the statement of net assets are summarized as follows:

	Accounts	Accrued Liabilities	Due to Other Governments	Net Total Payables
City Public Housing Authority	$137	$12	$ -	$149
County Public Housing Authority	20	-	-	20
City Housing Choice Vouchers	38	1	-	39
County Housing Choice Vouchers	7	-	275	282
Nonmajor Funds	115	2	14	131
Total	$317	$15	$289	$621

D. Interfund Transactions

The composition of interfund balances as of December 31, 2002, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
City Merged Downtown Capital Projects	Nonmajor Governmental Funds	$ 17
Nonmajor Governmental Funds	Nonmajor Governmental Funds	2,263
	City Merged Downtown Debt Service	1,316
	City Low/Mod Merged Downtown Capital Projects	116
City Public Housing Enterprise Fund	City Housing Choice Vouchers Enterprise Fund	412
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	237
		$4,361

The majority of these amounts are negative cash reclass entries ($1,648), amounts due from the City Merged Downtown debt service fund to the City Low/Mod Merged Downtown special revenue fund ($1,316), and amounts due from the Alkali Flat debt service fund to the Alkali Flat capital projects fund ($936). These debt service funds had cash that was not needed to repay debt so the excess was transferred to other funds to be used for projects.

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Internal Service Funds	City CDBG	$ 161
	County CDBG	79
	Nonmajor Governmental Funds	831
City CDBG	Nonmajor Governmental Funds	250
City Merged Downtown Capital Project	Nonmajor Enterprise Funds	500
	Nonmajor Governmental Funds	600
Nonmajor Governmental Funds	Nonmajor Governmental Funds	1,486
		$ 3,907

	Amount
$366 advance from the Internal Support internal service fund to City CDBG special revenue fund, authorized and issued in July 1996, due in biannual installments in January and July through January 2005, with interest calculated biannually based on current prime rate. This note is collateralized by and to be repaid from CDBG economic development loan funds and was issued for the purpose of providing funding for the Grow Sacramento program.	$161
$179 advance from the Internal Support internal service fund to County CDBG special revenue fund, authorized and issued in July 1996, due in biannual installments in January and July through January 2005, with interest calculated biannually based on current prime rate. This note is collateralized by and to be repaid from CDBG economic development loan funds and was issued for the purpose of providing funding for the Grow Sacramento program.	79
$375 advance from the Self Insurance internal service fund to the City/County Franklin Blvd. debt service fund, authorized and issued in December 1991 at $175 with no annual payments until December 1996, with interest accruing at 8%. The note was restructured in December 2000, adding $200 to the principal amount and deferring annual payments of $54 until December 2002 and continuing through December 2015, with interest accruing at 7%, to be repaid with tax increment revenue. The advances were issued for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	453
$150 advance from the Self Insurance internal service fund to the City/County Auburn Blvd. debt service fund, authorized and issued in December 1991, with annual installments of $51 deferred until December 2005 and continuing until December 2019, to be repaid with tax increment revenue with interest accruing at 8%, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	378
$500 advance from the City Merged Downtown capital projects fund to the Ping Yuen Center enterprise fund. Purpose of advance was to prepay Ping Yuen's outstanding HUD mortgage in July 1997. The mortgage had to be fully paid so that the Agency could transfer Ping Yuen from a project based Section 8 program to the public housing inventory and then to pursue HUD funds for renovation or reconstruction. There is no interest or due date on this transfer. Resolution No. 97-005 states that "these funds shall be considered a loan to be repaid either through federal funds or through future disposition of the site to a private developer".	500
$750 advance from the Riverview Plaza Reserve special revenue fund to the County Mather/McClellan Merged debt service fund, authorized and issued in January 2000, due in annual installments of $88 through December 2014, to be repaid with tax increment revenue with interest payable at 8%, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	560
$350 advance from the Mortgage Revenue Bond special revenue fund to the County Walnut Grove debt service fund, authorized and issued in December 1996 at $175. The note was restructured in 1998, adding $175 to the principal amount. Principal and interest is due and payable in annual payments of $16 to $29 through December 2031, with interest accruing at 7%, to be repaid with tax increment revenue. The advance was issued for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	317

Sacramento Housing And Redevelopment Agency
Notes to the Financial Statements *(Continued)*
December 31, 2002
(dollar amounts expressed in thousands)

	Amount
$300 advance from the Mortgage Revenue Bond special revenue fund to the City Army Depot debt service fund, authorized and issued in December 2001, with no annual payment until December 2003, with interest accruing at 7%, due in annual installments of $54 through December 2010, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	$321
$214 advance from the County Economic Development Activities special revenue fund to the County Mather/McClellan Merged debt service fund, authorized and issued in December 2001 at $200 with no annual payment until December 2002, with interest accruing at 7%, due in annual installments of $63 through December 2005, to be repaid with tax increment revenue with interest payable at 7%, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	166
$40 advance from the Mortgage Revenue Bond special revenue fund to the City Northgate debt service fund, authorized and issued in December 2002, with no annual payment until December 2006, with interest accruing at 5%, due in annual installments of $8 through December 2012, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	40
$250 advance from the City CDBG special revenue fund to the City 65th Street/Folsom Blvd. debt service fund, authorized and issued in December 2002, with no annual payment until December 2005, with interest accruing at 6%, due in annual installments of $45 through December 2012, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	250
$600 advance from the City Merged Downtown capital projects fund to the City Richards Blvd. debt service fund, authorized and issued in December 2002, with no annual payment until December 2004, with no interest, due in annual installments of $75 through December 2011, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	600
$85 was advanced from CHFA HELP debt service fund to the County Miscellaneous Development Grants special revenue fund for the purchase and sale of the real property located at 4934 Morningstar Drive. Authorized December 2001 and issued February 2002. Terms are 4% for 5 years. Repayment terms can be flexible based on the financial need of the project and are currently based on rents received.	82
	$3,907

(dollar amounts expressed in thousands)

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Advances to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary Government-City CDBG	Component Unit-Riverview Plaza Associates	$ 2,518
	Component Unit-Norwood Avenue Housing Partnership	190
Primary Government-Nonmajor Governmental Funds	Component Unit-Riverview Plaza Associates	3,968
City Merged Downtown Capital Projects	Component Unit-Sacramento Housing Development Corporation	101
City Low/Mod Merged Downtown Capital Projects	Component Unit-Norwood Avenue Housing Partnership	526
	Component Unit-Riverview Plaza Associates	1,000
Component Unit-Sacramento Housing Development Corp.	Internal Service Funds	1,000
		$ 9,303

	Amount
$101 advance from the City Merged Downtown capital projects fund to the Sacramento Housing Development Corporation (SHDC) component unit fund, at 0% interest and no due date, for the purpose of covering cash deficit in fund.	$101
$1,000 advance from the SHDC component unit fund to the Internal Support internal service fund at 0% interest and no due date, for the purpose of providing equity to the general partner of Riverview Plaza (SHDC) for start up capital.	1,000
$1,000 advance from the City Low/Mod Merged Downtown capital projects fund to the Riverview Plaza Associates component unit fund at 0% interest, due June 2018, for the purpose of financing the construction of multiple unit housing. This note is unsecured.	1,000
$2,000 advance from the Riverview Plaza Reserve special revenue fund to the Riverview Plaza Associates component unit fund, authorized and issued in 1991, with interest compounded annually at 9.45%. Accrued interest is payable annually on March 31, from available surplus cash. Outstanding principal and interest due March 31, 2028, for the purpose of financing the construction of multiple unit housing. This note is secured by a deed of trust on real property. $1,968 in accrued interest has been added to the advance amount of $2,000.	3,968
$1,398 advance from the City CDBG special revenue fund to the Riverview Plaza Associates component unit fund, commencing January 1992. Interest is compounded annually at 9.45% and payable from surplus cash. Outstanding principal and interest are due October 2016, for the purpose of financing the construction of multiple unit housing. This note is unsecured. $1,120 in accrued interest has been added to the advance amount of $1,398.	2,518

	Amount
$215 advance from the City Low/Mod Merged Downtown capital projects fund to the Norwood Avenue Housing component unit fund. The note bears interest at 7.5% compounded annually and is deferred for 30 years until the principal due date of September 16, 2021. The note is secured by deed of trust. $311 in accrued interest has been added to the advance amount of $215.	$526
$465 advance from the City CDBG special revenue fund to the Norwood Avenue Housing component unit fund. The note is non-interest bearing and is deferred for 8 years until the principal due date of March 31, 2001. Subsequent to December 31, 2001, the partnership negotiated repayment of the Agency note due March 31, 2001 to September 16, 2021. The note is secured by deed of trust.	190
	$9,303

Transfers:

Transfers report the nonreciprocal contribution of resources from one fund to another. They are routine transfers that represent funding for capital projects, debt service payments and subsidies of various Agency operations. The following is a summary of transfers for the year ended December 31, 2002:

	Transfers In:					
Transfers out:	City Merged Downtown Capital Projects Fund	Nonmajor Governmental Funds	County Public Housing Authority Enterprise Fund	City Public Housing Authority Enterprise Fund	Nonmajor Enterprise Funds	Total
City CDBG	$ -	$ 829	$ -	$ -	$ -	$ 829
County CDBG	-	408	-	-	-	408
City Merged Downtown Debt Service	4,497	1,316	-	-	288	6,101
City Merged Downtown Capital Projects	-	238	-	-	-	238
Nonmajor Governmental Funds	-	9,565	116	453	577	10,711
City Housing Choice Vouchers Enterprise fund	-	194	-	-	-	194
County Housing Choice Vouchers Enterprise fund	-	269	-	-	-	269
Nonmajor Enterprise Funds	-	77	-	-	156	233
	$ 4,497	$ 12,896	$ 116	$ 453	$ 1,021	$ 18,983

(dollar amounts expressed in thousands)

E. Capital Assets

Capital asset activity for the year ended December 31, 2002, was as follows:

Governmental activities:	January 1, 2002	Increases	Decreases	Transfers In/Out	December 31, 2002
Capital assets, not being depreciated:					
Land	$31,135	$6,945	$(4,593)	$ (729)	$32,758
Construction in progress	8,548	7,368	-	(5,305)	10,611
Total capital assets, not being depreciated	39,683	14,313	(4,593)	(6,034)	43,369
Capital assets, being depreciated:					
Buildings and improvements	16,375	5,189	(8,155)	(3,793)	9,616
Property and equipment	2,575	39	-	(221)	2,393
Total capital assets being depreciated	18,950	5,228	(8,155)	(4,014)	12,009
Less accumulated depreciation for:					
Buildings and improvements	4,053	472	(3,171)	-	1,354
Property and equipment	1,709	191	-	(50)	1,850
Total accumulated depreciation	5,762	663	(3,171)	(50)	3,204
Total capital assets, being depreciated, net	13,188	4,565	(4,984)	(3,964)	8,805
Governmental activities capital assets, net	$52,871	$18,878	$(9,577)	$(9,998)	$52,174
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 14,181	$ 4	$ -	$ 729	$ 14,914
Capital assets, being depreciated:					
Buildings and improvements	203,298	-	(8)	9,098	212,388
Property and equipment	3,827	-	-	221	4,048
Total capital assets, being depreciated	207,125	-	(8)	9,319	216,436
Less accumulated depreciation for:					
Buildings and improvements	43,308	4,875	(2)	-	48,181
Property and equipment	3,078	140	-	50	3,268
Total accumulated depreciation	46,386	5,015	(2)	50	51,449
Total capital assets, being depreciated, net	160,739	(5,015)	(6)	9,269	164,987
Business-type activities capital assets, net	$174,920	$(5,011)	$ (6)	$9,998	$179,901

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Housing	$ 118
Community Development	470
Internal Service - capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	75
Total depreciation expense - governmental activities	$ 663
Business-type activities:	
City Public Housing	$2,530
County Public Housing	2,106
Local Housing	379
Total depreciation expense-business-type activities	$5,015

Component unit capital asset activity for the year ended December 31, 2002, was as follows:

Component unit activities:	January 1, 2002	Increases	Decreases	Transfers In/Out	December 31, 2002
Capital assets, not being depreciated:					
Land	$ 176	$ -	$ -	$ -	$ 176
Capital assets, being depreciated:					
Buildings and improvements	21,543	-	-	-	21,543
Property and equipment	325	-	-	-	325
Total capital assets, being depreciated	21,868	-	-	-	21,868
Less accumulated depreciation for:					
Buildings and improvements	6,920	617	-	-	7,537
Total capital assets, being depreciated, net	14,948	(617)	-	-	14,331
Component unit activities capital assets, net	$15,124	$ (617)	$ -	$ -	$14,507

Depreciation expense was charged to functions/programs as follows:

Component unit activities:	
Local Housing	$617

(dollar amounts expressed in thousands)

F. Long-Term Debt

Long-term debt payable at December 31, 2002 for the Agency and component units is comprised of the following individual issues:

	Interest Rates	Balance Dec. 31, 2002
Business-type activities:		
Mortgage Notes:		
San Jose/Broadway	8.375%	$ 630
Larchmont/Wildflower	7.75%	183
Total business-type activities mortgage notes		813
Component unit activities:		
Mortgage Notes:		
Riverview - October 1988	3%	933
Norwood - May 1992	3%	1,522
Saving Association Mortgage Company	8.25%	317
Shasta Partnership (HCD)	3%	2,000
Total component unit activities mortgage notes		4,772
Governmental activities:		
Notes Payable:		
City B-92-MC-06-0003A	3.82% - 6.92%	140
City B-93-MC-06-0003	8.12% - 8.27%	90
County B-93-UC-06-0005	6.84% - 8.27%	140
City B-93-MC-06-0003A	5.85% - 6.98%	3,305
City B-97-MC-06-0003	5.28% - 5.46%	2,000
City B-97-MC-06-0003	5.70% - 6.67%	3,040
County B-00-UC-06-0005	3.30% - 4.16%	550
County B-01-UC-06-0005	4.20% - 5.00%	250
Discovery Centre	6.75%	1,008
Boating and Waterways	4.50%	1,153
CHFA	3.00%	2,000
CHFA- Phoenix Park	3.00%	985
County of Sacramento-Auburn Boulevard	3.00%	300
1999 Del Paso Master Lease	4.0% - 5.8%	2,365
1999 Oak Park Master Lease	4.0% – 5.8%	1,695
1999 North Sacramento Master Lease	4.0% - 5.875%	4,985
1999 Richards Boulevard Master Lease	4.1% - 5.875%	5,820
2002 Downtown Master Lease	3.00% – 5.00%	26,740
2002 Stockton Boulevard Master Lease	3.00% – 5.00%	3,265
Total notes payable		59,831
Bonds Payable:		
1993 Downtown TARBS	4.05% - 6.7%	17,642
1998 Downtown TABS - Refunding	3.5% - 5.25%	50,825
1998 Downtown TAB	5.9% - 6.375%	11,460
2000 Downtown TABS - Refunding	4.25 % - 4.75%	15,330
2002 Downtown TAB	3.00% - 5.25%	26,815
1999 Del Paso CIRBS	4.0% - 5.8%	9,310
1993 Alkali Flat TARBS	4.05% - 6.7%	1,714
1999 Oak Park CIRBS	4.0% - 5.8%	16,430
Total bonds payable		149,526
Sub-total governmental activities		209,357
Sub-total long-term debt		214,942
Other Debt:		
Component unit activities - Accrued interest due in future years	--	1,480
Total long-term debt		$216,422

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BUSINESS-TYPE ACTIVITIES:

Mortgage Notes Payable:

	Amount
$787 San Jose/Broadway Mortgage Note Payable authorized and issued May 1984, due in monthly installments of $6 through February 2020 with interest payable monthly at 8.375%. This note is collateralized by land and building.	$ 630
$427 Larchmont/Wildflower Mortgage Note Payable authorized and issued August 1979, due in monthly installments of $3 through April 2009 with interest payable monthly at 7.75%. This note is collateralized by land and building.	183
	813
Less current portion	(41)
Long-term mortgage notes payable	$ 772

COMPONENT UNITS:

Mortgage Notes Payable:

$933 Riverview Plaza Associates Mortgage Note Payable authorized and issued October 1988, principal and interest due in full September 2016 with interest payable at 3%, for the purpose of financing the construction of multiple unit housing. This note is collateralized by land and building.	$ 933
$1,522 Norwood Avenue Housing Partnership Mortgage Note Payable to the Department of Housing and Community Development, principal and interest due in full January 2044 with interest payable at 3%, for the purpose of financing the construction of a multiple unit housing and child care center. This note is collateralized by land and building.	1,522
$350 Norwood Avenue Partnership Mortgage Note Payable to Saving Association Mortgage Company (SAMCO) due in monthly installments of $3 through June 2024 with interest payable monthly at 8.25%. This note is collateralized by land and building.	317
$2,000 Shasta Partnership Note Payable to the Department of Housing and Community Development principal and interest due in full January 2044 with interest payable at 3%, for the purpose of financing the construction of a multiple single room occupancy unit. This note is collateralized by land and building.	2,000
	4,772
Less current portion	(5)
Long-term mortgage notes payable	$4,767

Other Long-Term Obligations:

Accrued interest on $933 Riverview Plaza Associates mortgage notes payable from available surplus cash. Due in full in September 2016.	$ 392
Accrued interest on $1,522 Norwood Avenue Housing Partnership mortgage notes payable from available surplus cash. Due in full January 2044.	412

	Amount
Accrued interest on $2,000 Shasta Partnership mortgage notes payable from available surplus cash. Due in full January 2044.	$ 676
Total other long-term obligations	$1,480

GOVERNMENTAL ACTIVITIES:

Notes Payable:

$1,000 Community Development Block Grant Note Payable authorized and issued March 1994 for $500 and June 1996 for $500, due in annual installments of $40 to $72 through August 2004 with interest payable semi-annually at 3.82% to 6.92%, for the purpose of making business loans in the North Sacramento Project area. This note is collateralized by and payable from future CDBG entitlements.	$140
$400 Community Development Block Grant Note Payable authorized and issued November 1994, due in annual installments of $70 to $90 through August 2003 with interest payable semi-annually at 8.12% to 8.27% for the purpose of providing Economic Development loans for the Business Incubator program. This note is collateralized by and payable from future CDBG entitlements.	90
$1,000 Community Development Block Grant Note Payable authorized and issued February 1995, due in annual installments of $95 to $140 from August 1995 through August 2003, with interest payable semi-annually at 6.84% to 8.27% for the purpose of financing commercial loans for the Auburn Boulevard area. This note is collateralized by and payable from future CDBG entitlements.	140
$8,000 Community Development Block Grant Note Payable authorized and issued June 1996, due in installments of $83 to $1,242 from August 1996 through August 2005, with interest payable semi-annually at 5.85% to 6.98% for the purpose of financing a business development loan and grant to California Almond Growers Exchange also known as Blue Diamond Growers. This note is collateralized by and payable from future CDBG entitlements.	3,305
$2,320 Community Development Block Grant Note Payable authorized and issued September 3, 1998, due in installments of $80 to $155 from August 1999 through August 2018 with interest payable semi-annually at 5.28% to 5.46% for the purpose of financing the Del Paso Nuevo project. This note is collateralized by and payable from future CDBG entitlements.	2,000
$3,125 Community Development Block Grant Note Payable authorized and issued August 9, 2001, due in installments of $85 to $300 from February 2002 through August 2021 with interest payable semi-annually at 5.7% to 6.67% for the purpose of financing the Del Paso Nuevo project. This note is collateralized by and payable from future CDBG entitlements.	3,040
$550 Community Development Block Grant Note Payable authorized and issued August 2002, due in annual installments of $90 to $130 through August 2008, with interest payable semi-annually at 3.3% to 4.16% for the purpose of financing the rehabilitation for Hampton Inn in the Auburn Boulevard area. This note is collateralized by and payable from future CDBG entitlements.	550

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Sacramento Housing And Redevelopment Agency
Notes to the Financial Statements *(Continued)*
December 31, 2002
(dollar amounts expressed in thousands)

	Amount
$250 Community Development Block Grant Note Payable authorized and issued August 2002, due in annual installments of $24 to $40 through August 2012, with interest payable semi-annually at 4.2% to 5% for the purpose of financing the acquisition of property for retail development for the Auburn Boulevard area. This note is collateralized by and payable from future CDBG entitlements.	$250
$1,008 City of Sacramento Note Payable authorized and issued August 22, 2001, with interest payable semi-annually at 6.75%, for the purpose of financing 300 Discovery Centre. Due in full October 2003.	1,008
$1,380 City of Sacramento Note Payable authorized and issued August 5, 1999, due in installments of $103 to $103 from August 1999 through August 2018 with interest payable annually at 4.5% for the purpose of financing the Sacramento River Waterfront between the I street bridge and the Pioneer bridge.	1,153
$2,000 California Housing Finance Agency Note Payable authorized and issued August 1999. Interest accrues annually at 3% on funds drawn for the purpose of financing developer loans for acquisition, rehabilitation, development and/or permanent financing for affordable multi-family rental developments. Interest and principal are due in full September 2009.	2,000
$1,000 California Housing Finance Agency Note Payable authorized and issued February 2002. Interest accrues annually at 3% on funds drawn for the purpose of acquisition of properties in the Phoenix Park project. Interest and principal are due in full August 2011.	985
$300 County of Sacramento Note Payable authorized and issued August 2002, due in annual installments from December 2007 through December 2016 with interest payable annually at 3% for the purpose of demolition, relocation and clearance activities in the Auburn Boulevard redevelopment area.	300
$2,625 Master Lease Agreement authorized and issued December 1999, due in annual installments of $85 to $205 through December 2019 with interest payable semiannually at 4.0% to 5.8% for the purpose of financing redevelopment projects.	2,365
$1,845 Master Lease Agreement authorized and issued December 1999, due in annual installments of $50 to $135 through December 2022 with interest payable semiannually at 4.0% to 5.8%, for the purpose of financing redevelopment projects.	1,695
$5,245 Master Lease Agreement authorized and issued December 1999, due in annual installments of $85 to $345 through December 2029 with interest payable semiannually at 4.0% to 5.875% for the purpose of financing redevelopment projects.	4,985
$5,920 Master Lease Agreement authorized and issued December 1999, due in annual installments of $100 to $405 through December 2029 with interest payable semi-annually at 4.1% to 5.875% for the purpose of financing redevelopment projects.	5,820
$26,740 Master Lease Agreement authorized and issued July 2002, due in annual installments of $1,365 to $2,375 through December 2017 with interest payable semi-annually at 3% to 5% for the purpose of financing redevelopment projects.	26,740

(dollar amounts expressed in thousands)

	Amount
$3,265 Master Lease Agreement authorized and issued July 2002, due in annual installments of $55 to $200 through December 2032 with interest payable semi-annually at 3% to 5% for the purpose of financing redevelopment projects.	$3,265
	59,831
Less current portion	(4,289)
Total notes payable	$55,542

Bonds Payable:

	Amount
$25,304 Tax Allocation Revenue Bonds authorized and issued June and July 1993, due in annual installments of $373 to $3,268 through November 2017 with interest paid semiannually at 4.05% to 6.7%, for the purpose of financing redevelopment projects.	$17,642
$55,315 Tax Allocation Bonds authorized and issued April and July 1998, due in annual installments of $605 to $7,040 through 2013 with interest payable semiannually at 3.5% to 5.25%, for the purpose of financing redevelopment projects.	50,825
$13,080 Tax Allocation Bonds authorized and issued April 1998, due in annual installments of $100 to $6,540 through 2013 with interest payable semiannually at 5.9% to 6.375%, for the purpose of financing redevelopment projects.	11,460
$22,065 Tax Allocation Bonds authorized and issued October 2000, due in annual installments of $155 to $3,565 through November 2013 with interest payable semiannually at 4.25% to 4.75%, for the purpose of financing redevelopment projects.	15,330
$26,815 Tax Allocation Bonds authorized and issued July2002, due in annual installments of $1,595 to $2,010 through December2017 with interest payable semiannually at 3% to 5.25%, for the purpose of financing redevelopment projects.	26,815
$10,060 Capital Improvement Revenue Bonds authorized and issued December 1999, due in annual installments of $250 to $870 through December 2019 with interest payable semiannually at 4.0% to 5.8% for the purpose of financing redevelopment projects.	9,310
$1,916 Tax Allocation Revenue Bonds Payable authorized and issued June and July 1993, due in annual installments of $19 to $320 through November 2008 with interest paid semiannually at 4.05% to 6.7% for the purpose of financing redevelopment projects.	1,714
$17,855 Capital Improvement Revenue Bonds authorized and issued December 1999, due in annual installments of $465 to $1,305 through December 2022 with interest payable semiannually at 4.0% to 5.8%, for the purpose of financing redevelopment projects.	16,430
	149,526
Less current portion	(8,215)
Total bonds payable	$141,311

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The following is a summary of changes in long-term liabilities for the fiscal year ended December 31, 2002:

	January 1, 2002	Additions	Retirements	December 31, 2002	Amounts Due Within One Year
Governmental activities:					
Notes payable	$ 30,165	$32,940	$(3,274)	$ 59,831	$ 4,289
Tax allocation bonds payable	129,347	26,815	(6,636)	149,526	8,215
Compensated absences	2,521	343	(63)	2,801	1,497
Sub-total	162,033	60,098	(9,973)	212,158	$14,001
Plus original issue premium	-	1,561	-	1,561	
Less amortized premium	-	(64)	-	(64)	
Total governmental activities -long-term liabilities	$162,033	$61,595	$(9,973)	$213,655	

	January 1, 2002	Additions	Retirements	December 31, 2002	Amounts Due Within One Year
Business-type activities.					
Mortgage notes payable	$ 850	$ -	$ (37)	$ 813	$ 41
Component unit activities:					
Mortgage notes payable	$4,777	$ -	$ (5)	$ 4,772	$ 5
Other long-term obligations	1,330	150	-	1,480	-
Total component unit activities -long-term liabilities	$6,107	$ 150	$ (5)	$ 6,252	$ 5

Annual debt service requirements of governmental activities to maturity are as follows:

	Notes Payable		Tax Allocation Bonds	
Year ending December 31	Principal	Interest	Principal	Interest
2003	$ 4,289	$ 2,820	$ 8,215	$ 7,068
2004	3,313	2,592	8,575	6,839
2005	3,449	2,431	9,437	6,574
2006	2,329	2,261	9,917	6,264
2007	2,485	2,181	10,250	5,924
2008-2012	16,421	10,115	57,119	21,754
2013-2017	16,297	5,955	38,478	40,020
2018-2022	5,163	2,561	7,535	1,197
2023-2027	3,710	1,317	-	-
2028-2032	2,375	271	-	-
Sub-total	59,831	32,504	149,526	95,640
Plus original issue premium	813	-	748	-
Less amortized premium	(20)	-	(44)	-
Totals	$60,624	$32,504	$150,230	$95,640

(dollar amounts expressed in thousands)

Annual debt service requirements of business-type activities to maturity are as follows:

	Mortgage Notes Payable	
Year ending December 31,	Principal	Interest
2003	$ 41	$ 65
2004	44	62
2005	48	58
2006	52	54
2007	56	50
2008-2012	203	194
2013-2017	237	110
2018-2020	132	12
Total	$813	$605

Annual debt service requirements of component unit activities to maturity are as follows:

	Mortgage Notes Payable		Other long-term obligations	
Year ending December 31,	Principal	Interest	Principal	Interest
2003	$ 5	$ 26	$ -	$ -
2004	7	25	-	-
2005	7	25	-	-
2006	7	24	-	-
2007	8	24	-	-
2008-2012	50	108	-	-
2013-2017	1,008	866	-	392
2018-2022	114	44	-	-
2023-2027	44	3	-	-
2028-2032	-	-	-	-
2033-2037	-	-	-	-
2038-2042	-	-	-	-
2043-2044	3,522	5,278	-	1,088
Total	$4,772	$6,423	$ -	$1,480

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Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the U.S. Department of Treasury at least every five years. The Agency utilized an independent consultant to perform calculations of excess investment earnings on various bonds during 2001 and did not incur a liability. There were no calculations for arbitrage during the current year.

IV. Other Information

A. Risk Management

The Agency is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries and illnesses of employees; wrongful employment practices; and natural disasters. The Agency maintains an internal service fund to account for and finance its risks of loss. Under these programs the Agency is self-insured for the following risks up to the maximum amount per claim as follows: General Liability, $100; Property, $50; and employment risk management, $50. The Agency is self-insured for those automobile claims which consist of employee injuries and Agency vehicle damage. The Agency is fully covered for auto liability up to $5,000.

The Agency is one of six public housing authorities of the California Housing Authority Risk Management Agency (CHARMA), formed as a means of providing general liability (including errors and omissions) coverage, purchasing excess insurance on a collective basis and providing other coverage as approved by the board of directors. The purpose of CHARMA is to spread the adverse effects of losses among the member agencies. Should actual losses among participants be greater than anticipated, the Agency will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the Agency will be refunded its pro rata share of the excess. For general liability, the Agency covers the first $100 per claim, and the risk pool covers up to $250 per claim. Excess commercial insurance is provided through the pool up to $5,000 for each occurrence. Settled claims have not exceeded this commercial coverage in any of the past ten years. CHARMA also provides property insurance and automotive insurance coverage for interested members.

A commercial insurance carrier provides coverage above the Agency's self-insurance retention level of $50 to the maximum value of all Agency property. In addition automotive liability insurance is provided to CHARMA's members up to $5,000.

Workers compensation and employer's liability insurance are provided through California Housing Workers Compensation Authority (CHWCA), a risk sharing pool. For employer's liability claims, the pool covers up to $250 per accident. Excess liability insurance is provided through the risk pool up to an additional $2,000 for each accident. For worker's compensation claims, the pool covers the Agency's claims within the statutory limit. Should actual losses among participants be greater than anticipated, the Agency will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the Agency will be refunded its pro rata share of the excess. Claim costs for program years1997-2001 have increased. As a result, there is a projected shortfall in the premiums collected those program years. The Agency's allocation of the supplemental premium is $91. One third ($30) of the premium was paid November 2002. A third was paid during January 2003. The final third will be billed during 2004.

All operating funds participate in the self-insurance programs and make payments to the internal service fund based on a historical cost and/or actuarial estimates of amounts needed to pay prior and current year claims, and to allow accrual of estimated incurred but not reported claims. The total historical cost/actuarially determined claims liability at December 31, 2002 is $614 consisting of $25 for Automotive Liability, $250 for General Liability, $50 for Property Damage Liability, and $289 for unallocated loss adjustment expenses. These claim estimates were made in accordance with the requirements of Governmental Accounting Standards Board Statement No. 30, and include claims incurred but not reported and allocated loss adjustment expenses as of December 31, 2002. Changes in insurance funds claims liability during the fiscal years ended December 31, 2002 and 2001 were as follows:

	Claims Liability January 1	Current Year Claims and Changes in Estimates	Current Year Claims Payments	Claims Liability December 31
2001	$449	$235	($235)	$449
2002	449	559	(394)	614

(dollar amounts expressed in thousands)

B. Employee Retirement Plan

1. Plan Description

The Agency contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the state of California.

All full-time Agency employees are required to participate in CalPERS. Benefits vest after five years of credited service. Employees who retire at or after age 50 with five years of credited service are entitled to an annual retirement benefit payable monthly for life, in an amount equal to 1.426% to 2.418% of their average salary, during their highest year of employment, for each year of credited service. CalPERS also provides disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. These benefit provisions and all other requirements are established by state statute within the Public Employees' Retirement Law and Agency resolution. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814. A separate report for the Agency's plan is not available.

2. Funding Policy

The Agency participated in two plans with CalPERS under the names of the Sacramento Housing Authority (SHA) and the Redevelopment Agency of the City of Sacramento (RACS). The first plan covered employees hired after 1974; the second plan covered employees hired prior to 1974. The plans merged effective July 1, 2001. Agency employees are required to contribute 7.0% of their annual salary to CalPERS, of which the Agency pays 50% to 57% of this amount on the employee's behalf depending on requirements set forth under contractual agreements with employee groups. The Agency is also required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by the CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. The Agency's required employer contribution rate for the fiscal year ended June 30, 2002 was 0.0%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

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3. Annual Pension Cost

For the fiscal year ended December 31, 2002, the Agency's annual pension costs of $0 was equal to the Agency's required and actual contributions. The required contribution for fiscal year 2002 was determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses); (b) projected salary increases of 3.75% to 14.20% are attributable to inflation, merit, or seniority increases that vary by length of service and no post-retirement increases. Both (a) and (b) include an inflation component of 3.50% and an annual production growth of 0.25%. The actuarial value of the plan's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a three year period depending on the size of investments gains and/or losses. The amortization period on the unfunded actuarial liability is expected to be 20 years and is a closed period. The amortization method is a level percent of payroll.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/00*	- -	- -	- -
12/31/01	- -	- -	- -
12/31/02	- -	- -	- -

* Includes SHA and RACS.

C. Post-employment Health and Dental Care Benefits

The Agency provides health and dental care insurance benefits for all employees who retire from the Agency and for their survivors and dependents. Participants have the choice of enrolling in one of several health plans and one of two dental plans. Post-retirement health care benefits for the Agency range from $360 to $507 (in actual dollars, not thousands) per month per participant, depending on the participant's job classification at the time of retirement. The Agency covered 100% of the participant's health and dental benefits under these plans. Benefits are defined by labor agreements approved by the City Council and County Board of Supervisors. Benefit costs are recorded on a pay-as-you-go basis as part of the internal support internal service fund expenses. For the calendar year ended December 31, 2002, the Agency expended $622 for post-employment health and dental care insurance benefits. Approximately 154 retirees and/or families were covered.

D. Related Party Transactions

During the year ended December 31, 2002 the Agency entered into a bond issue and master lease agreements with the City of Sacramento totaling $56,820. The proceeds of the bond issue will be used for financing redevelopment projects in the City Merged Downtown and City/County Stockton Blvd project areas.

E. Commitments and Contingencies

1. Mortgage Insured Bonds

The City and the County of Sacramento, between 1980 and 2002, issued single family and multifamily mortgage bonds totaling $1,038,499. The Bonds were issued to provide funds for the purchase of home mortgages in the Sacramento County area. The Agency was appointed by the City and the County of Sacramento to administer the mortgage program. The bonds do not constitute a liability of the Agency.

2. Litigation

The Agency is a defendant in various matters of litigation. Of these matters, management and Agency's legal counsel do not anticipate any material effect on the December 31, 2002 financial statements. Therefore, in accordance with Financial Accounting Standards Board Statement No. 5, no loss has been accrued.

3. Commitment

In connection with Riverview Plaza Associates (a partnership), which is included as a component unit within Sacramento Housing and Redevelopment Agency reporting entity, as described in Note 1, the Agency entered into a funding guarantee agreement in which the Agency is obligated to fund the operations of the partnership to the extent that the partnership revenues are inadequate, up to $658 annually. The funding guarantee agreement terminates on January 1, 2005.

(dollar amounts expressed in thousands)

4. Contractual Obligations

The Agency had outstanding unencumbered contractual obligations, primarily for housing project site improvements and structural rehabilitation, at December 31, 2002, as follows:

Special Revenue Funds	$9,417
Capital Project Funds	719
	$10,136

5. Contingent Liabilities

The Agency received funding from a number of federal, state, and local assistance programs, comprised principally of Community Development Block Grants, and Housing and Urban Development Housing Programs. These programs are subject to financial and compliance review by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Agency expects such amounts, if any, to be immaterial. Receipt of these federal, state, and local grant revenues is not assured in the future.

Budget problems at the State level have resulted in less tax increment funding available to the Agency. The 2002-03 State of California budget included the Education Revenue Augmentation Fund (ERAF), which took money from redevelopment agencies to increase funding for schools. For the Agency, ERAF charges will amount to $854 for the 2003 year. State mid-year budget discussions are on-going and it is unknown whether additional ERAF charges will be imposed.

__Schedules of Funding Progress__

SHA

	A	B	C	D	E	F
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Overfunded Actuarial Accrued Liability [(B) – (A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Overfunded Actuarial Liability as Percentage of Covered Payroll {[(B)-(A)]/(E)}
6/30/99	55,366	37,558	(17,807)	147.4%	12,216	(145.8%)
6/30/00	68,289	49,568	(18,721)	137.8%	13,011	(143.9%)
6/30/01	70,450	54,827	(15,624)	128.5%	13,685	(114.2%)

RACS

	A	B	C	D	E	F
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Overfunded Actuarial Accrued Liability [(B) – (A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Overfunded Actuarial Liability as Percentage of Covered Payroll {[(B)-(A)]/(E)}
6/30/99	4,272	3,941	(331)	108.4%	-	-

Nonmajor Governmental Funds

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2002
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 22,043	$ 2,114	$ 41,843	$ 66,000
Accounts receivable (net)	80	-	26	106
Property taxes receivable	1,356	2,291	-	3,647
Due from other funds	2,331	30	1,334	3,695
Due from other governments	885	-	1,495	2,380
Notes receivable (net)	2,031	1,915	32,662	36,608
Advances to other funds	1,404	82	-	1,486
Advances to component units	3,968	-	-	3,968
Restricted cash and investments	1,250	2,804	2,766	6,820
Total assets	$ 35,348	$ 9,236	$ 80,126	$ 124,710
Liabilities				
Accounts payable	$ 1,503	$ 495	$ 593	$ 2,591
Accrued liabilities	65	-	-	65
Contracts payable	-	-	26	26
Due to other funds	1,087	1,151	42	2,280
Due to other governments	8,530	2,279	113	10,922
Deferred revenue	4,419	-	438	4,857
Deposit and trust liability	851	-	29	880
Advances from other funds	82	3,085	-	3,167
Total liabilities	16,537	7,010	1,241	24,788
Fund Balances				
Reserved for capital projects	2,381	-	35,030	37,411
Reserved for encumbrances	4,298	-	5,338	9,636
Reserved for debt service	1,250	2,604	2,766	6,620
Reserved for non-current assets	2,916	1,997	32,662	37,575
Reserved for loans	-	-	16	16
Reserved for housing operations	114	-	95	209
Unreserved, undesignated	7,852	(2,575)	2,978	8,255
Total fund balances	18,811	2,226	78,885	99,922
Total liabilities and fund balances	$ 35,348	$ 9,236	$ 80,126	$ 124,710

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	$ 5.381	$ -	$ 11.165	$ 16.546
Property taxes	5.856	8.260	-	14.116
Rental income	6	-	-	6
Interest income	971	783	868	2.622
Miscellaneous	1.491	50	1,534	3.075
Total revenues	13.705	9.093	13.567	36.365
Expenditures:				
Current:				
Housing operations	3.085	-	1.600	4.685
Community development	4.521	1,879	9.107	15.507
Community social services	2,307	-	-	2.307
Capital outlay	612	1.027	8.397	10.036
Debt service:				
Principal retirement	1,470	2.928	-	4,398
Interest	2,209	2,648	67	4.924
Related charges	-	314	-	314
Bond issuance costs	-	-	70	70
Total expenditures	14.204	8.796	19.241	42.241
Excess (deficiency) of revenues over (under) expenditures	(499)	297	(5.674)	(5.876)
Other financing sources (uses):				
Long-term debt issued	603	2.135	4.065	6.803
Premium on redevelopment bonds	-	-	5	5
Transfers in	3.160	2.509	7,227	12.896
Transfers out	(1.660)	(5.507)	(3.544)	(10.711)
Total other financing sources (uses)	2.103	(863)	7.753	8.993
Net change in fund balances	1.604	(566)	2.079	3.117
Fund balances, beginning	17.207	2.792	76.806	96.805
Fund balances, ending	$ 18.811	$ 2.226	$ 78.885	$ 99.922

Nonmajor Special Revenue Funds

Special revenue funds account for specific financial resources (other than for major capital projects) that are legally restricted to expenditure for specific purposes.

- **Housing funds** are used to account for a variety of federal, state and local housing programs that provide public housing assistance for low and moderate income households within the City and County.
- **Community Development Funds** are used to account for a variety of specific community programs funded by the federal government.
- **Tax Increment Funds** are used to account for the low and moderate housing activity associated with the redevelopment project areas.
- **Local Tax Funds** are used to account for payments in lieu of taxes. Revenues from the City and County Public Housing Funds are used to fund community service activities.

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2002
(amounts expressed in thousands)

	Housing	Community Development	Tax Increment	Local Tax	Total
Assets					
Cash and investments	$ 9,501	$ 1,952	$ 7,989	$ 2,601	$ 22,043
Accounts receivable (net)	72	8	-	-	80
Property taxes receivable	-	-	1,356	-	1,356
Due from other funds	844	63	1,424	-	2,331
Due from other governments	405	480	-	-	885
Notes receivable (net)	1,397	634	-	-	2,031
Advances to other funds	1,238	166	-	-	1,404
Advances to component units	3,968	-	-	-	3,968
Restricted cash and investments	-	-	1,250	-	1,250
Total assets	$ 17,425	$ 3,303	$ 12,019	$ 2,601	$ 35,348
Liabilities					
Accounts payable	$ 59	$ 49	$ 1,395	$ -	$ 1,503
Accrued liabilities	65	-	-	-	65
Due to other funds	363	456	268	-	1,087
Due to other governments	625	292	5,839	1,774	8,530
Deferred revenue	3,968	451	-	-	4,419
Deposit and trust liability	836	15	-	-	851
Advances from other funds	-	82	-	-	82
Total liabilities	5,916	1,345	7,502	1,774	16,537
Fund Balances					
Reserved for capital projects	889	1,492	-	-	2,381
Reserved for encumbrances	104	227	3,967	-	4,298
Reserved for debt service	-	-	1,250	-	1,250
Reserved for non-current assets	2,635	281	-	-	2,916
Reserved for housing operations	-	-	114	-	114
Unreserved, undesignated	7,881	(42)	(814)	827	7,852
Total fund balances	11,509	1,958	4,517	827	18,811
Total liabilities and fund balances	$ 17,425	$ 3,303	$ 12,019	$ 2,601	$ 35,348

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Housing	Community Development	Tax Increment	Local Tax	Total
Revenues:					
Intergovernmental	$ 1,658	$ 3,223	$ -	$ 500	$ 5,381
Property taxes	-	-	5,856	-	5,856
Rental income	-	6	-	-	6
Interest income	236	31	701	3	971
Miscellaneous	1,372	119	-	-	1,491
Total revenues	3,266	3,379	6,557	503	13,705
Expenditures:					
Current:					
Housing operations	3,085	-	-	-	3,085
Community development	651	1,449	2,418	3	4,521
Community social services	16	-	1,684	607	2,307
Capital outlay	-	342	270	-	612
Debt service:					
Principal retirement	-	-	1,470	-	1,470
Interest	-	-	2,209	-	2,209
Total expenditures	3,752	1,791	8,051	610	14,204
Excess (deficiency) of revenues over (under) expenditures	(486)	1,588	(1,494)	(107)	(499)
Other financing sources (uses):					
Long-term debt issued	-	-	603	-	603
Transfers in	595	-	2,565	-	3,160
Transfers out	(717)	-	(943)	-	(1,660)
Total other financing sources (uses)	(122)	-	2,225	-	2,103
Net change in fund balances	(608)	1,588	731	(107)	1,604
Fund balances, beginning	12,117	370	3,786	934	17,207
Fund balances, ending	$ 11,509	$ 1,958	$ 4,517	$ 827	$ 18,811

Nonmajor Housing Special Revenue Funds

- **General Housing Reserve** acts as a clearing account for excess funding to go to housing authority programs requiring additional funding.
- **Revenue Bond Program** accounts for the revenue from Mortgage Revenue Bonds and Mortgage Credit Certificates.
- **Energy Conservation Program** accounts for the receipt and use of rebates derived from various energy conservation programs.
- **City Drug Elimination** accounts for receipt and use of U.S. Department of Housing and Urban Development drug elimination grants at various City housing sites.
- **County Drug Elimination** accounts for receipt and use of U.S. Department of Housing and Urban Development drug elimination grants at various County housing sites.
- **Senior Tenant Services** accounts for the activity of the programs to provide support to the Agency's senior tenants.
- **County Mather Transitional Housing** accounts primarily for County reimbursed maintenance services provided by Agency staff.
- **City Public Housing Homeownership** accounts for the sale of single-family public housing units to eligible public housing residents in the City of Sacramento.
- **County Public Housing Homeownership** accounts for the sale of single-family public housing units to eligible public housing residents in the County of Sacramento.
- **Riverview Plaza Reserve** acts as a clearing account for excess funding to go to Riverview Plaza activities and other housing programs.
- **City Comprehensive Grant Operations** accounts for the operational activities for modernization and rehabilitation of Agency operated low-income housing in the City of Sacramento, which is funded by the U.S. Department of Housing and Urban Development
- **County Comprehensive Grant Operations** accounts for the operational activities for modernization and rehabilitation of Agency operated low-income housing in the County of Sacramento, which is funded by the U.S. Department of Housing and Urban Development.
- **Foundation Uniting Needs and Dollars (FUND), Inc.** accounts for the fundraising activities of the Agency.
- **City Credit Check** accounts for funds used to provide credit checks for prospective low income tenants in the City of Sacramento.
- **County Credit Check** accounts for funds used to provide credit checks for prospective low income tenants in the County of Sacramento.

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Housing Special Revenue Funds
December 31, 2002
(amounts expressed in thousands)

	General Housing Reserve	Revenue Bond Program	Energy Conservation Program	City Drug Elimination	County Drug Elimination
Assets					
Cash and investments	$ 1,818	$ 4.167	$ 331	$ -	$ -
Accounts receivable (net)	-	72	-	-	-
Due from other funds	388	456	-	-	-
Due from other governments	-	-	-	124	88
Notes receivable (net)	-	504	-	-	-
Advances to other funds	-	678	-	-	-
Advances to component units	-	-	-	-	-
Total assets	$ 2.206	$ 5.877	$ 331	$ 124	$ 88
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 13	$ 13
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	111	75
Due to other governments	-	249	-	-	-
Deferred revenue	-	-	-	-	-
Deposit and trust liability	-	836	-	-	-
Total liabilities	-	1.085	-	124	88
Fund Balances					
Reserved for capital projects	-	571	318	-	-
Reserved for encumbrances	-	104	-	-	-
Reserved for non-current assets	-	1,182	-	-	-
Unreserved, undesignated	2,206	2.935	13	-	-
Total fund balances	2.206	4.792	331	-	-
Total liabilities and fund balances	$ 2.206	$ 5.877	$ 331	$ 124	$ 88

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	Senior Tenant Services	County Mather Transitional Housing	City Public Housing Homeownership	County Public Housing Homeownership	Riverview Plaza Reserve	City Comprehensive Grant Operations	County Comprehensive Grant Operations
Assets							
Cash and investments	$ 380	$ -	$ 555	$ 261	$ 1,970	$ -	$ -
Accounts receivable (net)	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	181	-	-	-	-	-
Notes receivable (net)	-	-	556	337	-	-	-
Advances to other funds	-	-	-	-	560	-	-
Advances to component units	-	-	-	-	3.968	-	-
Total assets	$ 380	$ 181	$ 1.111	$ 598	$ 6.498	$ -	$ -
Liabilities							
Accounts payable	$ -	$ 1	$ 4	$ -	$ 28	$ -	$ -
Accrued liabilities	-	-	35	30	-	-	-
Due to other funds	-	165	-	-	-	-	-
Due to other governments	376	-	-	-	-	-	-
Deferred revenue	-	-	-	-	3,968	-	-
Deposit and trust liability	-	-	-	-	-	-	-
Total liabilities	376	166	39	30	3.996	-	-
Fund Balances							
Reserved for capital projects	-	-	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	-	-	-
Reserved for non-current assets	-	-	556	337	560	-	-
Unreserved, undesignated	4	15	516	231	1,942	-	-
Total fund balances	4	15	1,072	568	2,502	-	-
Total liabilities and fund balances	$ 380	$ 181	$ 1,111	$ 598	$ 6.498	$ -	$ -

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Housing Special Revenue Funds
December 31, 2002
(amounts expressed in thousands)

	FUND, Inc.	City Credit Check	County Credit Check	Total
Assets				
Cash and investments	$ 19	$ -	$ -	$ 9,501
Accounts receivable (net)	-	-	-	72
Due from other funds	-	-	-	844
Due from other governments	-	-	12	405
Notes receivable (net)	-	-	-	1,397
Advances to other funds	-	-	-	1,238
Advances to component units	-	-	-	3,968
Total assets	$ 19	$ -	$ 12	$ 17,425
Liabilities				
Accounts payable	$ -	$ -	$ -	$ 59
Accrued liabilities	-	-	-	65
Due to other funds	-	-	12	363
Due to other governments	-	-	-	825
Deferred revenue	-	-	-	3,968
Deposit and trust liability	-	-	-	636
Total liabilities	-	-	12	5,916
Fund Balances				
Reserved for capital projects	-	-	-	889
Reserved for encumbrances	-	-	-	104
Reserved for non-current assets	-	-	-	2,635
Unreserved, undesignated	19	-	-	7,881
Total fund balances	19	-	-	11,509
Total liabilities and fund balances	$ 19	$ -	$ 12	$ 17,425

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Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Housing Special Revenue Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	General Housing Reserve	Revenue Bond Program	Energy Conservation Program	City Drug Elimination	County Drug Elimination
Revenues:					
Intergovernmental	$ -	$ -	$ -	$ 836	$ 383
Interest income	8	102	13	-	-
Miscellaneous	-	1,094	39	-	-
Total revenues	8	1,196	52	836	383
Expenditures:					
Current:					
Housing operations	8	-	-	836	383
Community development	-	644	7	-	-
Community social services	-	-	-	-	-
Total expenditures	8	644	7	836	383
Excess (deficiency) of revenues over (under) expenditures	-	552	45	-	-
Other financing sources (uses):					
Transfers in	564	-	-	-	-
Transfers out	(577)	-	(140)	-	-
Total other financing sources (uses)	(13)	-	(140)	-	-
Net change in fund balances	(13)	552	(95)	-	-
Fund balances, beginning	2,219	4,240	426	-	-
Fund balances, ending	$ 2,206	$ 4,792	$ 331	$ -	$ -

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	Senior Tenant Services	County Mather Transitional Housing	City Public Housing Homeownership	County Public Housing Homeownership	Riverview Plaza Reserve	City Comprehensive Grant Operations	County Comprehensive Grant Operations
Revenues:							
Intergovernmental	$ -	$ 427	$ -	$ -	$ -	$ -	$ -
Interest income	-	-	28	16	66	1	1
Miscellaneous	-	-	234	-	-	-	-
Total revenues	-	427	262	16	66	1	1
Expenditures:							
Current:							
Housing operations	-	425	877	450	30	9	24
Community development	-	-	-	-	-	-	-
Community social services	-	-	-	-	-	-	-
Total expenditures	-	425	877	450	30	9	24
Excess (deficiency) of revenues over (under) expenditures	-	2	(615)	(434)	36	(8)	(23)
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	-	2	(615)	(434)	36	(8)	(23)
Fund balances, beginning	4	13	1,687	1,002	2,466	8	23
Fund balances, ending	$ 4	$ 15	$ 1,072	$ 568	$ 2,502	$ -	$ -

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Housing Special Revenue Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	FUND, Inc.	City Credit Check	County Credit Check	Total
Revenues:				
Intergovernmental	$ -	$ -	$ 12	$ 1,658
Interest income	1	-	-	236
Miscellaneous	5	-	-	1,372
Total revenues	6	-	12	3,266
Expenditures:				
Current:				
Housing operations	-	31	12	3,085
Community development	-	-	-	651
Community social services	16	-	-	16
Total expenditures	16	31	12	3,752
Excess (deficiency) of revenues over (under) expenditures	(10)	(31)	-	(486)
Other financing sources (uses):				
Transfers in	-	31	-	595
Transfers out	-	-	-	(717)
Total other financing sources (uses)	-	31	-	(122)
Net change in fund balances	(10)	-	-	(608)
Fund balances, beginning	29	-	-	12,117
Fund balances, ending	$ 19	$ -	$ -	$ 11,509

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Sacramento Housing and Redevelopment Agency
General Housing Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Interest income	$ 276	$ 276	$ 8	$ (268)
Total revenues	276	276	8	(268)
Expenditures				
Current:				
Housing operations	7	7	8	(1)
Total expenditures	7	7	8	(1)
Excess of revenues over expenditures	269	269	-	(269)
Other financing sources (uses):				
Transfers in	75	75	564	489
Transfers out	(265)	(465)	(577)	(112)
Total other financing sources (uses)	(190)	(390)	(13)	377
Net change in fund balances	79	(121)	(13)	108
Fund balances, beginning	2,219	2,219	2,219	-
Fund balances, ending	$ 2,298	$ 2,098	$ 2,206	$ 108

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Sacramento Housing and Redevelopment Agency
Energy Conservation Program Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Interest income	$ 20	$ 20	$ 13	$ (7)
Miscellaneous	20	20	39	19
Total revenues	40	40	52	12
Expenditures				
Current:				
Community development	325	325	7	318
Total expenditures	325	325	7	318
Excess (deficiency) of revenues over (under) expenditures	(285)	(285)	45	330
Other financing uses:				
Transfers out	(140)	(140)	(140)	-
Total other financing uses	(140)	(140)	(140)	-
Net change in fund balances	(425)	(425)	(95)	330
Fund balances, beginning	426	426	426	-
Fund balances, ending	$ 1	$ 1	$ 331	$ 330

Sacramento Housing and Redevelopment Agency
Senior Tenant Services Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Miscellaneous	$ 18	$ -	$ -	$ -
Total revenues	18	-	-	-
Expenditures				
Current:				
Housing operations	18	-	-	-
Total expenditures	18	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balances, beginning	4	4	4	-
Fund balances, ending	$ 4	$ 4	$ 4	$ -

Sacramento Housing and Redevelopment Agency
County Mather Transitional Housing Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Intergovernmental	$ 400	$ 400	$ 427	$ 27
Total revenues	400	400	427	27
Expenditures				
Current:				
Housing operations	408	408	425	(17)
Total expenditures	408	408	425	(17)
Excess (deficiency) of revenues over (under) expenditures	(8)	(8)	2	10
Fund balances, beginning	13	13	13	-
Fund balances, ending	$ 5	$ 5	$ 15	$ 10

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Sacramento Housing and Redevelopment Agency
City Public Housing Homeownership Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget-
	Original	Final	Amounts	Positive (Negative)
Revenues				
Interest income	$ 20	$ 20	$ 28	$ 8
Miscellaneous	-	-	234	234
Total revenues	20	20	262	242
Expenditures				
Current:				
Housing operations	681	681	877	(196)
Total expenditures	681	681	877	(196)
Deficiency of revenues under expenditures	(661)	(661)	(615)	46
Other financing sources (uses):				
Sale of capital assets	800	800	-	(800)
Total other financing sources (uses)	800	800	-	(800)
Net change in fund balances	139	139	(615)	(754)
Fund balances, beginning	1,687	1,687	1,687	-
Fund balances, ending	$ 1,826	$ 1,826	$ 1,072	$ (754)

Sacramento Housing and Redevelopment Agency
County Public Housing Homeownership Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Interest income	$ 35	$ 35	$ 16	$ (19)
Total revenues	35	35	16	(19)
Expenditures				
Current:				
Housing operations	781	781	450	331
Total expenditures	781	781	450	331
Deficiency of revenues under expenditures	(746)	(746)	(434)	312
Other financing sources (uses):				
Sale of capital assets	80	80	-	(80)
Total other financing sources (uses)	80	80	-	(80)
Net change in fund balances	(666)	(666)	(434)	232
Fund balances, beginning	1,002	1,002	1,002	-
Fund balances, ending	$ 336	$ 336	$ 568	$ 232

Sacramento Housing and Redevelopment Agency
Riverview Plaza Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Interest income	$ 476	$ 476	$ 66	$ (410)
Total revenues	476	476	66	(410)
Expenditures				
Current:				
Housing operations	-	-	30	(30)
Capital outlay	1,499	1,999	-	1,999
Total expenditures	1,499	1,999	30	1,969
Excess (deficiency) of revenues over (under) expenditures	(1,023)	(1,523)	36	1,559
Fund balances, beginning	2,466	2,466	2,466	-
Fund balances, ending	$ 1,443	$ 943	$ 2,502	$ 1,559

Sacramento Housing and Redevelopment Agency
City Comprehensive Grant Operations Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Interest income	$ -	$ -	$ 1	$ 1
Total revenues	-	-	1	1
Expenditures				
Current:				
Housing operations	9	9	9	-
Total expenditures	9	9	9	-
Deficiency of revenues under expenditures	(9)	(9)	(8)	1
Fund balances, beginning	8	8	8	-
Fund balances, ending	$ (1)	$ (1)	$ -	$ 1

Sacramento Housing and Redevelopment Agency
County Comprehensive Grant Operations Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Interest income	$ -	$ -	$ 1	$ 1
Total revenues	-	-	1	1
Expenditures				
Current:				
Housing operations	-	24	24	-
Total expenditures	-	24	24	-
Deficiency of revenues under expenditures	-	(24)	(23)	1
Fund balances, beginning	23	23	23	-
Fund balances, ending	$ 23	$ (1)	$ -	$ 1

Nonmajor Community Development

Special Revenue Funds

- **City Economic Development Initiative (EDI) Grant** accounts for various economic development projects in the City of Sacramento.
- **County Economic Development Activities** accounts for various economic development projects in the County of Sacramento.
- **City Brownfields Cleanup** accounts for loans for toxic cleanup in the City.
- **City Miscellaneous Development Grants** accounts for various economic development activities in the City.
- **County Miscellaneous Development Grants** accounts for various economic development activities in the County.
- **City Urban League Fund Raised Equity** accounts for funds raised for the construction of an Urban League building in Del Paso Heights.
- **BEGIN** accounts for loans on behalf of the federal government
- **City SB966 Loan** accounts for loans on behalf of the state government.
- **City of Citrus Heights** accounts for the receipt and use of funding for community service activities within the City of Citrus Heights.
- **Shasta Trust Funds** are used to account for funds legally required to be set aside for the Shasta Hotel Investors Partnership.
- **City CalHOME** is a state program that provides loans for low-income housing residents within the City of Sacramento.
- **County CalHOME** is a state program that provides loans for low-income housing residents within the County of Sacramento.

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Community Development Special Revenue Funds
December 31, 2002
(amounts expressed in thousands)

	City EDI Grant	County Economic Development Activities	City Brownfields Cleanup	City Misc Development Grants	County Misc Development Grants	City Urban League Fund Raised Equity	BEGIN	City SB 966 Loan	City of Citrus Heights	Shasta Trust	City CalHOME	County CalHOME	Total
Assets													
Cash and investments	$ 22	$ -	$ -	$ 1,572	$ -	$ 15	$ 176	$ -	$ -	$ 167	$ -	$ -	$ 1,952
Accounts receivable (net)	-	8	-	-	-	-	-	-	-	-	-	-	8
Due from other funds	-	63	-	-	-	-	-	-	-	-	-	-	63
Due from other governments	-	43	3	130	304	-	-	-	-	-	-	-	480
Notes receivable (net)	-	-	-	-	115	-	134	110	-	-	88	187	634
Advances to other funds	-	166	-	-	-	-	-	-	-	-	-	-	166
Total assets	$ 22	$ 280	$ 3	$ 1,702	$ 419	$ 15	$ 310	$ 110	$ -	$ 167	$ 88	$ 187	$ 3,303
Liabilities													
Accounts payable	$ -	$ -	$ -	$ 38	$ -	$ -	$ -	$ -	$ -	$ -	$ 4	$ 7	$ 49
Due to other funds	-	11	3	-	276	-	-	-	-	-	80	86	456
Due to other governments	22	26	-	-	-	-	134	110	-	-	-	-	292
Deferred revenue	-	-	-	-	-	-	176	-	-	-	88	187	451
Deposit and trust liability	-	-	-	-	-	15	-	-	-	-	-	-	15
Advances from other funds	-	-	-	-	82	-	-	-	-	-	-	-	82
Total liabilities	22	37	3	38	358	15	310	110	-	-	172	280	1,345
Fund Balances													
Reserved for capital projects	-	24	-	1,463	5	-	-	-	-	-	-	-	1,492
Reserved for encumbrances	-	26	-	201	-	-	-	-	-	-	-	-	227
Reserved for non-current assets	-	166	-	-	115	-	-	-	-	-	-	-	281
Unreserved, undesignated	-	27	-	-	(59)	-	-	-	-	167	(84)	(93)	(42)
Total fund balances	-	243	-	1,664	61	-	-	-	-	167	(84)	(93)	1,958
Total liabilities and fund balances	$ 22	$ 280	$ 3	$ 1,702	$ 419	$ 15	$ 310	$ 110	$ -	$ 167	$ 88	$ 187	$ 3,303

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Community Development Special Revenue Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City EDI Grant	County Economic Development Activities	City Brownfields Cleanup	City Misc Development Grants	County Misc Development Grants	City Urban League Fund Raised Equity
Revenues:						
Intergovernmental	$ -	$ 456	$ -	$ 2,145	$ 493	$ -
Rental income	-	-	-	-	6	-
Interest income	-	11	-	-	-	-
Miscellaneous	-	69	-	50	-	-
Total revenues	-	536	-	2,195	499	-
Expenditures:						
Current:						
Community development	36	350	-	400	228	-
Capital outlay	-	-	-	131	211	-
Total expenditures	36	350	-	531	439	-
Excess (deficiency) of revenues over (under) expenditures	(36)	186	-	1,664	60	-
Fund balances, beginning	36	57	-	-	1	-
Fund balances, ending	$ -	$ 243	$ -	$ 1,664	$ 61	$ -

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	BEGIN	City SB 966 Loan	City of Citrus Heights	Shasta Trust	City CalHOME	County CalHOME	Total
Revenues:							
Intergovernmental	$ -	$ -	$ -	$ -	$ 19	$ 110	$ 3,223
Rental income	-	-	-	-	-	-	6
Interest income	14	-	-	6	-	-	31
Miscellaneous	-	-	-	-	-	-	119
Total revenues	14	-	-	6	19	110	3,379
Expenditures:							
Current:							
Community development	14	-	37	79	103	202	1,449
Capital outlay	-	-	-	-	-	-	342
Total expenditures	14	-	37	79	103	202	1,791
Excess (deficiency) of revenues over (under) expenditures	-	-	(37)	(73)	(84)	(92)	1,588
Fund balances, beginning	-	-	37	240	-	(1)	370
Fund balances, ending	$ -	$ -	$ -	$ 167	$ (84)	$ (93)	$ 1,958

Nonmajor Tax Increment Special Revenue Funds

Tax Increment Low and Moderate Income Housing Funds are established pursuant to California Redevelopment Law to provide for the replacement and establishment of low and moderate income housing. The following funds are established for the redevelopment project areas:

- **City Low/Mod Merged Downtown**
- **City Low/Mod Del Paso Heights**
- **City Low/Mod Alkali Flat**
- **City Low/Mod Oak Park**
- **City Low/Mod Richards Boulevard**
- **County Low/Mod Walnut Grove**
- **City Low/Mod North Sacramento**
- **City/County Low/Mod Franklin Boulevard**
- **City/County Low/Mod Stockton Boulevard**
- **City/County Low/Mod Auburn Boulevard**
- **County Low/Mod Mather/McClellan Merged**
- **City Low/Mod Army Depot**

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
December 31, 2002
(amounts expressed in thousands)

	City Low/Mod Merged Downtown	City Low/Mod Del Paso Heights	City Low/Mod Alkali Flat	City Low/Mod Oak Park	City Low/Mod Richards Boulevard	County Low/Mod Walnut Grove	City Low/Mod North Sacramento	City / County Low/Mod Franklin Boulevard	City / County Low/Mod Stockton Boulevard	City / County Low/Mod Auburn Boulevard	County Low/ Mod Mather/ McClellan Merged	City Low/Mod Army Depot	Total
Assets													
Cash and investments	$ 6,540	$ 368	$ -	$ 476	$ 248	$ 1	$ 275	$ 39	$ 33	$ 5	$ -	$ 4	$ 7,989
Property taxes receivable	784	47	26	86	23	1	27	23	11	3	319	6	1,356
Due from other funds	1,424	-	-	-	-	-	-	-	-	-	-	-	1,424
Restricted cash and investments	603	201	-	283	91	-	72	-	-	-	-	-	1,250
Total assets	$ 9,351	$ 616	$ 26	$ 845	$ 362	$ 2	$ 374	$ 62	$ 44	$ 8	$ 319	$ 10	$ 12,019
Liabilities													
Accounts payable	$ 1,390	$ 3	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2	$ -	$ 1,395
Due to other funds	-	-	142	-	-	-	-	-	-	-	126	-	268
Due to other governments	5,839	-	-	-	-	-	-	-	-	-	-	-	5,839
Total liabilities	7,229	3	142	-	-	-	-	-	-	-	128	-	7,502
Fund Balances													
Reserved for encumbrances	3,958	4	-	-	-	-	5	-	-	-	-	-	3,967
Reserved for debt service	603	201	-	283	91	-	72	-	-	-	-	-	1,250
Reserved for housing operations	-	-	-	-	-	-	-	62	44	8	-	-	114
Unreserved, undesignated	(2,439)	408	(116)	562	271	2	297	-	-	-	191	10	(814)
Total fund balances	2,122	613	(116)	845	362	2	374	62	44	8	191	10	4,517
Total liabilities and fund balances	$ 9,351	$ 616	$ 26	$ 845	$ 362	$ 2	$ 374	$ 62	$ 44	$ 8	$ 319	$ 10	$ 12,019

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Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City Low/Mod Merged Downtown	City Low/Mod Del Paso Heights	City Low/Mod Alkali Flat	City Low/Mod Oak Park	City Low/Mod Richards Boulevard	County Low/Mod Walnut Grove
Revenues:						
Property taxes	$ 3,796	$ 305	$ 177	$ 499	$ 138	$ 8
Interest income	436	43	-	104	63	-
Total revenues	4,232	348	177	603	201	8
Expenditures:						
Current:						
Community development	1,689	258	66	181	3	-
Community social services	1,684	-	-	-	-	-
Capital outlay	270	-	-	-	-	-
Debt service:						
Principal retirement	1,016	67	196	151	24	-
Interest	1,547	133	18	282	77	6
Total expenditures	6,206	458	280	614	104	6
Excess (deficiency) of revenues over (under) expenditures	(1,974)	(110)	(103)	(11)	97	2
Other financing sources (uses):						
Long-term debt issued	603	-	-	-	-	-
Transfers in	1,316	140	-	129	-	83
Transfers out	(484)	-	(34)	-	(17)	-
Total other financing sources (uses)	1,435	140	(34)	129	(17)	83
Net change in fund balances	(539)	30	(137)	118	80	85
Fund balances, beginning	2,661	583	21	727	282	(83)
Fund balances, ending	$ 2,122	$ 613	$ (116)	$ 845	$ 362	$ 2

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	City Low/Mod North Sacramento	City / County Low/Mod Franklin Boulevard	City / County Low/Mod Stockton Boulevard	City / County Low/Mod Auburn Boulevard	County Low/ Mod Mather/ McClellan Merged	City Low/Mod Army Depot	Total
Revenues:							
Property taxes	$ 197	$ 154	$ 83	$ 6	$ 480	$ 13	$ 5,856
Interest income	43	2	6	-	4	-	701
Total revenues	240	156	89	6	484	13	6,557
Expenditures:							
Current:							
Community development	73	46	23	-	79	-	2,418
Community social services	-	-	-	-	-	-	1,684
Capital outlay	-	-	-	-	-	-	270
Debt service:							
Principal retirement	16	-	-	-	-	-	1,470
Interest	55	-	13	-	48	30	2,209
Total expenditures	144	46	36	-	127	30	8,051
Excess (deficiency) of revenues over (under) expenditures	96	110	53	6	357	(17)	(1,494)
Other financing sources (uses):							
Long-term debt issued	-	-	-	-	-	-	603
Transfers in	170	-	-	-	350	377	2,565
Transfers out	-	(97)	(62)	-	(249)	-	(943)
Total other financing sources (uses)	170	(97)	(62)	-	101	377	2,225
Net change in fund balances	266	13	(9)	6	458	360	731
Fund balances, beginning	108	49	53	2	(267)	(350)	3,786
Fund balances, ending	$ 374	$ 62	$ 44	$ 8	$ 191	$ 10	$ 4,517

Nonmajor Local Tax Special Revenue Funds

- **City Local Tax** accounts for the City Public Housing portion of payments in lieu of taxes. The resources are used for community service programs.
- **County Local Tax** accounts for the County Public Housing portion of payments in lieu of taxes. The resources are used for community service programs.

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Local Tax Special Revenue Funds
December 31, 2002
(amounts expressed in thousands)

	City Local Tax	County Local Tax	Total
Assets			
Cash and investments	$ 1,742	$ 859	$ 2,601
Total assets	$ 1,742	$ 859	$ 2,601
Liabilities			
Due to other governments	$ 1,185	$ 589	$ 1,774
Total liabilities	1,185	589	1,774
Fund Balances			
Unreserved, undesignated	557	270	827
Total fund balances	557	270	827
Total liabilities and fund balances	$ 1,742	$ 859	$ 2,601

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Local Tax Special Revenue Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City Local Tax	County Local Tax	Total
Revenues:			
Intergovernmental	$ 323	$ 177	$ 500
Interest income	(18)	21	3
Total revenues	305	198	503
Expenditures:			
Current:			
Community development	3	-	3
Community social services	427	180	607
Total expenditures	430	180	610
Excess (deficiency) of revenues over (under) expenditures	(125)	18	(107)
Fund balances, beginning	682	252	934
Fund balances, ending	$ 557	$ 270	$ 827

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Sacramento Housing and Redevelopment Agency
City Local Tax Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	$ 260	$ 260	$ 323	$ 63
Interest income	25	25	(18)	(43)
Total revenues	285	285	305	20
Expenditures				
Current:				
Community development	1	1	3	(2)
Community social services	427	427	427	-
Total expenditures	428	428	430	(2)
Deficiency of revenues under expenditures	(143)	(143)	(125)	18
Fund balances, beginning	682	682	682	-
Fund balances, ending	$ 539	$ 539	$ 557	$ 18

Sacramento Housing and Redevelopment Agency
County Local Tax Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
Revenues				
Intergovernmental	$ 159	$ 159	$ 177	$ 18
Interest income	15	15	21	6
Total revenues	174	174	198	24
Expenditures				
Current:				
Community development	1	1	-	1
Community social services	179	179	180	(1)
Total expenditures	180	180	180	-
Excess (deficiency) of revenues over (under) expenditures	(6)	(6)	18	24
Fund balances, beginning	252	252	252	-
Fund balances, ending	$ 246	$ 246	$ 270	$ 24

Nonmajor Debt Service Funds

The debt service funds are used to account for the accumulation of resources and payment of long-term debt principal and interest. Enterprise debt is included in the enterprise funds. The following funds account for the accumulation of monies for payment of interest and principal on bonds, notes and loans issued to finance capital improvements and redevelopment within project areas:

- **City Del Paso Heights**
- **City Alkali Flat**
- **City Oak Park**
- **City Richards Boulevard**
- **County Walnut Grove**
- **City North Sacramento**
- **City/County Franklin Boulevard**
- **City/County Stockton Boulevard**
- **City/County Auburn Boulevard**
- **County Mather/McClellan Merged**
- **City Army Depot**
- **City Northgate**
- **City 65th Street/Folsom Boulevard**
- **City CDBG**
- **County CDBG**
- **County CHFA HELP**

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2002
(amounts expressed in thousands)

	City Del Paso Heights	City Alkali Flat	City Oak Park	City Richards Boulevard	County Walnut Grove
Assets					
Cash and investments	$ 125	$ 931	$ 380	$ 93	$ 3
Property taxes receivable	187	105	344	92	6
Due from other funds	30	-	-	-	-
Notes receivable (net)	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Restricted cash and investments	907	-	1,265	331	-
Total assets	$ 1,249	$ 1,036	$ 1,969	$ 516	$ 9
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 54	$ -
Due to other funds	-	936	-	-	-
Due to other governments	-	-	-	66	-
Advances from other funds	-	-	-	600	317
Total liabilities	-	936	-	720	317
Fund Balances					
Reserved for debt service	907	-	1,265	331	-
Reserved for non-current assets	-	-	-	-	-
Unreserved, undesignated	342	100	704	(535)	(308)
Total fund balances	1,249	100	1,969	(204)	(308)
Total liabilities and fund balances	$ 1,249	$ 1,036	$ 1,969	$ 516	$ 9

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	City North Sacramento	City / County Franklin Boulevard	City / County Stockton Boulevard	City / County Auburn Boulevard	County Mather/ McClellan Merged	City Army Depot	City Northgate
Assets							
Cash and investments	$ 342	$ 126	$ 59	$ 18	$ -	$ 57	$ -
Property taxes receivable	110	93	45	11	1,273	25	-
Due from other funds	-	-	-	-	-	-	-
Notes receivable (net)	-	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-	-
Restricted cash and investments	301	-	-	-	-	-	-
Total assets	$ 753	$ 219	$ 104	$ 29	$ 1,273	$ 82	$ -
Liabilities							
Accounts payable	$ 19	$ 30	$ 26	$ 9	$ 349	$ 8	$ -
Due to other funds	-	-	-	-	100	85	-
Due to other governments	-	-	-	-	2,213	-	-
Advances from other funds	-	453	-	378	726	321	40
Total liabilities	19	483	26	387	3,388	414	40
Fund Balances							
Reserved for debt service	301	-	-	-	-	-	-
Reserved for non-current assets	-	-	-	-	-	-	-
Unreserved, undesignated	433	(264)	78	(358)	(2,115)	(332)	(40)
Total fund balances	734	(264)	78	(358)	(2,115)	(332)	(40)
Total liabilities and fund balances	$ 753	$ 219	$ 104	$ 29	$ 1,273	$ 82	$ -

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2002
(amounts expressed in thousands)

	City 65th Street / Folsom Boulevard	City CDBG	County CDBG	County CHFA HELP	Total
Assets					
Cash and investments	$ -	$ -	$ -	$ -	$ 2,114
Property taxes receivable	-	-	-	-	2,291
Due from other funds	-	-	-	-	30
Notes receivable (net)	-	-	-	1,915	1,915
Advances to other funds	-	-	-	82	82
Restricted cash and investments	-	-	-	-	2,804
Total assets	$ -	$ -	$ -	$ 1,997	$ 9,236
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ 495
Due to other funds	-	-	-	30	1,151
Due to other governments	-	-	-	-	2,279
Advances from other funds	250	-	-	-	3,085
Total liabilities	250	-	-	30	7,010
Fund Balances					
Reserved for debt service	-	-	-	-	2,804
Reserved for non-current assets	-	-	-	1,997	1,997
Unreserved, undesignated	(250)	-	-	(30)	(2,575)
Total fund balances	(250)	-	-	1,967	2,226
Total liabilities and fund balances	$ -	$ -	$ -	$ 1,997	$ 9,236

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Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

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	City Del Paso Heights	City Alkali Flat	City Oak Park	City Richards Boulevard	County Walnut Grove
Revenues:					
Property taxes	$ 1,222	$ 721	$ 1,995	$ 552	$ 35
Interest income	263	22	313	20	-
Miscellaneous	-	-	-	-	-
Total revenues	1,485	743	2,308	572	35
Expenditures:					
Current:					
Community development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal retirement	277	312	379	76	-
Interest	497	8	708	250	22
Related charges	25	15	39	99	1
Total expenditures	799	335	1,126	425	23
Excess (deficiency) of revenues over (under) expenditures	686	408	1,182	147	12
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(890)	(936)	(1,043)	(631)	(3)
Total other financing sources (uses)	(890)	(936)	(1,043)	(631)	(3)
Net change in fund balances	(204)	(528)	139	(484)	9
Fund balances, beginning	1,453	628	1,830	280	(317)
Fund balances, ending	$ 1,249	$ 100	$ 1,969	$ (204)	$ (308)

	City North Sacramento	City / County Franklin Boulevard	City / County Stockton Boulevard	City / County Auburn Boulevard	County Mather/ McClellan Merged	City Army Depot	City Northgate
Revenues:							
Property taxes	$ 790	$ 619	$ 331	$ 25	$ 1,917	$ 53	$ -
Interest income	124	1	19	-	17	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	914	620	350	25	1,934	53	-
Expenditures:							
Current:							
Community development	-	330	-	-	1,549	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service:							
Principal retirement	69	-	-	-	-	-	-
Interest	226	33	52	28	120	21	-
Related charges	51	13	48	14	-	9	-
Total expenditures	346	376	100	42	1,669	30	-
Excess (deficiency) of revenues over (under) expenditures	568	244	250	(17)	265	23	-
Other financing sources (uses):							
Long-term debt issued	-	-	-	300	-	-	-
Transfers in	-	-	-	-	-	46	-
Transfers out	(527)	(161)	(98)	(300)	(628)	-	(40)
Total other financing sources (uses)	(527)	(161)	(98)	-	(628)	46	(40)
Net change in fund balances	41	83	152	(17)	(363)	69	(40)
Fund balances, beginning	693	(347)	(74)	(341)	(1,752)	(401)	-
Fund balances, ending	$ 734	$ (264)	$ 78	$ (358)	$ (2,115)	$ (332)	$ (40)

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City 65th Street / Folsom Boulevard	City CDBG	County CDBG	County CHFA HELP	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 8,260
Interest income	-	-	-	4	783
Miscellaneous	-	-	-	50	50
Total revenues	-	-	-	54	9,093
Expenditures:					
Current:					
Community development	-	-	-	-	1,879
Capital outlay	-	-	-	1,027	1,027
Debt service:					
Principal retirement	-	1,400	415	-	2,928
Interest	-	643	40	-	2,648
Related charges	-	-	-	-	314
Total expenditures	-	2,043	455	1,027	8,796
Excess (deficiency) of revenues over (under) expenditures	-	(2,043)	(455)	(973)	297
Other financing sources (uses):					
Long-term debt issued	-	-	-	1,835	2,135
Transfers in	-	2,018	445	-	2,509
Transfers out	(250)	-	-	-	(5,507)
Total other financing sources (uses)	(250)	2,018	445	1,835	(863)
Net change in fund balances	(250)	(25)	(10)	862	(566)
Fund balances, beginning	-	25	10	1,105	2,792
Fund balances, ending	$ (250)	$ -	$ -	$ 1,967	$ 2,226

Sacramento Housing and Redevelopment Agency
City Del Paso Heights Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Property taxes	$ 1,040	$ 1,040	$ 1,222	$ 182
Interest income	304	304	263	(41)
Total revenues	1,344	1,344	1,485	141
Expenditures				
Debt service:				
Principal retirement	277	277	277	-
Interest	497	497	497	-
Related charges	26	26	25	1
Total expenditures	800	800	799	1
Excess of revenues over expenditures	544	544	686	142
Other financing uses:				
Transfers out	(890)	(890)	(890)	-
Total other financing uses	(890)	(890)	(890)	-
Net change in fund balances	(346)	(346)	(204)	142
Fund balances, beginning	1,453	1,453	1,453	-
Fund balances, ending	$ 1,107	$ 1,107	$ 1,249	$ 142

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Sacramento Housing and Redevelopment Agency
City Alkali Flat Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	$ 704	$ 704	$ 721	$ 17
Interest income	39	39	22	(17)
Total revenues	743	743	743	-
Expenditures				
Debt service:				
Principal retirement	318	318	312	6
Interest	29	29	8	21
Related charges	18	18	15	3
Total expenditures	365	365	335	30
Excess of revenues over expenditures	378	378	408	30
Other financing uses:				
Transfers out	(936)	(936)	(936)	-
Total other financing uses	(936)	(936)	(936)	-
Net change in fund balances	(558)	(558)	(528)	30
Fund balances, beginning	628	628	628	-
Fund balances, ending	$ 70	$ 70	$ 100	$ 30

Sacramento Housing and Redevelopment Agency
City Oak Park Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Property taxes	$ 1,560	$ 1,560	$ 1,995	$ 435
Interest income	325	325	313	(12)
Total revenues	1,885	1,885	2,308	423
Expenditures				
Debt service:				
Principal retirement	379	379	379	-
Interest	708	708	708	-
Related charges	40	40	39	1
Total expenditures	1,127	1,127	1,126	1
Excess of revenues over expenditures	758	758	1,182	424
Other financing uses:				
Transfers out	(1,042)	(1,042)	(1,043)	1
Total other financing uses	(1,042)	(1,042)	(1,043)	1
Net change in fund balances	(284)	(284)	139	425
Fund balances, beginning	1,830	1,830	1,830	-
Fund balances, ending	$ 1,546	$ 1,546	$ 1,969	$ 425

Sacramento Housing and Redevelopment Agency
City Richards Boulevard Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
Revenues				
Property taxes	$ 352	$ 352	$ 552	$ 200
Interest income	60	60	20	(40)
Total revenues	412	412	572	160
Expenditures				
Debt service:				
Principal retirement	76	76	76	-
Interest	250	250	250	-
Related charges	71	71	99	(28)
Total expenditures	397	397	425	(28)
Excess of revenues over expenditures	15	15	147	132
Other financing sources (uses):				
Long-term debt issued	600	600	-	(600)
Transfers out	(631)	(631)	(631)	-
Total other financing sources (uses)	(31)	(31)	(631)	(600)
Net change in fund balances	(16)	(16)	(484)	(468)
Fund balances, beginning	280	280	280	-
Fund balances, ending	$ 264	$ 264	$ (204)	$ (468)

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Sacramento Housing and Redevelopment Agency
County Walnut Grove Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
Revenues				
Property taxes	$ 32	$ 32	$ 35	$ 3
Total revenues	32	32	35	3
Expenditures				
Debt service:				
Principal retirement	6	6	-	6
Interest	22	22	22	-
Related charges	1	1	1	-
Total expenditures	29	29	23	6
Excess of revenues over expenditures	3	3	12	9
Other financing uses:				
Transfers out	(3)	(3)	(3)	-
Total other financing uses	(3)	(3)	(3)	-
Net change in fund balances	-	-	9	9
Fund balances, beginning	(317)	(317)	(317)	-
Fund balances, ending	$ (317)	$ (317)	$ (308)	$ 9

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Sacramento Housing and Redevelopment Agency
City North Sacramento Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes	$ 640	$ 640	$ 790	$ 150
Interest income	258	258	124	(134)
Total revenues	898	898	914	16
Expenditures				
Debt service:				
Principal retirement	85	85	69	16
Interest	370	370	226	144
Related charges	86	86	51	35
Total expenditures	541	541	346	195
Excess of revenues over expenditures	357	357	568	211
Other financing uses:				
Transfers out	(527)	(527)	(527)	-
Total other financing uses	(527)	(527)	(527)	-
Net change in fund balances	(170)	(170)	41	211
Fund balances, beginning	693	693	693	-
Fund balances, ending	$ 523	$ 523	$ 734	$ 211

Sacramento Housing and Redevelopment Agency
City/County Franklin Boulevard Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes	$ 500	$ 500	$ 619	$ 119
Interest income	2	2	1	(1)
Total revenues	502	502	620	118
Expenditures				
Current:				
Housing operations	-	-	-	-
Community development	341	322	330	(8)
Community social services	-	-	-	-
Capital outlays	-	-	-	-
Housing assistance payments	-	-	-	-
Loans and grants	-	-	-	-
Debt service:				
Principal retirement	21	21	-	21
Interest	33	33	33	-
Related charges	12	13	13	-
Total expenditures	407	389	376	13
Excess of revenues over expenditures	95	113	244	131
Other financing uses:				
Transfers out	(143)	(161)	(161)	-
Total other financing uses	(143)	(161)	(161)	-
Net change in fund balances	(48)	(48)	83	131
Fund balances, beginning	(347)	(347)	(347)	-
Fund balances, ending	$ (395)	$ (395)	$ (264)	$ 131

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Sacramento Housing and Redevelopment Agency
City/County Stockton Boulevard Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes	$ 200	$ 200	$ 331	$ 131
Interest income	76	76	19	(57)
Total revenues	276	276	350	74
Expenditures				
Debt service:				
Principal retirement	195	195	-	195
Interest	59	111	52	59
Related charges	29	29	48	(19)
Total expenditures	283	335	100	235
Excess (deficiency) of revenues over (under) expenditures	(7)	(59)	250	309
Other financing uses:				
Transfers out	(98)	(98)	(98)	-
Total other financing uses	(98)	(98)	(98)	-
Net change in fund balances	(105)	(157)	152	309
Fund balances, beginning	(74)	(74)	(74)	-
Fund balances, ending	$ (179)	$ (231)	$ 78	$ 309

Sacramento Housing and Redevelopment Agency
City/County Auburn Boulevard Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes	$ -	$ -	$ 25	$ 25
Total revenues	-	-	25	25
Expenditures				
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	28	(28)
Related charges	-	-	14	(14)
Total expenditures	-	-	42	(42)
Deficiency of revenues under expenditures	-	-	(17)	(17)
Other financing sources (uses):				
Long-term debt issued	-	300	300	-
Transfers out	-	(300)	(300)	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	(17)	(17)
Fund balances, beginning	(341)	(341)	(341)	-
Fund balances, ending	$ (341)	$ (341)	$ (358)	$ (17)

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Sacramento Housing and Redevelopment Agency
County Mather/McClellan Merged Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Property taxes	$ 1,120	$ 1,120	$ 1,917	$ 797
Interest income	100	100	17	(83)
Total revenues	1,220	1,220	1,934	714
Expenditures				
Current:				
Community development	1,498	1,498	1,549	(51)
Debt service:				
Principal retirement	105	205	-	205
Interest	270	70	120	(50)
Related charges	-	85	-	85
Total expenditures	1,873	1,858	1,669	189
Excess (deficiency) of revenues over (under) expenditures	(653)	(638)	265	903
Other financing sources (uses):				
Long-term debt issued	1,000	11,000	-	(11,000)
Transfers out	(628)	(10,543)	(628)	(9,915)
Total other financing sources (uses)	372	457	(628)	(20,915)
Net change in fund balances	(281)	(181)	(363)	(20,012)
Fund balances, beginning	(1,752)	(1,752)	(1,752)	-
Fund balances, ending	$ (2,033)	$ (1,933)	$ (2,115)	$ (20,012)

Sacramento Housing and Redevelopment Agency
City Army Depot Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Property taxes	$ 16	$ 16	$ 53	$ 37
Interest income	7	7	-	(7)
Total revenues	23	23	53	30
Expenditures				
Debt service:				
Interest	-	-	21	(21)
Related charges	3	3	9	(6)
Total expenditures	3	3	30	(27)
Excess of revenues over expenditures	20	20	23	3
Other financing sources:				
Transfers in	46	46	46	-
Total other financing sources	46	46	46	-
Net change in fund balances	66	66	69	3
Fund balances, beginning	(401)	(401)	(401)	-
Fund balances, ending	$ (335)	$ (335)	$ (332)	$ 3

Sacramento Housing and Redevelopment Agency
City Northgate Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Other financing uses:				
Transfers out	$ (40)	$ (40)	$ (40)	$ -
Total other financing uses	(40)	(40)	(40)	-
Net change in fund balances	(40)	(40)	(40)	-
Fund balances, beginning	-	-	-	-
Fund balances, ending	$ (40)	$ (40)	$ (40)	$ -

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Sacramento Housing and Redevelopment Agency
City 65th Street/Folsom Boulevard Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Other financing uses:				
Transfers out	$ -	$ -	$ (250)	$ 250
Total other financing uses	-	-	(250)	250
Net change in fund balances	-	-	(250)	250
Fund balances, beginning	-	-	-	-
Fund balances, ending	$ -	$ -	$ (250)	$ 250

Sacramento Housing and Redevelopment Agency
City CDBG Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
Expenditures				
Debt service:				
Principal retirement	$ 1,400	$ 1,400	$ 1,400	$ -
Interest	641	641	643	(2)
Total expenditures	2,041	2,041	2,043	(2)
Deficiency of revenues under expenditures	(2,041)	(2,041)	(2,043)	(2)
Other financing sources:				
Transfers in	2,131	2,131	2,018	(113)
Total other financing sources	2,131	2,131	2,018	(113)
Net change in fund balances	90	90	(25)	(115)
Fund balances, beginning	25	25	25	-
Fund balances, ending	$ 115	$ 115	$ -	$ (115)

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Sacramento Housing and Redevelopment Agency
County CDBG Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget-Positive (Negative)
Expenditures				
Debt service:				
Principal retirement	$ 395	$ 415	$ 415	$ -
Interest	68	41	40	1
Total expenditures	463	456	455	1
Deficiency of revenues under expenditures	(463)	(456)	(455)	1
Other financing sources:				
Transfers in	431	446	445	(1)
Total other financing sources	431	446	445	(1)
Net change in fund balances	(32)	(10)	(10)	-
Fund balances, beginning	10	10	10	-
Fund balances, ending	$ (22)	$ -	$ -	$ -

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Sacramento Housing and Redevelopment Agency
County CHFA HELP Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Interest income	$ 5	$ 5	$ 4	$ (1)
Miscellaneous	950	-	50	50
Total revenues	955	5	54	49
Expenditures				
Current:				
Community development	1,810	860	-	860
Capital outlay	-	2,500	1,027	1,473
Total expenditures	1,810	3,360	1,027	2,333
Deficiency of revenues under expenditures	(855)	(3,355)	(973)	2,382
Other financing sources:				
Long-term debt issued	-	2,500	1,835	(665)
Total other financing sources	-	2,500	1,835	(665)
Net change in fund balances	(855)	(855)	862	1,717
Fund balances, beginning	1,105	1,105	1,105	-
Fund balances, ending	$ 250	$ 250	$ 1,967	$ 1,717

Sacramento Housing and Redevelopment Agency
City Merged Downtown Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)
	Original	Final		
Revenues				
Property taxes	$ 14,560	$ 14,560	$ 15,184	$ 624
Interest income	1,500	1,500	611	(889)
Miscellaneous	3,600	3,600	-	(3,600)
Total revenues	19,660	19,660	15,795	(3,865)
Expenditures				
Debt service:				
Principal retirement	6,062	6,062	5,512	550
Interest	9,622	8,306	5,967	2,339
Related charges	368	368	319	49
Total expenditures	16,052	14,736	11,798	2,938
Excess of revenues over expenditures	3,608	4,924	3,997	(927)
Other financing sources (uses):				
Long-term debt issued	-	739	739	-
Sale of capital assets	-	-	5,100	5,100
Transfers out	(3,101)	(6,545)	(6,101)	444
Total other financing sources (uses)	(3,101)	(5,806)	(262)	5,544
Net change in fund balances	507	(882)	3,735	4,617
Fund balances, beginning	90	90	90	-
Fund balances, ending	$ 597	$ (792)	$ 3,825	$ 4,617

Nonmajor Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- **City and County Land Bank Funds** account for the accumulation of land acquired for the future development of low-income housing.
- **City and County Capital Fund/Comprehensive Grant Programs and City Development Funds for Modernization** account for the modernization and rehabilitation of Agency operated low-income housing funded by the U.S. Department of Housing and Urban Development.
- **City and County Housing Trust Funds** accounts for the acquisition, rehabilitation and development of low-income housing funded by local developer fees.

The following funds account for the financing and construction activities of capital improvements in referenced project areas:

- **City Del Paso Heights**
- **City Alkali Flat**
- **City Oak Park**
- **City Richards Boulevard**
- **County Walnut Grove**
- **City North Sacramento**
- **City/County Franklin Boulevard**
- **City/County Stockton Boulevard**
- **City/County Auburn Boulevard**
- **County Mather/McClellan Merged**
- **City Army Depot**
- **City Northgate**
- **City 65th Street/Folsom Boulevard**

The following funds account for the financing and construction activities of low- and moderate-housing capital improvements in referenced project areas:

- **City Low/Mod Del Paso Heights**
- **City Low/Mod Alkali Flat**
- **City Low/Mod Oak Park**
- **City Low/Mod Richards Boulevard**
- **County Low/Mod Walnut Grove**
- **City Low/Mod North Sacramento**
- **City/County Low/Mod Franklin Boulevard**
- **City/County Low/Mod Stockton Boulevard**
- **City/County Low/Mod Auburn Boulevard**
- **County Low/Mod Mather/McClellan Merged**
- **City Low/Mod Army Depot**

- **Community Social Service Complex** accounts for the financing and construction activities of the complex.
- **City and County Section 108 Programs** account for the acquisition of land, buildings, rehabilitation of public housing and various redevelopment activities. These funds are collateralized by and payable from future CDBG entitlements.

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Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002
(amounts expressed in thousands)

	City Land Bank	County Land Bank	City Capital Fund	County Capital Fund	City Comprehensive Grant	County Comprehensive Grant
Assets						
Cash and investments	$ 148	$ 54	$ -	$ -	$ -	$ 121
Accounts receivable (net)	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	39	5	59	-
Notes receivable (net)	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	$ 148	$ 54	$ 39	$ 5	$ 59	$ 121
Liabilities						
Accounts payable	$ -	$ 3	$ 39	$ 4	$ 11	$ 6
Contracts payable	-	-	-	1	23	2
Due to other funds	-	-	-	-	25	-
Due to other governments	-	-	-	-	-	113
Deferred revenue	-	-	-	-	-	-
Deposit and trust liability	-	-	-	-	-	-
Total liabilities	-	3	39	5	59	121
Fund Balances						
Reserved for capital projects	-	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-
Reserved for non-current assets	-	-	-	-	-	-
Reserved for loans	-	-	-	-	-	-
Reserved for housing operations	49	46	-	-	-	-
Unreserved, undesignated	99	5	-	-	-	-
Total fund balances	148	51	-	-	-	-
Total liabilities and fund balances	$ 148	$ 54	$ 39	$ 5	$ 59	$ 121

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	City Development funds for Modernization	City Housing Trust	County Housing Trust	City Del Paso Heights	City Low/Mod Del Paso Heights	City Alkali Flat	City Low/Mod Alkali Flat	City Oak Park
Assets								
Cash and investments	$ -	$ 5,367	$ 7,079	$ 4,310	$ 683	$ 1,561	$ 1,303	$ 7,376
Accounts receivable (net)	-	-	-	1	-	1	1	9
Due from other funds	-	-	-	-	-	936	34	-
Due from other governments	-	489	454	-	-	-	-	-
Notes receivable (net)	-	8,549	11,253	1,598	779	1,775	906	2,377
Restricted cash and investments	-	-	-	-	-	-	-	-
Total assets	$ -	$ 14,405	$ 18,786	$ 5,909	$ 1,462	$ 4,273	$ 2,244	$ 9,762
Liabilities								
Accounts payable	$ -	$ -	$ 31	$ 2	$ -	$ -	$ -	$ 366
Contracts payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Deposit and trust liability	-	-	-	4	12	5	-	2
Total liabilities	-	-	31	6	12	5	-	368
Fund Balances								
Reserved for capital projects	-	3,225	6,945	2,969	334	2,182	1,011	5,657
Reserved for encumbrances	-	928	20	1,264	250	10	295	1,353
Reserved for debt service	-	-	-	-	-	-	-	-
Reserved for non-current assets	-	8,549	11,253	1,598	779	1,775	906	2,377
Reserved for loans	-	-	-	-	-	-	-	-
Reserved for housing operations	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	1,703	537	72	87	301	32	7
Total fund balances	-	14,405	18,755	5,903	1,450	4,268	2,244	9,394
Total liabilities and fund balances	$ -	$ 14,405	$ 18,786	$ 5,909	$ 1,462	$ 4,273	$ 2,244	$ 9,762

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002
(amounts expressed in thousands)

	City Low/Mod Oak Park	City Richards Boulevard	City Low/Mod Richards Boulevard	County Walnut Grove	County Low/Mod Walnut Grove	City North Sacramento
Assets						
Cash and investments	$ 2,280	$ 1,489	$ 1,263	$ 18	$ 66	$ 2,239
Accounts receivable (net)	12	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Notes receivable (net)	1,718	1,008	-	263	18	729
Restricted cash and investments	-	-	-	-	-	-
Total assets	$ 4,010	$ 2,497	$ 1,263	$ 281	$ 84	$ 2,968
Liabilities						
Accounts payable	$ 20	$ 95	$ -	$ -	$ -	$ 6
Contracts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Deposit and trust liability	-	-	-	-	-	-
Total liabilities	20	95	-	-	-	6
Fund Balances						
Reserved for capital projects	2,128	1,434	1,200	16	64	2,038
Reserved for encumbrances	9	-	63	-	-	155
Reserved for debt service	-	-	-	-	-	-
Reserved for non-current assets	1,718	1,008	-	263	18	729
Reserved for loans	-	-	-	-	-	-
Reserved for housing operations	-	-	-	-	-	-
Unreserved, undesignated	135	(40)	-	2	2	40
Total fund balances	3,990	2,402	1,263	281	84	2,962
Total liabilities and fund balances	$ 4,010	$ 2,497	$ 1,263	$ 281	$ 84	$ 2,968

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	City Low/Mod North Sacramento	City / County Franklin Boulevard	City / County Low / Mod Franklin Boulevard	City / County Stockton Boulevard	City / County Low / Mod Stockton Boulevard	City / County Auburn Boulevard	City / County Low / Mod Auburn Boulevard	County Mather/ McClellan Merged
Assets								
Cash and investments	$ 1,014	$ 183	$ 221	$ 2,680	$ 789	$ 228	$ 3	$ 670
Accounts receivable (net)	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	37
Due from other governments	-	-	-	-	-	-	-	-
Notes receivable (net)	264	-	90	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-	-	-
Total assets	$ 1,278	$ 183	$ 311	$ 2,680	$ 789	$ 228	$ 3	$ 707
Liabilities								
Accounts payable	$ -	$ -	$ 1	$ -	$ -	$ -	$ -	$ 2
Contracts payable	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
Deposit and trust liability	-	-	-	-	-	5	-	-
Total liabilities	-	-	1	-	-	5	-	2
Fund Balances								
Reserved for capital projects	543	98	191	2,560	787	221	2	636
Reserved for encumbrances	478	79	12	110	-	-	-	44
Reserved for debt service	-	-	-	-	-	-	-	-
Reserved for non-current assets	264	-	90	-	-	-	-	-
Reserved for loans	-	-	-	-	-	-	-	-
Reserved for housing operations	-	-	-	-	-	-	-	-
Unreserved, undesignated	(7)	6	17	10	2	2	1	25
Total fund balances	1,278	183	310	2,680	789	223	3	705
Total liabilities and fund balances	$ 1,278	$ 183	$ 311	$ 2,680	$ 789	$ 228	$ 3	$ 707

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2002
(amounts expressed in thousands)

	County Low/ Mod Mather/ McClellan Merged	City Army Depot	City Low/Mod Army Depot	City Northgate	City 65th Street / Folsom Boulevard	Community Social Service Complex	City Section 108	County Section 108	Total
Assets									
Cash and investments	$ 147	$ 219	$ 54	$ 27	$ 237	$ -	$ 14	$ -	$ 41,843
Accounts receivable (net)	-	-	-	-	-	-	2	-	26
Due from other funds	126	85	-	-	-	116	-	-	1,334
Due from other governments	-	-	11	-	-	-	438	-	1,495
Notes receivable (net)	323	-	9	-	-	-	480	523	32,662
Restricted cash and investments	-	-	-	-	-	-	2,581	185	2,766
Total assets	$ 596	$ 304	$ 74	$ 27	$ 237	$ 116	$ 3,515	$ 708	$ 80,126
Liabilities									
Accounts payable	$ 4	$ -	$ 3	$ -	$ -	$ -	$ -	$ -	$ 593
Contracts payable	-	-	-	-	-	-	-	-	26
Due to other funds	-	-	-	-	-	-	-	17	42
Due to other governments	-	-	-	-	-	-	-	-	113
Deferred revenue	-	-	-	-	-	-	438	-	438
Deposit and trust liability	1	-	-	-	-	-	-	-	29
Total liabilities	5	-	3	-	-	-	438	17	1,241
Fund Balances									
Reserved for capital projects	192	301	103	-	80	113	-	-	35,030
Reserved for encumbrances	60	3	44	-	157	3	-	1	5,338
Reserved for debt service	-	-	-	-	-	-	2,581	185	2,766
Reserved for non-current assets	323	-	9	-	-	-	480	523	32,662
Reserved for loans	-	-	-	-	-	-	16	-	16
Reserved for housing operations	-	-	-	-	-	-	-	-	95
Unreserved, undesignated	16	-	(85)	27	-	-	-	(18)	2,978
Total fund balances	591	304	71	27	237	116	3,077	691	78,885
Total liabilities and fund balances	$ 596	$ 304	$ 74	$ 27	$ 237	$ 116	$ 3,515	$ 708	$ 80,126

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Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City Land Bank	County Land Bank	City Capital Fund	County Capital Fund	City Comprehensive Grant	County Comprehensive Grant
Revenues:						
Intergovernmental	$ -	$ -	$ 1,286	$ 639	$ 3,562	$ 2,022
Interest income	4	2	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total revenues	4	2	1,286	639	3,562	2,022
Expenditures:						
Current:						
Housing operations	19	20	68	9	862	621
Community development	-	-	-	-	-	-
Capital outlay	-	-	1,218	630	2,700	1,401
Debt service:						
Interest	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	19	20	1,286	639	3,562	2,022
Excess (deficiency) of revenues over (under) expenditures	(15)	(18)	-	-	-	-
Other financing sources (uses):						
Long-term debt issued	-	-	-	-	-	-
Premium on redevelopment bonds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances	(15)	(18)	-	-	-	-
Fund balances, beginning	163	69	-	-	-	-
Fund balances, ending	$ 148	$ 51	$ -	$ -	$ -	$ -

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	City Development funds for Modernization	City Housing Trust	County Housing Trust	City Del Paso Heights	City Low/Mod Del Paso Heights	City Alkali Flat	City Low/Mod Alkali Flat	City Oak Park
Revenues:								
Intergovernmental	$ 1	$ 2,335	$ 1,320	$ -	$ -	$ -	$ -	$ -
Interest income	-	12	185	33	21	13	56	27
Miscellaneous	-	979	-	-	255	-	-	35
Total revenues	1	3,326	1,505	33	276	13	56	62
Expenditures:								
Current:								
Housing operations	1	-	-	-	-	-	-	-
Community development	-	-	1,258	2,789	232	513	2	1,039
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Interest	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	1	-	1,258	2,789	232	513	2	1,039
Excess (deficiency) of revenues over (under) expenditures	-	3,326	247	(2,756)	44	(500)	54	(977)
Other financing sources (uses):								
Long-term debt issued	-	-	-	-	-	-	-	-
Premium on redevelopment bonds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	648	102	936	34	1,851
Transfers out	-	-	-	-	-	-	-	(892)
Total other financing sources (uses)	-	-	-	648	102	936	34	959
Net change in fund balances	-	3,326	247	(2,108)	146	436	88	(18)
Fund balances, beginning	-	11,079	18,508	8,011	1,304	3,832	2,156	9,412
Fund balances, ending	$ -	$ 14,405	$ 18,755	$ 5,903	$ 1,450	$ 4,268	$ 2,244	$ 9,394

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	City Low/Mod Oak Park	City Richards Boulevard	City Low/Mod Richards Boulevard	County Walnut Grove	County Low/Mod Walnut Grove	City North Sacramento
Revenues:						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -
Interest income	46	38	1	-	4	13
Miscellaneous	-	-	-	-	-	-
Total revenues	46	38	1	-	4	13
Expenditures:						
Current:						
Housing operations	-	-	-	-	-	-
Community development	248	378	-	53	2	510
Capital outlay	68	-	50	-	-	-
Debt service:						
Interest	-	67	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	316	445	50	53	2	510
Excess (deficiency) of revenues over (under) expenditures	(270)	(407)	(49)	(53)	2	(497)
Other financing sources (uses):						
Long-term debt issued	-	-	-	-	-	-
Premium on redevelopment bonds	-	-	-	-	-	-
Transfers in	-	631	17	2	1	916
Transfers out	-	-	-	-	(83)	(350)
Total other financing sources (uses)	-	631	17	2	(82)	566
Net change in fund balances	(270)	224	(32)	(51)	(80)	69
Fund balances, beginning	4,260	2,178	1,295	332	164 *	2,893
Fund balances, ending	$ 3,990	$ 2,402	$ 1,263	$ 281	$ 84	$ 2,962

	City Low/Mod North Sacramento	City / County Franklin Boulevard	City / County Low/Mod Franklin Boulevard	City / County Stockton Boulevard	City / County Low/Mod Stockton Boulevard	City / County Auburn Boulevard	City / County Low/Mod Auburn Boulevard	County Mather/ McClellan Merged
Revenues:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Interest income	7	3	22	5	3	2	1	17
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	7	3	22	5	3	2	1	17
Expenditures:								
Current:								
Housing operations	-	-	-	-	-	-	-	-
Community development	-	155	14	97	-	107	-	800
Capital outlay	-	-	587	-	-	-	-	-
Debt service:								
Interest	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	56	14	-	-	-
Total expenditures	-	155	601	153	14	107	-	800
Excess (deficiency) of revenues over (under) expenditures	7	(152)	(579)	(148)	(11)	(105)	1	(783)
Other financing sources (uses):								
Long-term debt issued	-	-	-	2,612	653	-	-	-
Premium on redevelopment bonds	-	-	-	4	1	-	-	-
Transfers in	190	161	97	98	62	314	-	628
Transfers out	(206)	-	-	-	-	-	(14)	-
Total other financing sources (uses)	(16)	161	97	2,714	716	314	(14)	628
Net change in fund balances	(9)	9	(482)	2,566	705	209	(13)	(155)
Fund balances, beginning	1,287	174	792	114	84	14	16	860
Fund balances, ending	$ 1,278	$ 183	$ 310	$ 2,680	$ 789	$ 223	$ 3	$ 705

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Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	County Low/ Mod Mather/ McClellan Merged	City Army Depot	City Low/Mod Army Depot	City Northgate	City 65th Street / Folsom Boulevard	Community Social Service Complex	City Section 108	County Section 108	Total
Revenues:									
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 11,165
Interest income	17	8	12	-	-	-	286	30	868
Miscellaneous	-	-	50	-	-	-	215	-	1,534
Total revenues	17	8	62	-	-	-	501	30	13,567
Expenditures:									
Current:									
Housing operations	-	-	-	-	-	-	-	-	1,600
Community development	33	16	72	13	13	67	664	32	9,107
Capital outlay	-	-	-	-	-	-	990	753	8,397
Debt service:									
Interest	-	-	-	-	-	-	-	-	67
Bond issuance costs	-	-	-	-	-	-	-	-	70
Total expenditures	33	16	72	13	13	67	1,654	785	19,241
Excess (deficiency) of revenues over (under) expenditures	(16)	(8)	(10)	(13)	(13)	(67)	(1,153)	(755)	(5,674)
Other financing sources (uses):									
Long-term debt issued	-	-	-	-	-	-	-	800	4,065
Premium on redevelopment bonds	-	-	-	-	-	-	-	-	5
Transfers in	249	-	-	40	250	-	-	-	7,227
Transfers out	(350)	(46)	(377)	-	-	-	(1,189)	(37)	(3,544)
Total other financing sources (uses)	(101)	(46)	(377)	40	250	-	(1,189)	763	7,753
Net change in fund balances	(117)	(54)	(387)	27	237	(67)	(2,342)	8	2,079
Fund balances, beginning	708	358	458	-	-	183	5,419	683	76,806
Fund balances, ending	$ 591	$ 304	$ 71	$ 27	$ 237	$ 116	$ 3,077	$ 691	$ 78,885

Nonmajor Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises; where the intent of the Agency is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the Agency has decided that periodic determination of net income is appropriate for measurement and accountability purposes.

All of these funds are low-income housing projects owned and/or operated by the Agency.

- **Ping Yuen Center**
- **San Jose/Broadway**
- **Scattered Sites**
- **Larchmont/Wildflower**
- **Locally Funded Projects**
- **Riverview Plaza Commercial**
- **Pioneer Hall**
- **Nova House**
- **Phoenix Park**
- **City Mod Rehab San Carlos Shelter Plus Care**
- **Security Deposit Revolving Loan**

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Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2002
(amounts expressed in thousands)

	Ping Yuen Center	San Jose/ Broadway	Scattered Sites	Larchmont/ Wildflower	Locally Funded Projects	Riverview Plaza Commercial	Pioneer Hall	Nova House	Phoenix Park	San Carlos Shelter Plus Care	Security Deposit Revolving Loan	Total
Assets												
Current assets:												
Cash and investments	$ -	$ 76	$ -	$ -	$ 370	$ 682	$ 43	$ 78	$ -	$ 21	$ 22	$ 1,292
Accounts receivable (net)	-	8	2	1	2	5	-	-	53	-	-	71
Due from other funds	-	-	-	-	237	-	-	-	-	-	-	237
Due from other governments	-	-	10	-	-	-	-	-	-	-	-	10
Deferred charges and prepaid items	-	6	-	-	-	-	-	-	-	-	-	6
Total current assets	-	90	12	1	609	687	43	78	53	21	22	1,616
Noncurrent assets:												
Restricted cash and investments:												
Painting/replacement	-	63	-	10	-	-	-	-	-	-	-	73
Insurance impound/security deposits	-	14	-	3	-	-	-	-	-	-	-	17
Restricted cash	-	-	-	-	-	-	-	-	-	3	-	3
Total restricted assets	-	77	-	13	-	-	-	-	-	3	-	93
Notes receivable (net)	-	-	-	-	-	-	-	-	-	-	179	179
Capital assets:												
Land	227	67	44	116	210	198	-	-	849	55	-	1,766
Buildings and improvements	1,087	1,195	170	344	2,753	5,552	-	-	6,994	832	-	18,927
Property and equipment	34	-	-	-	-	-	-	-	-	-	-	34
Less accumulated depreciation	(738)	(689)	(110)	(202)	(1,459)	(1,932)	-	-	(232)	(115)	-	(5,477)
Total capital assets (net of accumulated depreciation)	610	573	104	258	1,504	3,818	-	-	7,611	772	-	15,250
Total noncurrent assets	610	650	104	271	1,504	3,818	-	-	7,611	775	179	15,522
Total assets	610	740	116	272	2,113	4,505	43	78	7,664	796	201	17,138
Liabilities												
Current liabilities:												
Accounts payable	-	-	-	-	-	11	1	-	97	5	1	115
Accrued liabilities	-	2	-	-	-	-	-	-	-	-	-	2
Due to other funds	28	-	102	3	-	-	-	-	104	-	-	237
Due to other governments	-	-	-	6	-	-	-	-	-	8	-	14
Deferred revenue	-	6	-	-	-	-	-	-	-	-	-	6
Current portion of long-term debt	-	18	-	23	-	-	-	-	-	-	-	41
Current liabilities payable from restricted assets:												
Deposit and trust liability	-	5	2	3	16	18	2	-	54	3	-	103
Total current liabilities	28	31	104	35	16	29	3	-	255	16	1	518
Noncurrent liabilities:												
Mortgage notes payable	-	612	-	160	-	-	-	-	-	-	-	772
Advances from other funds	500	-	-	-	-	-	-	-	-	-	-	500
Total noncurrent liabilities	500	612	-	160	-	-	-	-	-	-	-	1,272
Total liabilities	528	643	104	195	16	29	3	-	255	16	1	1 790
Net Assets												
Invested in capital assets, net of related debt	610	(57)	104	75	1,504	3,818	-	-	7,611	772	-	14,437
Restricted for housing operations	-	72	-	10	-	-	-	-	-	-	-	82
Unrestricted	(528)	82	(92)	(8)	593	658	40	78	(202)	8	200	829
Total net assets	$ 82	$ 97	$ 12	$ 77	$ 2,097	$ 4 476	$ 40	$ 78	$ 7 409	$ 780	$ 200	$ 15 348

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Ping Yuen Center	San Jose/ Broadway	Scattered Sites	Larchmont/ Wildflower	Locally Funded Projects
Operating revenues:					
Service fees	$ -	$ 3	$ 1	$ 1	$ 3
Rental income	-	54	29	29	219
Miscellaneous	-	1	-	-	458
Total operating revenues	-	58	30	30	680
Operating expenses:					
Employee services	-	56	42	26	100
Administrative services	1	26	6	6	36
Services and supplies	9	52	78	49	139
Utilities	30	11	5	6	33
Depreciation/amortization	-	32	4	9	69
Total operating expenses	40	177	135	96	377
Operating loss	(40)	(119)	(105)	(66)	303
Nonoperating revenues (expenses):					
Intergovernmental	-	137	-	56	128
Interest income	-	4	-	1	7
Interest expense	-	(53)	-	(14)	-
Total nonoperating revenues (expenses)	-	88	-	43	135
Income (loss) before contributions and transfers	(40)	(31)	(105)	(23)	438
Capital contributions	-	-	-	-	-
Transfers in	15	-	-	-	-
Transfers out	-	-	-	-	(77)
Change in net assets	(25)	(31)	(105)	(23)	361
Total net assets, beginning	107	128	117	100	1,736
Total net assets, ending	$ 82	$ 97	$ 12	$ 77	$ 2,097

	Riverview Plaza Commercial	Pioneer Hall	Nova House	Phoenix Park	San Carlos Shelter Plus Care	Security Deposit Revolving Loan	Total
Operating revenues:							
Service fees	$ 62	$ -	$ -	$ 94	$ -	$ -	$ 164
Rental income	295	50	7	446	57	-	1,186
Miscellaneous	-	-	-	-	-	-	459
Total operating revenues	357	50	7	540	57	-	1,809
Operating expenses:							
Employee services	42	-	3	355	14	-	638
Administrative services	75	-	2	168	6	-	328
Services and supplies	242	32	3	1,258	80	-	1,942
Utilities	20	18	3	98	28	-	252
Depreciation/amortization	140	-	-	104	21	-	379
Total operating expenses	519	50	11	1,983	151	-	3,539
Operating loss	(162)	-	(4)	(1,443)	(94)	-	(1,730)
Nonoperating revenues (expenses):							
Intergovernmental	-	-	-	793	53	-	1,167
Interest income	23	-	5	(9)	-	-	31
Interest expense	-	(7)	-	-	-	-	(74)
Total nonoperating revenues (expenses)	23	(7)	5	784	53	-	1,124
Income (loss) before contributions and transfers	(139)	(7)	1	(659)	(41)	-	(606)
Capital contributions	-	-	-	4,522	-	-	4,522
Transfers in	-	288	-	518	-	200	1,021
Transfers out	(156)	-	-	-	-	-	(233)
Change in net assets	(295)	281	1	4,381	(41)	200	4,704
Total net assets, beginning	4,771	(241)	77	3,028	821	-	10,644
Total net assets, ending	$ 4,476	$ 40	$ 78	$ 7,409	$ 780	$ 200	$ 15,348

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Sacramento Housing and Redevelopment Agency
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Ping Yuen Center	San Jose/ Broadway	Scattered Sites	Larchmont/ Wildflower	Locally Funded Projects
Cash flows from operating activities:					
Receipts from tenants	$ -	$ 60	$ 29	$ 28	$ 686
Receipts from interfund services provided	-	-	-	-	-
Payments to suppliers for goods and services	(15)	(96)	(20)	(56)	(345)
Payments to employees for services	-	(56)	(9)	(26)	(205)
Net cash provided by (used in) operating activities	(15)	(92)	-	(54)	136
Cash flows from noncapital financing activities:					
Transfers in	15	-	-	-	-
Transfers out	-	-	-	-	(77)
Intergovernmental revenue received	-	137	-	56	128
Repayment of loans from other funds	-	-	-	-	-
Increase in notes receivable	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	15	137	-	56	51
Cash flows from capital and related financing activities:					
Repayments of long-term liabilities	-	(15)	-	(22)	-
Interest paid	-	(58)	-	(14)	-
Net cash used by capital and related financing activities	-	(73)	-	(36)	-
Cash flows from investing activities:					
Interest received	-	4	-	1	7
Net increase (decrease) in cash and cash equivalents	-	(24)	-	(33)	194
Cash and cash equivalents, January 1	-	177	-	46	176
Cash and cash equivalents, December 31	$ -	$ 153	$ -	$ 13	$ 370
Reconciliation of cash and cash equivalents to the statement of net assets:					
Cash and investments	$ -	$ 76	$ -	$ -	$ 370
Restricted cash and investments	-	77	-	13	-
Total	$ -	$ 153	$ -	$ 13	$ 370
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (40)	$ (119)	$ (105)	$ (66)	$ 303
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	-	32	4	9	69
Decrease (increase) in accounts receivable	-	(3)	(2)	(1)	4
Decrease (increase) in due from other funds	-	-	-	-	(237)
Decrease (increase) in deferred charges and prepaid items	-	(2)	-	2	-
Increase (decrease) in accounts payable	(3)	(5)	-	(6)	(5)
Increase (decrease) in due to other funds	28	-	102	3	-
Increase in due to other governments	-	-	-	6	-
Increase (decrease) in deferred revenue	-	6	-	(1)	-
Increase (decrease) in deposit and trust liability	-	(1)	1	-	2
Total adjustments	25	27	105	12	(167)
Net cash provided by (used in) operating activities	$ (15)	$ (92)	$ -	$ (54)	$ 136
Noncash investing, capital and financing activities:					
Transfer in of capital assets	$ -	$ -	$ -	$ -	$ -

	Riverview Plaza Commercial	Pioneer Hall	Nova House	Phoenix Park	San Carlos Shelter Plus Care	Security Deposit Revolving Loan	Total
Cash flows from operating activities:							
Receipts from tenants	$ 293	$ 50	$ 8	$ 532	$ 56	$ -	$ 1,742
Receipts from interfund services provided	62	-	-	-	-	1	63
Payments to suppliers for goods and services	(328)	(49)	(28)	(1,479)	(116)	-	(2,532)
Payments to employees for services	(42)	-	(3)	(355)	(14)	-	(710)
Net cash provided by (used in) operating activities	(15)	1	(23)	(1,302)	(74)	1	(1,437)
Cash flows from noncapital financing activities:							
Transfers in	-	298	-	518	-	200	1,021
Transfers out	(156)	-	-	-	-	-	(233)
Intergovernmental revenue received	-	-	-	793	55	-	1,169
Repayment of loans from other funds	-	(282)	-	-	-	-	(282)
Increase in notes receivable	-	-	-	-	-	(179)	(179)
Net cash provided by (used in) noncapital financing activities	(156)	6	-	1,311	55	21	1,496
Cash flows from capital and related financing activities:							
Repayments of long-term liabilities	-	-	-	-	-	-	(37)
Interest paid	-	(7)	-	-	-	-	(79)
Net cash used by capital and related financing activities	-	(7)	-	-	-	-	(116)
Cash flows from investing activities:							
Interest received	23	-	5	(9)	-	-	31
Net increase (decrease) in cash and cash equivalents	(148)	-	(18)	-	(19)	22	(26)
Cash and cash equivalents, January 1	830	43	96	-	43	-	1,411
Cash and cash equivalents, December 31	$ 682	$ 43	$ 78	$ -	$ 24	$ 22	$ 1,385
Reconciliation of cash and cash equivalents to the statement of net assets:							
Cash and investments	$ 682	$ 43	$ 78	$ -	$ 21	$ 22	1,292
Restricted cash and investments	-	-	-	-	3	-	93
Total	$ 682	$ 43	$ 78	$ -	$ 24	$ 22	$ 1,385
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:							
Operating income (loss)	$ (162)	$ -	$ (4)	$ (1,443)	$ (94)	$ -	$ (1,730)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	140	-	-	104	21	-	379
Decrease (increase) in accounts receivable	(5)	-	1	(35)	-	-	(41)
Decrease (increase) in due from other funds	-	-	-	-	-	-	(237)
Decrease (increase) in deferred charges and prepaid items	-	-	-	-	-	-	-
Increase (decrease) in accounts payable	9	1	-	(59)	-	1	(67)
Increase (decrease) in due to other funds	-	-	(20)	104	-	-	217
Increase in due to other governments	-	-	-	-	-	-	6
Increase (decrease) in deferred revenue	-	-	-	-	-	-	5
Increase (decrease) in deposit and trust liability	3	-	-	27	(1)	-	31
Total adjustments	147	1	(19)	141	20	1	293
Net cash provided by (used in) operating activities	$ (15)	$ 1	$ (23)	$ (1,302)	$ (74)	$ 1	$ (1,437)
Noncash investing, capital and financing activities:							
Transfer in of capital assets	$ -	$ -	$ -	$ 4,522	$ -	$ -	$ 4,522

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Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Internal Service Funds
December 31, 2002
(amounts expressed in thousands)

	Internal Support	Self Insurance	Total
Assets			
Current assets:			
Cash and investments	$ 9,891	$ 743	$ 10,634
Accounts receivable (net)	20	2	22
Due from other governments	68	-	68
Total current assets	9,979	745	10,724
Noncurrent assets:			
Restricted cash and investments:			
Restricted cash	503	129	632
Total restricted assets	503	129	632
Long-term assets:			
Notes receivable (net)	-	440	440
Advances to other funds	240	831	1,071
Total long-term assets	240	1,271	1,511
Capital assets:			
Land	979	-	979
Buildings and improvements	270	-	270
Property and equipment	1,465	20	1,485
Less accumulated depreciation	(1,383)	(7)	(1,390)
Total capital assets (net of accumulated depreciation)	1,331	13	1,344
Total noncurrent assets	2,074	1,413	3,487
Total assets	12,053	2,158	14,211
Liabilities			
Current liabilities:			
Accounts payable	933	-	933
Accrued liabilities	482	614	1,096
Compensated absences	1,497	-	1,497
Total current liabilities	2,912	614	3,526
Noncurrent liabilities:			
Compensated absences	1,304	-	1,304
Advances from component units	1,000	-	1,000
Total noncurrent liabilities	2,304	-	2,304
Total liabilities	5,216	614	5,830
Net Assets			
Invested in capital assets, net of related debt	1,331	13	1,344
Unrestricted	5,506	1,531	7,037
Total net assets	$ 6,837	$ 1,544	$ 8,381

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Internal Support	Self Insurance	Total
Operating revenues:			
Service fees	$ 5,093	$ 725	$ 5,818
Miscellaneous	20	-	20
Total operating revenues	5,113	725	5,838
Operating expenses:			
Employee services	4,210	-	4,210
Services and supplies	1,724	916	2,640
Claims and judgements	-	559	559
Depreciation	73	2	75
Total operating expenses	6,007	1,477	7,484
Operating (loss)	(894)	(752)	(1,646)
Nonoperating revenues (expenses):			
Interest income	(139)	111	(28)
Total nonoperating revenues (expenses)	(139)	111	(28)
Change in net assets	(1,033)	(641)	(1,674)
Total net assets, beginning	7,870	2,185	10,055
Total net assets, ending	$ 6,837	$ 1,544	$ 8,381

Sacramento Housing and Redevelopment Agency
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2002
(amounts expressed in thousands)

	Internal Support	Self Insurance	Total
Cash flows from operating activities:			
Receipts from interfund services provided	$ 5,040	$ 977	$ 6,017
Payments to suppliers for goods and services	(873)	(916)	(1,789)
Payments to employees for services	(4,112)	-	(4,112)
Cash paid for claims and judgements	-	(394)	(394)
Net cash provided by (used in) operating activities	55	(333)	(278)
Cash flows from noncapital financing activities:			
Decrease in advance to other funds	343	217	560
Increase in notes receivable	-	(32)	(32)
Net cash provided by noncapital financing activities	343	185	528
Cash flows from investing activities:			
Interest income	(139)	111	(28)
Net increase (decrease) in cash and cash equivalents	259	(37)	222
Cash and cash equivalents, January 1	10,135	909	11,044
Cash and cash equivalents, December 31	$ 10,394	$ 872	$ 11,266
Reconciliation of cash and cash equivalents to the statement of net assets:			
Cash and investments	$ 9,891	$ 743	$ 10,634
Restricted cash and investments	503	129	632
Total	$ 10,394	$ 872	$ 11,266
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	$ (894)	$ (752)	$ (1,646)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation	73	2	75
Decrease (increase) in accounts receivable	(5)	8	3
Decrease in due to other funds	-	244	244
Decrease in deferred charges and prepaid items	74	-	74
Increase in due from other governments	(68)	-	(68)
Increase in accounts payable	777	-	777
Increase (decrease) in accrued liabilities	(182)	165	(17)
Increase in compensated absences	280	-	280
Total adjustments	949	419	1,368
Net cash provided by (used in) operating activities	$ 55	$ (333)	$ (278)

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis. Since the services and commodities are supplied exclusively to departments of a governmental jurisdiction, they are distinguishable from those public services rendered to the public in general and which are accounted for in Special Revenue, Enterprise or Fiduciary Funds.

- **Internal Support Fund** is used to account for the accumulation and allocation of costs associated with central support organizations of the Agency as well as the accumulation of funds to pay for compensated absences earned by employees.

- **Self Insurance Fund** is used to account for the costs of insurance (i.e. premiums and estimated claims liabilities) and accumulate funds for catastrophic events.

Statistical Section

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of General Governmental Revenues by Source and Expenditures by Function
For the Ten years ended December 31, 2002
(In Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Revenues:										
Intergovernmental:										
Public Housing Authority Operations and Debt Funding (1)	$8,315	$8,375	$11,189	$12,290	$12,232	$12,328	$13,308	$6,992		
Housing (Comp Grant)										
Capital Improvements	13,384	14,160	19,962	13,867	13,163	11,617	4,555	5,942	$7,133	
Housing Choice Voucher Programs (1)	27,481	30,299	30,534	32,078	33,115	34,691	38,417	37,685		
Block Grant	13,221	15,580	14,390	22,189	19,599	15,453	19,365	15,267	14,380	$18,251
Community Services										
Loan Programs (2)										
Miscellaneous	353	540	373		6,227	4,106	13,946	19,195	15,791	23,089
Property Taxes	21,983	20,226	20,449	19,484	18,558	20,327	19,679	22,537	27,751	29,300
Rental Income	6,363	5,665	6,075	5,523	6,221	5,955	5,995	6,269	8	26
Interest Income	3,740	4,317	4,307	3,826	4,242	5,004	5,300	6,896	7,459	4,302
Program Income										
Property Sales										
Miscellaneous	3,284	5,877	2,179	3 410	2,536	10,344	4,896	10,331	3,601	6,012
Total Revenues	98,124	105,039	109,458	112,467	115,893	119,825	125,461	131,114	76,323	80,980
Expenditures:										
Operating:										
Housing	14,969	18,492	17,826	19,535	24,317	23,118	20,896	21,357	5,298	4,685
Community Development	12,032	10,637	11,088	8,696	8,661	8,998	9,671	8,509	33,269	45,227
Community Services	2,751	1,722	1,924	3,321	3,808	3,104	4,225	3,970	2,881	3,738
Capital Expenditures	26,420	31,670	28,952	31,804	27,334	22,121	37,611	36,564	7,747	15,361
Housing Assistance Payments (1)	24,930	27,265	27,146	28,361	29,833	31,042	34,470	33,208		
Loans and Grants	3,235	5,275	5,560	9,867	7,328	4,913	7,665	10,828	9,381	
Principal Retirement	5,072	8,149	6,436	6,552	7,308	9,993	9,407	6,845	8,460	9,910
Interest and Fiscal Charges	13,793	12,823	14,671	11,704	12,272	13,171	14,140	9,678	10,932	13,177
Advance Refunding Escrow							1,986	2,583		
Total Expenditures	103,202	116,233	113,603	120,040	120,861	116,460	140,071	133,542	77,968	92,098
Other Financing Sources(Uses):										
Proceeds of Debt	33,081	4,431	1,618	8,125	2,498	70,932	43,549	22,363	5,283	61,316
Disposition of Property			10,302					114	1,865	11,920
Satisfaction of Debt			(14,608)							
Net Transfers In(Out)(3)										
Capital contributions										
Transfers In	29,022	20,200	18,492	12,437	22,252	23,912	43,919	13,196	17,995	17,393
Transfers Out	(32,011)	(20,251)	(18,941)	(12,437)	(22,334)	(24,126)	(43,884)	(14,801)	(17,596)	(18,287)
Transfers to Component Units	(658)	(658)	(658)	(658)	(658)	(658)	(658)	(658)	(658)	
Payment to escrow agent						(49,110)	(6,261)	(21,839)		
Total Other Financing Sources(Uses)	29,234	3,722	(3,795)	7 467	1,758	20,950	36,665	(1,625)	6,889	72,342
Excess (Deficiency) of Revenues and Other Financing Sources Over (under) Expenditures	$24,156	($7,472)	($7,940)	($106)	($3,210)	$24,315	$22,055	($4,053)	$5,244	$61,224

(1) Reclassified as Enterprise Funds in 2001
(2) Reclassified as Agency Funds in 1992

Sources:
Agency Annual Reports

This statement includes all Special Revenue, Debt Service and Capital Projects Funds.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of Population and Low Income Housing Units
For the Ten years ended December 31, 2002
(In Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
City Population (1)	391	393	396	385	389	393	396	406	419	426
City Assessed Value (1)	$16,177,193	$16,541,970	$16,667,959	$16,579,034	$16,597,287	$16,764,999	$17,387,355	$18,136,304	$19,197,237	$20,490,965
County Population (2)	1,121	1,130	1,138	1,123	1,141	1,160	1,178	1,210	1,259	1,280
County Assessed Value (2)	$51,015,388	$52,332,679	$53,355,817	$54,056,066	$54,158,275	$54,610,113	$57,161,929	$60,640,474	$65,228,760	$70,700,747
City Public Housing Authority Housing Units (3)	1,998	1,998	2,037	2,078	2,102	2,067	2,128	2,036	2,043	2,048
County Public Housing Authority Housing Units (3)	1,004	1,004	1,004	1,111	1,093	1,101	1,108	1,085	1,086	1,085
City Housing Choice Vouchers (3)	3,013	2,581	3,083	3,104	2,740	3,483	4,590	4,395	5,486	5,572
County Housing Choice Vouchers (3)	2,385	2,446	2,738	2,812	2,699	3,088	3,015	4,853	5,178	5,059

Sources:

(1) City of Sacramento Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2002

(2) County of Sacramento Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2002

(3) These statistics have been provided to assist in the analysis of the Agency's financial position. Demographic information specific to the City and County can be found in their annual reports. Amounts not in thousands.

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of Assessed Value, Property Taxes, and Debt Service by Project Area
For the Ten years ended December 31, 2002
(Dollar Amounts in Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Downtown										
Date Project Merged 8/15/86										
Assessed Values (1)(2)	$1,396,219	$1,381,209	$1,406,739	$1,355,450	$1,367,533	$1,361,527	$1,375,142	$1,590,100	$1,681,376	$1,801,191
Property Taxes	$17,459	$15,674	$15,626	$14,760	$13,736	$15,150	$14,571	$16,296	$19,259	$18,980
Debt Service	$9,696	$10,522	$10,311	$8,836	$8,833	$7,495	$9,774	$10,884	$10,884	$12,908
Coverage	1.80	1.49	1.52	1.67	1.56	2.02	1.49	1.50	1.77	1.47
Del Paso Heights										
Date Project Established 5/12/70										
Assessed Values (1)(2)	$132,075	$127,641	$125,929	$140,890	$138,611	$143,065	$144,496	$154,938	$167,944	$165,720
Property Taxes	$1,355	$1,140	$1,199	$1,142	$1,127	$1,144	$1,139	$1,231	$1,462	$1,527
Debt Service	$676	$703	$715	$705	$707	$803	$799	$993	$972	$974
Coverage	2.01	1.62	1.68	1.62	1.59	1.42	1.43	1.24	1.50	1.57
Alkali Flat										
Date Project Established 2/10/72										
Assessed Values (1)(2)	$91,751	$87,529	$86,492	$88,360	$86,429	$91,049	$91,959	$96,294	$98,443	$96,291
Property Taxes	$877	$808	$780	$764	$745	$792	$788	$844	$936	$902
Debt Service	$536	$558	$556	$557	$559	$553	$556	$556	$554	$534
Coverage	1.64	1.45	1.40	1.37	1.33	1.43	1.42	1.52	1.69	1.69
Oak Park										
Date Project Established 5/30/73										
Assessed Values (1)(2)	$210,655	$215,900	$226,939	$229,901	$245,712	$231,877	$234,196	$248,646	$262,205	$302,112
Property Taxes	$1,870	$1,792	$1,891	$1,802	$1,777	$1,825	$1,727	$1,906	$2,199	$2,494
Debt Service	$1,123	$1,157	$1,155	$1,156	$1,168	$1,162	$1,253	$1,564	$1,525	$1,520
Coverage	1.67	1.55	1.64	1.56	1.53	1.57	1.38	1.22	1.44	1.64
Walnut Grove										
Date Project Established 8/24/82										
Assessed Values (1)	$3,119	$3,244	$3,378	$3,844	$4,017	$4,880	$4,929	$5,033	$5,576	$5,905
Property Taxes	$24	$23	$26	$25	$26	$34	$35	$36	$43	$43
Debt Service	$7	$5	$5	$19	$14	$21	$18	$30	$30	$29
Coverage	3.43	4.60	5.20	1.32	1.86	1.62	1.94	1.20	1.43	1.48
Richards Boulevard										
Date Project Established 7/17/90										
Assessed Values (1)	$340,970	$338,647	$322,335	$273,405	$324,004	$358,651	$362,238	$368,897	$374,095	$412,319
Property Taxes	$399	$371	$395	$270	$204	$244	$274	$325	$475	$690
Debt Service	$289	$111	$118	$125	$165	$1,000	$1,486	$515	$328	$494
Coverage	1.38	3.34	3.35	2.16	1.24	0.24	0.18	0.63	1.45	1.40

Note (1) For fiscal years ending June 30

Coverage calculation is Property Taxes divided by Debt Service

Sources:
Assessed values are from the County of Sacramento
Property Taxes and Debt Service are from Agency Annual Reports

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of Assessed Value, Property Taxes, and Debt Service by Project Area
For the Ten years ended December 31, 2002
(Dollar Amounts in Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
North Sacramento										
Date Project Established 6/30/92										
Assessed Values(1)	$290,581	$267,162	$298,240	$299,951	$312,827	$323,438	$326,672	$360,526	$387,450	$395,369
Property Taxes		$312	$117	$82	$106	$222	$349	$506	$849	$987
Debt Service				$35	$34	$52	$99	$378	$369	$366
Coverage				2.34	3.12	4.27	3.53	1.34	2.30	2.70
Franklin Boulevard										
Date Project Established 1/31/94										
Assessed Values(1)		$350,315	$421,044	$426,700	$445,809	$410,208	$414,310	$418,921	$427,981	$440,001
Property Taxes		$98	$393	$610	$761	$648	$405	$519	$674	$773
Debt Service				$21	$20	$30	$30	$29	$31	$33
Coverage				29.05	38.05	21.60	13.50	17.90	21.74	23.42
Auburn Boulevard										
Date Project Established 10/20/92										
Assessed Values(1)	$61,387	$52,778	$57,599	$59,620	$59,990	$60,673	$60,673	$58,467	$63,417	$67,217
Property Taxes		$8	($7)	($19)	$8	($1)	($1)	($2)	$11	$30
Debt Service										29
Coverage										1.03
Stockton Boulevard										
Date Project Established 05/17/94										
Assessed Values(1)			$197,460	$225,034	$223,069	$222,431	$224,655	$241,692	$256,225	$264,699
Property Taxes			$29	$42	$32	$16	$33	$151	$316	$414
Debt Service				$21	$20	$30	$30	$31	$15	$64
Coverage				2.00	1.60	0.53	1.10	4.87	21.07	6.47
Mather/McClellan Merged										
Date Project Established 04/25/95										
Assessed Values(1)				$11	$12,583	$24,267	$24,510	$64,222	$124,459	$462,670
Property Taxes				$8	$38	$265	$171	$422	$1,411	$2,397
Debt Service						$29	$32	$117	$180	$169
Coverage						9.14	5.34	3.61	7.84	14.18
Army Depot										
Date Project Established 06/15/95										
Assessed Values(1)					$333,821	$326,582	$329,848	$224,432	$202,586	$216,002
Property Taxes					($9)	($19)	$185	$306	$70	$66
Debt Service										
Coverage										

Note (1) For fiscal years ending June 30

Coverage calculation is Property Taxes divided by Debt Service

Sources:
Assessed values are from the County of Sacramento
Property Taxes and Debt Service are from Agency Annual Reports

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of Construction, Property Value and Bank Deposits
For the Ten years ended December 31, 2002
(Dollar Amounts in Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
COMMERCIAL CONSTRUCTION(1)										
NUMBER OF PERMITS	2,483	2,536	2,602	2,400	2,433	2,600	2,946	2,711	2,663	2,634
VALUE	$162,306,350	$171,301,620	$171,866,385	$119,130,574	$164,874,077	$175,219,919	$289,298,949	$298,869,707	$304,802,336	$288,289,823
RESIDENTIAL CONSTRUCTION(1)										
NUMBER OF PERMITS	8,542	9,696	9,384	9,489	8,986	7,797	9,131	10,390	11,728	12,013
VALUE	$88,172,460	$92,235,972	$83,238,344	$74,114,588	$68,808,751	$66,669,876	$120,053,848	$287,024,757	$456,119,571	$425,345,791
PROPERTY VALUE (3)	$16,640,864	$16,999,823	$17,120,048	$17,042,218	$17,056,828	$17,220,692	$17,845,188	$18,594,346	$19,197,237	$20,490,965
BANK DEPOSITS (2)	$9,937,501	$10,421,994	$9,690,227	$9,473,299	$8,844,032	$9,499,000	$10,135,000	$10,491,000	$11,109,000	$12,381,000

NOTE (1) Source: City of Sacramento, Department of Planning and Development

NOTE (2) Until 1993 the amount did not include deposits
to savings and loan institutions and to credit unions.
Source: California State Banking Department

NOTE (3) Source: County of Sacramento

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of Property Tax Rates per $100 of Assessed Value
For the Ten years ended December 31, 2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Basic County, City, School Levy	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
City	0.0059	0.0047	0.0044	0.0044	0.0011	0.0019	0.0015	0.0018	0.0018	-
County of Sacramento	0.0023	0.0006	0.0011	0.0011	-	-	-	-	0.0364	0.0554
Schools	0.0139	0.0098	0.0116	0.0116	0.0060	-	0.0003	-	-	-
Special Districts	0.0142	0.0129	0.0123	0.0123	0.0133	0.0121	0.0116	0.0107	0.0101	0.0077
Total	1.0363	1.0280	1.0294	1.0294	1.0204	1.0140	1.0134	1.0125	1.0483	1.0631

Source: County of Sacramento - Compilation of Tax Rates by Code Area, 2002-03

Note: The effect of Article XIII-A of the Constitution of the State of California adopted by the electorate in June 1978 was to reduce the total tax rate for all taxing agencies to one percent of full value plus debt service levies.
The above rates represent one of 276 tax distiicts within the City of Sacramento.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Summary of Property Tax Levies and Collections
For the Ten years ended December 31, 2002
(Dollar Amounts in Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Downtown										
Current Tax Collections	$17,205	$15,674	$15,626	$14,760	$13,736	$15,150	$14,571	$16,296	$19,259	$18,980
Delinquent Taxes Collected	254									
Total Tax Collections	$17,459	$15,674	$15,626	$14,760	$13,736	$15,150	$14,571	$16,296	$19,259	$18,980
Del Paso Heights										
Current Tax Collections	$1,333	$1,140	$1,199	$1,142	$1,126	$1,144	$1,139	$1,231	$1,462	$1,527
Delinquent Taxes Collected	22									
Total Tax Collections	$1,355	$1,140	$1,199	$1,142	$1,126	$1,144	$1,139	$1,231	$1,462	$1,527
Alkali Flat										
Current Tax Collections	$860	$808	$780	$764	$745	$792	$788	$844	$936	$902
Delinquent Taxes Collected	17									
Total Tax Collections	$877	$808	$780	$764	$745	$792	$788	$844	$936	$902
Oak Park										
Current Tax Collections	$1,838	$1,792	$1,891	$1,802	$1,776	$1,825	$1,727	$1,906	$2,199	$2,494
Delinquent Taxes Collected	32									
Total Tax Collections	$1,870	$1,792	$1,891	$1,802	$1,776	$1,825	$1,727	$1,906	$2,199	$2,494
Walnut Grove										
Current Tax Collections	$24	$23	$26	$25	$26	$34	$35	$36	$43	$43
Delinquent Taxes Collected										
Total Tax Collections	$24	$23	$26	$25	$26	$34	$35	$36	$43	$43
Richards Boulevard										
Current Tax Collections	$385	$371	$395	$270	$204	$244	$274	$325	$475	$690
Delinquent Taxes Collected	14									
Total Tax Collections	$399	$371	$395	$270	$204	$244	$274	$325	$475	$690

Source: County of Sacramento Compilation by Auditor Controller's Office

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY

Summary of Property Tax Levies and Collections
For the Ten years ended December 31, 2002
(Dollar Amounts in Thousands)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
North Sacramento										
Current Tax Collections		$312	$117	$82	$106	$222	$349	$506	$849	$987
Delinquent Taxes Collected										
Total Tax Collections		$312	$117	$82	$106	$222	$349	$506	$849	$987
Franklin Boulevard										
Current Tax Collections		$98	$393	$610	$761	$648	$405	$519	$674	$773
Delinquent Taxes Collected										
Total Tax Collections		$98	$393	$610	$761	$648	$405	$519	$674	$773
Auburn Boulevard										
Current Tax Collections		$8	($7)	($19)	$9	($1)	($1)	($2)	$11	$30
Delinquent Taxes Collected										
Total Tax Collections		$8	($7)	($19)	$9	($1)	($1)	($2)	$11	$30
Stockton Boulevard										
Current Tax Collections			$29	$42	$31	$16	$33	$151	$316	$414
Delinquent Taxes Collected										
Total Tax Collections			$29	$42	$31	$16	$33	$151	$316	$414
Mather/McClellan Merged										
Current Tax Collections					$38	$265	$171	$422	$1,411	$2,397
Delinquent Taxes Collected										
Total Tax Collections					$38	$265	$171	$422	$1,411	$2,397
Army Depot										
Current Tax Collections					($9)	($19)	$185	$306	$70	$66
Delinquent Taxes Collected										
Total Tax Collections					($9)	($19)	$185	$306	$70	$66

Source: County of Sacramento Compilation by Auditor Controller's Office

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Merged Downtown)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
400 Capitol Mall Venture	$135,354,857	7.51%
Downtown Plaza	125,212,264	6.95%
Sacramento Hotel Corporation	86,020,213	4.78%
SRI Six USBP LLC	79,141,808	4.39%
VV Usa City LP	75,504,942	4.19%
Alpine Realty Sacramento	63,231,019	3.51%
Sacramento Renaissance Tower	53,164,440	2.95%
Capitol Regency LLC	48,902,700	2.72%
California Hospital Association	31,657,081	1.76%
770 L Street Investment Group	31,000,000	1.72%
	729,189,324	40.48%
All Other Taxpayers	1,072,001,632	59.52%
Total (Merged Downtown)	$1,801,190,956	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $1,801,190,956

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Del Paso Heights)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Research Properties	$2,716,603	1.64%
Anderson Family Trust	2,354,000	1.42%
U.S. Rentals	1,855,059	1.12%
Research Properties	1,658,413	1.00%
Terkensha/Associates	1,232,364	0.74%
Harry G/Mariann Brix	1,150,404	0.69%
1980 Tyler Family Trust	1,000,000	0.60%
Ben Ali Temple	893,200	0.54%
Donald K. Hansen	875,255	0.53%
Nnaemeka Ignatius Onwukwe	850,000	0.51%
	14,585,298	8.80%
All Other Taxpayers	151,134,762	91.20%
Total (Del Paso Heights)	$165,720,060	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $165,720,060

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Alkali Flat)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Hearst-Argyle Stations	$17,868,891	18.56%
Crystal Cream/Butter Co.	10,144,777	10.54%
Realty Advisors	5,993,791	6.22%
Bridge-Governor's Village	3,431,250	3.56%
520 Ninth Street	1,798,106	1.87%
700 E Street Building Partner	1,656,633	1.72%
John Dailey Trust	1,625,768	1.69%
Washington Square III LTD	1,475,377	1.53%
Court on G	1,288,000	1.34%
Samuel Tarpin	1,277,979	1.33%
	46,560,572	48.35%
All Other Taxpayers	49,730,638	51.65%
Total (Alkali Flat)	$96,291,210	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $96,291,210

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Oak Park)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Rainbow Baking	$16,856,302	5.58%
Regents of U C (Camellia Inn)	11,668,086	3.86%
Shriners Hospitals	10,084,750	3.34%
Stockton/Broadway Partners	4,134,394	1.37%
Security Public Storage	3,042,424	1.01%
4th Street/Stockton Blvd Partners	2,617,296	0.87%
Crestwood-Medical Center	2,512,152	0.83%
Campbell Taggart Baking Company	1,839,417	0.61%
4554 Eighth Avenue Joint Venture	1,773,225	0.59%
Equilon Enterprises LLC	1,339,607	0.44%
	55,867,653	18.49%
All Other Taxpayers	246,244,640	81.51%
Total (Oak Park)	$302,112,293	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $302,112,293

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Richards Boulevard)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
California Almond Growers	$41,808,896	10.14%
Continental Plaza LLC	19,486,106	4.73%
Sunstone OP Properties LLC	16,081,965	3.90%
L K L Properties	10,174,238	2.47%
Richards Boulevard Partners	10,145,912	2.46%
Ice Bear Inc. (Sequoia Pacific)	9,781,317	2.37%
LaQuinta Development Partner	9,663,928	2.34%
Grove Investment Company	8,943,127	2.17%
Andrew Alan Lewis Revocable	8,078,400	1.96%
Beaver Creek Venture	7,634,334	1.85%
	141,798,223	34.39%
All Other Taxpayers	270,520,331	65.61%
Total (Richards Boulevard)	$412,318,554	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $412,318,554

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Walnut Grove)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Troy & Sarah Brandau	$313,423	5.31%
Larry Hamilton	$283,602	4.80%
Victor N/Joan Savale Revocable Trst	190,535	3.23%
Stanley Martin	187,680	3.18%
Antonia McCabe	167,192	2.83%
Jesus Cano	144,386	2.44%
Vest Michael Clyde	143,816	2.44%
Valentien Manzo	140,780	2.38%
Graciela Perez	140,231	2.37%
Lance Fukuman	137,872	2.33%
	1,849,517	31.32%
All Other Taxpayers	4,055,912	68.68%
Total (Walnut Grove)	$5,905,429	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $5,905,429

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (North Sacramento)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
PD Hotel Associates LLC	$32,862,325	8.31%
Meriliz Inc.	20,592,609	5.21%
JB Management LP	20,584,477	5.21%
Seven-up Bottling Company	16,631,481	4.21%
Price Company	16,252,149	4.11%
Recreational Equipment	5,078,066	1.28%
Tcherkoyan Family Trust	4,672,110	1.18%
Radioligal Associates	3,791,393	0.96%
Infinity Radio Operations	2,877,464	0.73%
Jackson II LLC	2,730,839	0.69%
	126,072,913	31.89%
All Other Taxpayers	269,296,140	68.11%
Total (North Sacramento)	$395,369,053	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $395,369,053

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Franklin Boulevard)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Campbell Soup	$114,548,602	26.03%
United States Cold Storage	8,229,411	1.87%
Rosedown Apartments I LLC	4,305,596	0.98%
John Raleigh/David Yancey	3,381,299	0.77%
Sei/PSP Vi Joint Ventures	2,731,440	0.62%
Chateau Lang Apartments LLC	2,649,564	0.60%
Con-Way Western Express	2,637,811	0.60%
Mulberry Estates LLC	2,288,879	0.52%
Jeon Family Trust	2,218,922	0.50%
Hampton Park	2,192,197	0.50%
	145,183,721	33.00%
All Other Taxpayers	294,817,345	67.00%
Total (Franklin Boulevard)	$440,001,066	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $440,001,066

Source: Sacramento County Assessor.

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Stockton Boulevard)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
John/Nancy Kehriotis Trust	$6,413,152	2.42%
Western Investment Real Estate	5,569,200	2.10%
Charles/Phydelis McMulle	4,207,532	1.59%
Ralphs Grocery Co	4,108,597	1.55%
Mulleian Enterprises Inc.	3,912,312	1.48%
Preferred Properties LLC	3,885,732	1.47%
Tran Jack Khai	3,052,800	1.15%
Shiloh Arms LTD.	2,579,074	0.97%
Northern California Cement	2,461,835	0.93%
Fruitridge/Stockton LLC	2,142,920	0.81%
	38,333,154	14.48%
All Other Taxpayers	226,365,690	85.52%
Total (Stockton Boulevard)	$264,698,844	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $264,698,844

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Auburn Boulevard)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Vincent Maita	$9,568,060	14.23%
Massie/Co/Ricky	8,736,580	13.00%
Anderson Family Trust	2,763,633	4.11%
Auburn-Watt Storage Partners	2,588,020	3.85%
Auburn Square Investors	2,448,531	3.64%
Central Vision LLC	2,046,634	3.04%
ARS Hospitality Inc	1,776,806	2.64%
Beale Family Partnership	1,683,000	2.50%
Ronald Yates	1,460,414	2.17%
Charles Desrosier	1,390,164	2.07%
	34,461,842	51.27%
All Other Taxpayers	32,754,704	48.73%
Total (Auburn Boulevard)	$67,216,546	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $67,216,546

Source: Sacramento County Assessor.

SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Mather/McClellan Merged)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Watt North Highlands L P	$12,959,195	2.80%
Plaza-Watt Avenue LLC	7,267,129	1.57%
3222 Winona Way L P	5,712,000	1.23%
Ralphs Grocery Company	5,269,117	1.14%
Pacific Coast Building Products	5,218,971	1.13%
Clara K Massie Family Trust	4,785,840	1.03%
Hawthorne Apts LLC	4,467,600	0.97%
Detrick Shelley B/Barbara J	4,436,813	0.96%
Watt-Elkhorn Center	4,410,606	0.95%
RSC Partners	3,985,253	0.86%
	58,512,524	12.65%
All Other Taxpayers	404,157,551	87.35%
Total (Mather)	$462,670,075	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $462,670,075

Source: Sacramento County Assessor.

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SACRAMENTO HOUSING AND REDEVELOPMENT AGENCY
Ten Largest Assessees (Army Depot)

Assessee	2002-03 Taxable Value (1)	% of Total Value (2)
Prentiss/Copley Investment	$12,172,680	5.64%
United Grocers LTD (Fleming Co.)	8,586,509	3.98%
Air Products/Chemicals Inc	8,474,551	3.92%
Southdown Calif Cement LLC	7,193,473	3.33%
Engineered Polymer Solutions	4,573,765	2.12%
Inland Empire Investments	3,681,757	1.70%
Vivion Shops LLC	3,142,092	1.45%
Teichert Land Co	2,890,000	1.34%
W H Q	2,777,158	1.29%
Warehouse Way Associates	2,675,000	1.24%
	56,166,985	26.00%
All Other Taxpayers	159,835,303	74.00%
Total (Army Depot)	$216,002,288	100.00%

(1) Based on ownership of locally-assessed secured and unsecured property

(2) Based on total adjusted 2002-03 Project Area total taxable value of $216,002,288

Source: Sacramento County Assessor.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATES
REDEVELOPMENT AGENCY
OF THE CITY OF SACRAMENTO

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the City of Sacramento (the "Agency") in connection with the issuance by the Sacramento County Public Financing Authority (the "Issuer") of $33,695,587.95 Sacramento County Public Financing Authority 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of December 1, 2003, by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). A portion of the proceeds of the Bonds is being used by the Issuer to provide funds to make a loan to the Agency pursuant to a Loan Agreement, dated as of December 1, 2003, by and among the Issuer, the Agency and the Trustee (the "Loan Agreement"). The Loan Agreement provides funds to the Del Paso Heights Redevelopment Project, Project No. 5, of the Agency (the "Redevelopment Project"). Pursuant to Section 5.14 of the Indenture and Section 4.18 of the Loan Agreement, the Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Agency acknowledges that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required pursuant to this Certificate, and has no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture and the Agreements, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee 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.

"Official Statement" means the Official Statement, dated December 12, 2003, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"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 Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than the last day of the ninth (9th) month (currently September 30) after the end of the Agency's fiscal year (which currently ends December 31), commencing with the report for the Fiscal Year ending December 31, 2003, 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 Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). 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 Agency 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 Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification 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 certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and any appropriate 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 Agency, and such information is available to it, file a report with the Agency 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 Agency's Annual Report 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 Agency'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) A table showing the historical assessed values and tax increment revenues of properties located within the Redevelopment Project for the five most recent years for which such information is then available in a format similar to that set forth in the Official Statement as "Table 6 Historical Taxable Value" and an analysis of Tax Revenues in a format similar to that set forth in "Table 7 Estimate of Tax Revenues For Fiscal Year 2003-04", together with a statement of the debt service coverage ratios in the form set forth in Table 8 of the Official Statement;

(c) A table showing the ten largest payers of secured property taxes in the Redevelopment Project for the most recent year for which such information is then available in a format similar to that set forth in the Official Statement as "Table 13 Ten Major Property Tax Assessees";

(d) With respect to then pending appeals of assessed valuation of property within the Redevelopment Project, a description of any appeals by such ten largest property tax assessees in the Redevelopment Project; and

(e) A description of outstanding indebtedness payable from Tax Revenues and Housing Tax Revenues with respect to the Redevelopment Project.

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 Agency 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 Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax-exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any. 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 Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency 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 initial Dissemination Agent shall be the Agency. The Dissemination Agent may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or 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 Bonds, 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 Bonds in the manner provided in the Indenture for amendments to the Indenture 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 Bonds.

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 Agency 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 Agency 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 Agency 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 Agency shall have no obligation under this Agreement 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 Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency 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 Indenture or the Loan Agreements, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including 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 be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Authority, the Bond holders, or any other party. Other than in the case of negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 23, 2003

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

By: ______________________________
Executive Director

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sacramento County Public Financing Authority

Name of Bond Issue: Sacramento County Public Financing Authority 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects)

Date of Issuance: December 23, 2003

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the City of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.14 of the Indenture of Trust dated as of December 1, 2003, between the Sacramento County Public Financing Authority, as issuer (the "Issuer"), and U.S. Bank National Association, as trustee. The Agency anticipates that the Annual Report will be filed by ____________.

Dated: ____________

REDEVELOPMENT AGENCY OF THE
CITY OF SACRAMENTO

By: ____________________________

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATES REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Redevelopment Agency of the County of Sacramento (the "Agency") in connection with the issuance by the Sacramento County Public Financing Authority (the "Issuer") of $33,695,587.95 Sacramento County Public Financing Authority 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects) (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust (the "Indenture"), dated as of December 1, 2003, by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). A portion of the proceeds of the Bonds is being used by the Issuer to provide funds to make a loan to the Agency pursuant to a Loan Agreement, dated as of December 1, 2003, by and among the Issuer, the Agency and the Trustee (the "Loan Agreement"). The Loan Agreement provides funds to the Mather/McClellan Merged Redevelopment Project of the Agency (the "Redevelopment Project"). Pursuant to Section 5.14 of the Indenture and Section 4.18 of the Loan Agreement, the Agency covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Agency for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Agency acknowledges that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required pursuant to this Certificate, and has no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture and the Agreements, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Agency pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the Agency, or any successor Dissemination Agent designated in writing by the Agency and which has filed with the Agency and the Trustee 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.

"Official Statement" means the Official Statement, dated December 12, 2003, relating to the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"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 Agreement, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The Agency shall, or upon written direction shall cause the Dissemination Agent to, not later than the last day of the ninth (9th) month (currently September 30) after the end of the Agency's fiscal year (which currently ends December 31), commencing with the report for the Fiscal Year ending December 31, 2003, 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 Agency shall provide the Annual Report to the Dissemination Agent (if other than the Agency). 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 Agency 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 Agency's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The Agency shall provide a written certification 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 certification of the Agency and shall have no duty or obligation to review such Annual Report.

(b) If the Agency is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the Agency shall send a notice to the Municipal Securities Rulemaking Board and any appropriate 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 Agency, and such information is available to it, file a report with the Agency 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 Agency's Annual Report 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 Agency'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) A table showing the historical assessed values and tax increment revenues of properties located within the Redevelopment Project for the five most recent years for which such information is then available in a format similar to that set forth in the Official Statement as "Table 3 Historical Taxable Value" and an analysis of Tax Revenues in a format similar to that set forth in "Table 4 Estimate of Tax Revenues For Fiscal Year 2003-04", together with a statement of the debt service coverage ratios in the form set forth in Table 5 of the Official Statement;

(c) A table showing the ten largest payers of secured property taxes in the Redevelopment Project for the most recent year for which such information is then available in a format similar to that set forth in the Official Statement as "Table 11 Ten Major Property Tax Assessees";

(d) With respect to then pending appeals of assessed valuation of property within the Redevelopment Project, a description of any appeals by such ten largest property tax assessees in the Redevelopment Project; and

(e) A description of outstanding indebtedness payable from Tax Revenues and Housing Tax Revenues with respect to the Redevelopment Project.

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 Agency 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 Agency shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Agency shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Principal and interest payment delinquencies.
(2) Non-payment related defaults.
(3) Unscheduled draws on debt service reserves reflecting financial difficulties.

(4) Unscheduled draws on credit enhancements reflecting financial difficulties.
(5) Substitution of credit or liquidity providers, or their failure to perform.
(6) Adverse tax opinions or events affecting the tax-exempt status of the security.
(7) Modifications to rights of security holders.
(8) Contingent or unscheduled bond calls.
(9) Defeasances.
(10) Release, substitution, or sale of property securing repayment of the securities.
(11) Rating changes.

(b) Whenever the Agency obtains knowledge of the occurrence of a Listed Event, the Agency shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the Agency determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the Agency shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository, if any. 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 Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Agency's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Agency shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The Agency 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 initial Dissemination Agent shall be the Agency. The Dissemination Agent may resign as Dissemination Agent by providing thirty days written notice to the Agency and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Agency. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Agency in a timely manner and in a form suitable for filing.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Agency may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived (provided no amendment that modifies or increases its duties or obligations of the Dissemination Agent shall be effective without the consent of the Dissemination Agent), provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or 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 Bonds, 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 Bonds in the manner provided in the Indenture for amendments to the Indenture 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 Bonds.

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 Agency 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 Agency 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 Agency 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 Agency shall have no obligation under this Agreement 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 Agency to comply with any provision of this Disclosure Certificate, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Agency 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 Indenture or the Loan Agreements, and the sole remedy under this Disclosure Certificate in the event of any failure of the Agency to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Agency agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including 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 be paid compensation by the Agency for its services provided hereunder in accordance with its schedule of fees as amended from time to time and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Agency, the Authority, the Bond holders, or any other party. Other than in the case of negligence or willful misconduct of the Dissemination Agent, the Dissemination Agent shall not have any liability to the Bondholders or any other party for any monetary damages or financial liability of any kind whatsoever related to or arising from any breach of any obligation of the Dissemination Agent. The obligations of the Agency under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. <u>Beneficiaries</u>. This Disclosure Certificate shall inure solely to the benefit of the Agency, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: December 23, 2003

REDEVELOPMENT AGENCY OF THE
COUNTY OF SACRAMENTO

By: ______________________________
Executive Director

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sacramento County Public Financing Authority

Name of Bond Issue: Sacramento County Public Financing Authority 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects)

Date of Issuance: December 23, 2003

NOTICE IS HEREBY GIVEN that the Redevelopment Agency of the County of Sacramento has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.14 of the Indenture of Trust dated as of December 1, 2003, between the Sacramento County Public Financing Authority, as issuer (the "Issuer"), and U.S. Bank National Association, as trustee. The Agency anticipates that the Annual Report will be filed by __________.

Dated: __________

REDEVELOPMENT AGENCY OF THE COUNTY OF SACRAMENTO

By: ____________________

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF PRINCIPAL LEGAL DOCUMENTS

The following is a brief summary of the provisions of the Indenture of Trust providing for the issuance of the Bonds and of the Loan Agreements relating to the Mather/McClellan Merged Project Area and the Del Paso Heights Redevelopment, Project No. 5. Except for variations that distinguish the respective Project Areas, the provisions of the Loan Agreements are substantially the same. Except as noted in this summary, the pertinent variations have been described in the foregoing Official Statement. Therefore, when used in the following summary, the terms "Loan" and "Loan Agreement" apply with the same effect to the respective Project Areas, as applicable.

This summary is not intended to be definitive, and reference is made to the complete documents for the complete terms thereof.

DEFINITIONS

Except as otherwise defined in this summary, the terms previously defined in this Official Statement have the respective meanings previously given. . When the context of this summary requires, the terms "interest" and "principal" shall include "Accreted Value" and "maturity amount", respectively, with respect to the Capital Appreciation Bonds. In addition, the following terms have the following meanings when used in this summary:

"Accreted Value" means, with respect to Capital Appreciation Bonds, the initial principal amount of and accrued interest thereon as of any June 1 or December 1 determined solely by reference to the Table of Accreted Values set forth on the form of the Capital Appreciation Bond. The Accreted Value for any date not specified in said Table shall be determined by adding to the Accreted Value set forth in said Table for the date next preceding the date in question (the "Preceding Accreted Value") that portion of the difference between the Preceding Accreted Value and the Accreted Value for the date set forth in said Table for the date next succeeding the date in question (the "Succeeding Accreted Value") that the number of days (based on twelve 30-day months) from the Preceding Accreted Value bears to the total number of days from the date of the Preceding Accreted Value to the date of the Succeeding Accreted Value.

"Additional Revenues" means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Redevelopment Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to construction which has been completed but which is not then reflected on the tax rolls.

"Agency" means either the City Agency or the County Agency, or both such Agencies, as the context shall require.

"Bond Year" means each twelve-month period extending from December 2 in one calendar year to December 1 of the succeeding calendar year, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on December 1, 2004.

"Business Day" means a day of the year on which banks in San Francisco, California, are not required or authorized to remain closed.

"Capital Appreciation Bonds" means all of the Bonds identified as such in the Indenture, the interest on which accretes and compounds as set forth in the Indenture.

"CIEDB Loan" means the loan made to the Agency by the California Infrastructure and Economic Development Bank in the amount of not to exceed $10,000,000 pursuant to the CIEDB Loan Agreement.

"CIEDB Loan Agreement" means the Tax Allocation Loan Agreement, made and entered into as of January 28, 2002, by and between the Agency and California Infrastructure and Economic Development Bank under the CIEDB Loan Agreement, providing for the making of the CIEDB Loan.

"City" means the City of Sacramento, a chartered city and municipal corporation organized under the Constitution and laws of the State, and any successor thereto.

"City Agency" means the Redevelopment Agency of the City of Sacramento, a public body corporate and politic organized under the laws of the State, and any successor thereto.

"Closing Date" means the date of delivery of the Bonds to Stone & Youngberg LLC, as the Original Purchaser.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. Any reference to a provision of the Code shall be deemed to include the applicable Tax Regulations promulgated with respect to such provision.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate, dated as of the Closing Date, as originally executed by the Agency and as it may be amended from time to time in accordance with the terms thereof.

"County" means the County of Sacramento, a political subdivision of the State organized under the laws of the State, and any successor thereto.

"County Agency" means the Redevelopment Agency of the County of Sacramento, a public body corporate and politic organized under the laws of the State, and any successor thereto.

"Current Interest Bonds" means all Bonds other than Capital Appreciation Bonds, the interest on which is payable on each Interest Payment Date as set forth in the Indenture.

"Del Paso Nuevo Agreement" means the Pledge, Assignment and Security Agreement, dated as of August 11, 1998, by the Agency in favor of the Secretary of Housing and Urban Development of the United States of America, pledging certain tax increment revenues allocated to the Del Paso Heights Redevelopment Project Area.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Authority in any written directions of the Authority.

"Federal Securities" means any of the following which are noncallable and which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("U.S. Government Securities").

(b) Direct obligations* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:

-- Export-Import Bank of the United States - Direct obligations and fully guaranteed certificates of beneficial interest
-- Federal Housing Administration - debentures
-- General Services Administration - participation certificates
-- Government National Mortgage Association ("GNMAs") - guaranteed mortgage-backed securities and guaranteed participation certificates
-- Small Business Administration - guaranteed participation certificates and guaranteed pool certificates
-- U.S. Department of Housing & Urban Development - local authority bonds

-- U.S. Maritime Administration - guaranteed Title XI financings
-- Washington Metropolitan Area Transit Authority -
guaranteed transit bonds
-- and any other obligations approved by the Insurer for
purposes of defeasance of the Bonds pursuant to the Indenture.

(c) The following are explicitly excluded from the securities enumerated in (b):

(i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;

(ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;

(iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and

(iv) Collateralized Mortgage-Backed Obligations ("CMOs").

"Fiscal Year" means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority or the Agency as its official fiscal year period.

"Independent Financial Consultant" means any financial consultant or fiscal consultant or firm of such consultants appointed and paid by the Agency, and who, or each of whom-

(a) is in fact independent and not under domination of the Authority, the City or the Agency;

(b) does not have any substantial interest, direct or indirect, in the Authority, the City or the Agency; and

(c) is not connected with the Authority, the City or the Agency as an officer or employee of the Authority, the City or the Agency but who may be regularly retained by the Authority, the City or the Agency.

"Independent Redevelopment Consultant" means any consultant or firm of such consultants appointed by the Agency, and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the collection of Tax Revenues or otherwise with respect to the financing of redevelopment projects; (b) is in fact independent and not under the domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency, other than as original purchaser of Agency obligations; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Housing Component" means the portion of the debt service on a Loan that is payable from Housing Tax Revenues.

"Housing Tax Revenues" means that portion of the Tax Revenues that may be applied pursuant to Section 33334.2 of the Redevelopment Law to pay a portion of the semi-annual installment payments on the Loan.

"Insurance Policy" means the new issue municipal bond insurance policy issued by the Insurer that guarantees the payment of principal of and interest on the Bonds as provided herein.

"Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, and any successor thereto.

"Interest Payment Date" means June 1 and December 1 in each year, beginning June 1, 2004, and continuing thereafter so long as any Bonds remain outstanding.

"Low and Moderate Income Housing Account" means the account of the Agency by that name established in the Low and Moderate Income Housing Fund pursuant to a Loan Agreement.

"Low and Moderate Income Housing Fund" means the fund of the Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

"Maximum Annual Debt Service" means, with respect to any Loan, as of the date of calculation, the largest amount obtained by totaling, for the current or any future Bond Year, the sum of (a) the amount of interest payable on such Loan and any Parity Debt to be Outstanding in such Bond Year, assuming that principal thereof is paid as scheduled and that any mandatory sinking fund payments are made as scheduled, and (b) the amount of principal payable on the Loan and on any Parity Debt to be Outstanding in such Bond Year, including any principal required to be prepaid by operation of mandatory sinking fund payments. For purposes of such calculation, there shall be excluded principal and interest on amounts in a Special Escrow Fund and the principal of and interest on any Parity Debt to the extent the proceeds thereof are then deposited in a fully self-supporting escrow fund (the fully self-supporting nature of which is evidenced by a report prepared by a Redevelopment Consultant and delivered to the Insurer) from which amounts may not be released to the Agency unless the amount of Tax Revenues then to be received is not less than percentage of Maximum Annual Debt Service required with respect to the issuance of Parity Debt under the applicable Loan Agreement.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"Original Purchaser" means Stone & Youngberg LLC as the first purchaser of the Bonds.

"Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond is registered on the Bond registration books of the Trustee.

"Parity Debt" means, with respect to any Loan, any loans, bonds, notes, advances or indebtedness payable from the Tax Revenues on a parity with such Loan, issued or incurred pursuant to and in accordance with the provisions of the related Loan Agreement, and includes, with respect to the Loan made pursuant to the Mather/McClellan Loan Agreement, the CIEDB Loan, and includes with respect to the Housing Component of the Loan made pursuant to the Mather/McClellan Loan Agreement, the 2003 Housing Loan.

"Parity Debt Instrument" means any resolution, indenture of trust, trust agreement, loan agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the related Loan Agreement, and includes, with respect to the Loan made pursuant to the Mather/McClellan Loan Agreement (excluding the Housing Component), the CIEDB Loan and includes, with respect to the Housing Component of the Loan made pursuant to the Mather/McClellan Loan Agreement, the 2003 Housing Loan Agreement.

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

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) Direct obligations* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:

(i) Federal National Mortgage Association ("FNMAs") - senior debt obligations rated Aaa by Moody's Investors Service ("Moody's") and AAA by Standard & Poor's Ratings Services ("S&P")

(ii) Federal Home Loan Mortgage Corporation ("FHLMCs") - participation certificates and senior debt obligations rated Aaa by Moody's and AAA by S&P

(iii) Federal Home Loan Banks - consolidated debt obligations

(iv) Student Loan Marketing Association - debt obligations

(v) Resolution Funding Corporation - debt obligations

(c) The following are explicitly excluded from the securities enumerated in (b):

(i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;

(ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;

(iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and

(iv) Collateralized Mortgage-Backed Obligations ("CMOs").

(d) Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P.

(e) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

(i) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and

(ii) other forms of investments (including repurchase agreements) approved in writing by the Insurer with notice to S&P.

(g) Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).

(h) Investments in money-market funds rated AAAm or AAAm-G by S&P.

(i) State-sponsored investment pools rated AA- or better by S&P.

(j) Repurchase agreements that meet the following criteria:

(i) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

(ii) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies approved by the Insurer and rated Aaa by Moody's and AAA by S&P.

(iii) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

(iv) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMAs, FNMAs or FHLMCs. The repurchase agreement shall require (i) the Trustee or the Agent to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.

(v) The repurchase securities shall be delivered free and clear of any lien to the bond trustee (herein, the "Trustee") or to an independent third party acting solely as agent ("Agent") for the Trustee, and such Agent is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than $50 million, and the Trustee shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.

(vi) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the issuer and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

(vii) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

(viii) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless the Insurer directs otherwise:

(1) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;

(2) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance

call under item 10(d) above; or

(3) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

(k) Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

(i) A master agreement or specific written investment agreement governs the transaction.

(ii) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by the Insurer and rated Aaa by Moody's and AAA by S&P.

(iii) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by the Insurer and rated Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in 11(f) below.

(iv) The investment agreement shall provide that if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.

(v) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below A3 from Moody's or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.

(vi) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:

(1) U.S. Government Securities at 104% of principal plus accrued interest; or

(2) Obligations of GNMA, FNMA or FHLMC (described in 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest.

(l) The investment agreement shall require the Trustee or Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:

(i) the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters;

(ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or

(iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.

(m) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent.

(n) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under 11(f) above, the Trustee and the Insurer shall receive an opinion of counsel as to the perfection of the security interest in the collateral.

(o) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee or other penalty, upon not more than two (2) business days' notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

(i) In the event of a deficiency in the debt service account;

(ii) Upon acceleration after an event of default;

(iii) Upon refunding of the bonds in whole or in part;

(iv) Reduction of the debt service reserve requirement for the bonds; or

(v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the issuer's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the bonds and to make deposits to the debt service reserve fund.

(p) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

(i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;

(ii) Insolvency of the provider or the guarantor (if any) under the investment agreement;

(iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;

(iv) Failure by the provider to make a payment or observe any covenant under the agreement;

(v) The guaranty (if any) is terminated, repudiated or challenged; or
Any representation of warranty furnished to the Trustee or the issuer in connection with the agreement is false or misleading.

(q) The investment agreement must incorporate the following general criteria:

(i) "Cure periods" for payment default shall not exceed two (2) business days;

(ii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee or the Insurer;

(iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of the Insurer;

(iv) If the investment agreement is for a debt service reserve fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate.

(v) The provider shall be required to immediately notify the Insurer and the Trustee of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;

(vi) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;

(vii) The agreement shall require the provider to submit information reasonably requested by the Insurer, including balance invested with the provider, type and market value of collateral and other pertinent information.

(r) Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:

(i) A specific written investment agreement governs the transaction.

(ii) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-1 or better by S&P; and (iii) domestic structured investment companies approved by the Insurer and rated Aaa by Moody's and AAA by S&P.

(iii) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's or A- or A-1 from S&P. Within ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.

(iv) Permitted securities shall include the investments listed in (a) and (b) above.

(v) The forward delivery agreement shall include the following provisions:

(1) The permitted securities must mature at least one (1) business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.

(2) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.

(3) Any breakage fees shall be payable only on debt service payment dates and shall be subordinated to the payment of debt service and debt service reserve fund replenishments.

(4) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and otherwise acceptable to the Insurer.

(5) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of the Insurer.

(s) Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the issuer or the Trustee to put the securities back to the provider under a put, guaranty or other hedging arrangement, only with the prior written consent of the Insurer.

(t) Maturity of investments shall be governed by the following:

(i) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

(ii) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.

(iii) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

(u) the Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name; and

(v) other forms of investments approved in writing by the Insurer.

"Plan Limit" means the limitation contained in the applicable Redevelopment Plan on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to such Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law.

"Project Area" means, as the context requires, The Mather/McClellan Merged Project Area or the Del Paso Heights Redevelopment, Project No. 5.

"Qualified Reserve Account Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to a Loan Agreement, provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is in one of the two highest rating categories by S&P or Moody's, or the claims paying ability of such insurance company is rated in the highest rating category by A.M. Best & Company; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to applicable provisions of the Loan Agreement; (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amount of Loan payments required pursuant to the applicable Loan Agreement; and (e) prior written notice is given to S&P before the effective date of any such Qualified Reserve Account Credit Instrument.

"Redevelopment Law" means the Community Redevelopment Law of the State, constituting Part 1 of Division 24 of the Health and Safety Code of the State, and the acts amendatory thereof and supplemental thereto.

"Redevelopment Plan" means the Redevelopment Plan approved by the Ordinance of the City Council of the City or the Board of Supervisors of the County, as applicable, as approved for the designated Project Area.

"Reserve Requirement" means, as of any calculation date, the lesser of (a) Maximum Annual Debt Service (excluding, with respect to the Loan made pursuant to the Mather/McClellan Loan Agreement, the CIEDB Loan), or (b) upon the issuance of any Parity Debt, the maximum amount permitted under the Code.

"Revenues" means: (a) all amounts payable by the Agency to the Authority pursuant to the Loan Agreements, other than (i) administrative fees and expenses and indemnity against claims payable to the Authority and the Trustee and (ii) amounts payable to the United States of America pursuant to applicable federal tax law; (b) any proceeds of Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established under the Indenture; (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established under the Indenture; and (d) any other investment income received under the Indenture.

"S&P" means Standard & Poor's Credit Market Services, its successors and assigns.

"Special Fund" means the fund by that name established and held by the Agency under a Loan Agreement.

"Subordinate Debt" means any loans, advances or indebtedness issued or incurred by the Agency, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues; or (b) secured by a pledge of or lien upon the Tax Revenues which is subordinate to the pledge of and lien upon the Tax Revenues hereunder for the security of a Loan.

"2003 Housing Loan" means the loan made to the Agency by the Authority pursuant to the 2003 Housing Loan Agreement.

"2003 Housing Loan Agreement" means the Mather/McClellan Housing Loan Agreement, dated as of December 1, 2003, by and among the Agency, the Authority and the Trustee, that was funded with the proceeds of the 2003 Housing Bonds.

"2003 Housing Bonds" means the Authority's Sacramento County Public Financing Authority 2003 Taxable Housing Tax Revenue Bonds, Series B (Sacramento County Merged Project Area).

"Tax Revenues" means, with respect to the applicable Project Area, all taxes annually allocated to the Agency with respect to such Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with Section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, including (a) all payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations, and (b) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to Section 33334.3 of the Redevelopment Law, but only to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of, premium (if any) and interest on the applicable Loan and any Parity Debt; but (i) excluding all other amounts required to be deposited in the Low and Moderate Income Housing Fund, (ii) excluding amounts payable by the State to the Agency under and pursuant to the provisions of Chapter 1.5 of Part 1 of Division 4 of Title 2 (commencing with Section 16110) of the Government Code of the State, (iii) excluding amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds or to the payment of Parity Debt, as applicable, and (iv) solely with respect to the Del Paso Heights Redevelopment Project excluding amounts payable by the Agency pursuant to the Del Paso Nuevo Agreement, unless and until any such taxes are released from the pledge contained in such Agreement.

SUMMARY OF INDENTURE

Establishment of Funds and Accounts; Flow of Funds

Loan Fund. The proceeds of sale of the Bonds will be deposited with the Trustee in the Loan Fund. On the Closing Date, the Trustee will disburse all amounts in the Loan Fund to the Agency for the purpose of funding the applicable Loans.

Costs of Issuance Fund. Pursuant to the Loan Agreements, on the Closing Date a portion of the proceeds of each Loan will be deposited with the Trustee in the Costs of Issuance Fund. The moneys in the Costs of Issuance Fund will be disbursed to pay costs of issuing the Bonds and other related financing costs from time to time upon receipt of written requests of the Authority. On the 90th day following the Closing Date, or upon the earlier request of the Authority stating that all such costs have been paid, the Trustee will transfer all remaining amounts in the Costs of Issuance Fund to the Agency to be deposited by the Agency in the respective Redevelopment Funds and Low and Moderate Income Housing Accounts in the respective proportions set forth in the Indenture.

Revenue Fund; Deposit and Transfer of Amounts Therein. All Revenues will be deposited by the Trustee in the Revenue Fund promptly upon receipt. Before each Interest Payment Date, the Trustee will transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee will establish and maintain within the Revenue Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) *Interest Account.* Not less than five (5) Business Days prior to each Interest Payment Date, the Trustee will deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all outstanding Current Interest Bonds. All moneys in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Current Interest Bonds as it will become due and payable (including accrued interest on any Current Interest Bonds redeemed prior to maturity). All amounts on deposit in the Interest Account on the first day of any Bond Year, to the extent not required to pay any interest then having come due and payable on the outstanding Current Interest Bonds, will be withdrawn therefrom by the Trustee and transferred to the Agency to be used for any lawful purposes of the Agency.

(b) *Principal Account.* Not less than five (5) Business Days prior to each Interest Payment Date on which the principal of the Bonds will be payable, the Trustee will deposit in the Principal Account an amount required to cause the aggregate amount on deposit therein to equal the principal amount or maturity amount of the Bonds coming due and payable on such Interest Payment Date, or the redemption price of the Bonds (consisting of the principal or Accreted Value thereof and any applicable redemption premiums) required to be redeemed on such Interest Payment Date. All moneys in the

Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal or maturity amount and Accreted Value of and redemption premium (if any) on the Bonds at the maturity thereof or upon the redemption thereof. All amounts on deposit in the Principal Account on the first day of any Bond Year, to the extent not required to pay the principal or maturity amount of any outstanding Bonds then having come due and payable, will be withdrawn therefrom and transferred to the Agency to be used for any lawful purposes of the Agency.

Claims Upon the Insurance Policy

The following provisions apply to claims upon the Insurance Policy issued by the Insurer with respect to the Bonds and apply to payments by and to the Insurer:

(a) If, on the third day preceding any Interest Payment Date for the Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the Bonds due on such date, the Trustee shall immediately notify the Insurer and State Street Bank and Trust Company, N.A., New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said Interest Payment Date, the Agency has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Insurer and to the Fiscal Agent the registration books for the Bonds maintained by the Trustee. In addition:

(i) The Trustee shall provide the Insurer with a list of the Owners of the Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Insurance Policy relating to the Bonds and shall make arrangements for the Insurer and its Fiscal Agent (1) to mail checks or drafts to Owners of the Bonds entitled to receive full or partial interest payments from the Insurer and (2) to pay principal of the Bonds surrendered to the Fiscal Agent by the Owners of the Bonds entitled to receive full or partial principal payments from the Insurer; and

(ii) The Trustee shall, at the time it makes the registration books available to the Insurer pursuant to (1) above, notify Owners of the Bonds entitled to receive the payment of principal of or interest on the Bonds from the Insurer (1) as to the fact of such entitlement, (2) that the Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Insurance Policy relating to the Bonds, (3) that, except as provided in paragraph (b) below, in the event that any Owner of a Bond is entitled to receive full payment of principal from the Insurer, such Owner of a Bond must tender his Bond executed in the name of the Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Owner of a Bond is entitled to receive partial payment of principal from the Insurer, such Owner of a Bond must tender his Bond for payment first to the Trustee, which shall note on such Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Owner of the Bonds subject to the terms of the Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a Bond has been recovered from an Owner of a Bond pursuant to the United States

Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Insurer, notify all Owners of Bonds that in the event that any such Owner's payment is so recovered, such Owner will be entitled to payment from the Insurer to the extent of such recovery, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee and subsequently recovered from Owners of the Bonds, and the dates on which such payments were made.

(c) The Insurer shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy relating to the Bonds and, to evidence such subrogation, (A) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Insurer of proof of the payment of interest thereon to the Owners of the Bonds and (B) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's right as subrogee on the registration books for the Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Owners of such Bonds. Notwithstanding anything in the Indenture or the Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Insurer to the extent that the Insurer is a subrogee with respect thereto.

Rights of Insurer; Consent or Approval of the Insurer

(a) With respect to Financial Guaranty Insurance Company and its Insurance Policy insuring debt service on the Bonds and the Series 2003B Bonds, the following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. In this regard, the Insurer is a third party beneficiary of the Indenture. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners of the Bonds. With respect to Events of Default under the Indenture, the consent of the owners of the Bonds shall not be required in addition to consent of the Insurer where the Insurer was granted such right of consent.

(b) The Insurer shall be deemed to be the sole owner of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Bonds insured by it are entitled to take pursuant to the Indenture. Except as otherwise provided in the Indenture, no contract shall be entered into or action taken by which the rights of the Insurer or the security or sources of payment for the Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Insurer.

(c) The rights of the Insurer to direct or consent to Agency, Trustee or Bondowner actions under the Indenture shall be suspended during any period in which the Insurer is in default in its payment obligations under the Insurance Policy (except to the extent of amounts previously paid by the Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Insurance Policy is no longer in effect or the Insurer asserts that the

Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

(d) The Insurer shall be deemed to be the Owner of all Bonds insured under the Insurance Policy for the following purposes and provided that the Insurer is not on default under the terms of the Insurance Policy, during the following times under the Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of the Indenture where the consent of the Bondowners is required; (b) at all times with respect to the initiation by the Bondowners of any action to be taken under the Indenture by the Trustee at the request of such Bondowners, which under the Indenture requires the written approval or consent of or permits initiation by the owners of a specified principal amount of Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes.

(e) The Agency shall, to the extent permitted by law, pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the pursuit of any remedies under the Indenture or the enforcement of the Indenture or otherwise afforded by law or equity other than resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(f) Payments required to be made to the Insurer shall be payable solely from Tax Revenues and other amounts pledged under the Indenture and shall be paid (i) prior to an Event of Default after required deposits to the Revenue Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Bonds, on a priority immediately following payments to the Trustee for expenses

(g) The Insurer shall be deemed to be a party in interest under the Indenture and as a party entitled to (i) notify the Agency, the Trustee or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that could affect the Bonds or the security therefor. The Trustee or receiver shall be required to accept notice of default from the Insurer.

(h) The Insurer shall be provided with the following information:

(i) Notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Reserve Account;

(ii) Notice of the redemption, other than pursuant to mandatory sinking fund redemption, of any of the Bonds, or the advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934; and

(iv) Such additional information as the Insurer may reasonable request from time to time.

Investment of Funds

All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture or the Loan Agreements will be invested by the Trustee solely in Permitted Investments as directed by the Authority or the Agency, as applicable, in advance of the making of such investments. In the absence of any such direction from the Authority, the Trustee will invest any such moneys in Permitted Investments described in clause (e) of the definition thereof. Obligations purchased as an investment of moneys in any fund will be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established under the Indenture or the Loan Agreements will be deposited in the fund or account from which such investment was made, except as hereinafter described with respect a Reserve Account. For the purpose of determining the amount in any fund or account, the value of Permitted Investments credited to such fund will be valued at the lesser of (a) the original cost thereof (excluding any brokerage commissions and excluding any accrued interest), or (b) the par amount thereof.

Covenants of the Authority

Payment of Bonds, Pledge and Assignment. The Authority will punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, but only out of Revenues and other assets pledged for such payment as provided in the Indenture. The Authority will not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are outstanding, except the pledge and assignment created by the Indenture.

Accounting Records and Financial Statements. The Trustee will at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries will be made of all transactions relating to the proceeds of Bonds, the Revenues, the Loan Agreements and all funds and accounts established pursuant to the Indenture. Such books of record and account will be available for inspection by the Authority and the Agency, during regular business hours and under reasonable circumstances.

No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness will be issued or incurred which are payable out of the Revenues in whole or in part.

Tax Covenants. The Authority will not take, nor permit nor suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any of the Bonds which would cause any of the Bonds to be "arbitrage bonds" within the meaning of applicable federal tax law. The Authority will cause to be calculated all excess investment earnings which are required to be rebated to the United States of America under applicable federal tax law. The Agency further covenants not to apply the proceeds of the Bonds in a manner which would have the effect of causing the Bonds to become "private activity bonds" within the meaning of applicable federal tax law. The Authority covenants to take any and all action and to refrain from taking such action, which is necessary in order to comply with the Code or amendments thereto in order to maintain the exclusion from federal gross income, pursuant to Section 103 of the Code, of the interest on the Bonds.

Continuing Disclosure. Pursuant to the Loan Agreements, the Agency has undertaken all responsibility for compliance with continuing disclosure requirements, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of the Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an event of default under the Indenture. However, any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the Agency, including seeking mandate or specific performance by court order.

Loan Agreements; Amendments Thereof. The Authority and the Trustee will promptly collect all amounts due from the Agency pursuant to the Loan Agreements and will diligently enforce, and take all steps, actions and proceedings reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations of the Agency thereunder. The Authority, the Trustee and the Agency may at any time amend or modify any Loan Agreement but only (a) if the Trustee first obtains the written consent of the Insurer and of the Owners of a majority in aggregate principal amount of the Bonds then outstanding to such amendment or modification, or (b) with the written consent of the Insurer, but without the consent of any of the Bond Owners, if such amendment or modification is for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency contained in such Loan Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the Agency; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Loan Agreement, or in any other respect whatsoever as the Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision thereof relating to federal tax law, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the federal tax law, in the opinion of nationally-recognized bond counsel; or

(d) to amend or supplement a Loan Agreement to comply with the requirements of a provider of a Qualified Reserve Account Credit Instrument.

Amendment of Indenture

The Indenture may be modified or amended at any time by a supplemental indenture with the written consent of the Insurer and of the Owners of a majority in aggregate principal amount of the Bonds then outstanding. No such modification or amendment may (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

The Indenture may also be modified or amended at any time by a supplemental indenture, with the written consent of the Insurer, but without the consent of any Bond Owners, to the extent permitted by law, but only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power reserved to or conferred upon the Authority, so long as such limitation or surrender of rights does not adversely affect the interests of the Bond Owners; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision of the Indenture relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the Bonds under the Code, in the opinion of nationally-recognized bond counsel.

Events of Default

Events of Default Defined. The following events constitute events of default under the Indenture:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same becomes due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment becomes due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions contained in the Indenture or in the Bonds, if such default continues for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority and the Insurer by the Trustee, or to the Authority and the Trustee by the Insurer or by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; provided that such default shall not constitute an event of default if the Authority, with the consent of the Insurer, commences to cure such default within said 30 day period and thereafter diligently and in good faith cures such default within a reasonable period of time.

(d) Certain events relating to bankruptcy or insolvency of the Authority.

Remedies. Upon the occurrence and during the continuance of any event of default, the Trustee may, with the written consent of the Insurer, pursue any available remedy at law or in equity to enforce the payment of the principal of, or maturity amount or Accreted Value of, and premium, if any, and interest on the outstanding Bonds, and to enforce any rights of the Trustee under or with respect to the Indenture. Upon the occurrence of an event of default and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under the Indenture, the Trustee shall, with the written consent of the Insurer, be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged thereunder, pending such proceedings, with such powers as the court making such appointment shall confer. If an event of default has occurred and is continuing and if requested to do so by the Owners of at least 25% in aggregate principal amount of Bonds then outstanding, the Trustee has been indemnified and the Insurer has provided its written consent, all as provided in the Indenture, the Trustee is obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by counsel, deems most expedient in the interests of the Bond Owners or as may be directed by the Insurer. No delay or omission to exercise any right or power accruing upon any event of default shall impair any such right or power or shall be construed to be a waiver of any such event of default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Application of Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the Indenture shall be applied by the Trustee in the following order upon presentation of the Bonds -

First, to the payment of the fees, costs and expenses of the Trustee in declaring such event of default and in carrying out the provisions of the Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the Bonds then due and unpaid, with interest or Accreted Value on overdue installments of principal of and interest on Current Interest Bonds or maturity amount or Accreted Value of Capital Appreciation Bonds to the extent permitted by law at the net effective rate of interest then borne by the outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, or maturity amount or Accreted Value, then such amounts shall be applied in the following order of priority:

(a) *first*, to the payment of all installments of interest on the Current Interest Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) *second,* to the payment of principal or maturity amount of all installments of the Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full,

(c) *third,* to the payment of the redemption price (including principal and interest accrued to the redemption date or Accreted Value) of the Bonds to be redeemed from Revenues derived from the acceleration of any Loan, on a pro rata basis in the event that the available amounts are insufficient to pay the redemption price of all such Bonds in full, and

(d) *fourth,* to the payment of interest on overdue installments of principal and interest or maturity amount, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an event of default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Indenture, whether upon its own discretion with the consent of the Insurer or upon the request of the Owners of a majority in aggregate principal amount of the Bonds then outstanding with the consent of the Insurer, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an event of default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy under the Indenture may be brought by the Trustee with the consent of the Insurer for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued thereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under the Indenture, unless (a) such Owner has previously given to the Trustee and the Insurer written notice of the occurrence of an event of default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then outstanding with the consent of the Insurer have requested the Trustee in writing to exercise its powers under the Indenture; (c) said Owners have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee has refused or failed to comply with such request for a period of 30 days after such written request has been received by the Trustee and said tender of indemnity is made to the Trustee.

Non-Waiver. A waiver of any event of default by any Bond Owner will not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any event of default will impair any such right or power or be construed to be a waiver of any such event of default.

Determination of Percentage of Bond Owners. Whenever in the Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of Outstanding Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding Bonds), such percentage shall be calculated on the basis of the principal amount of the Outstanding Current Interest Bonds, and on the basis of the Accreted Value of the Outstanding Capital Appreciation Bonds determined as of the next succeeding Interest Payment Date.

Insurer's Direction of Proceedings. So long as a Insurance Policy is in effect with respect to the Bonds, upon the occurrence and continuance of an Event of Default, the 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, including, without limitation: (i) the right to accelerate the principal of the Bonds and (ii) the right to annul any declaration of acceleration, and the Insurer shall also be entitled to approve all waivers of Events of Default.

Discharge of Indenture

The Authority may pay and discharge the indebtedness on any or all outstanding Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest and Accreted Value or maturity amount, and redemption premium (if any) on such Bonds outstanding, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the amounts then on deposit in the funds and accounts provided for in the Indenture and the Loan Agreements, is fully sufficient to pay such Bonds, including all principal, interest amd Accreted Value or maturity amount and redemption premiums, if any; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, in an escrow, Federal Securities, in such amount as an independent certified public accountant determines will, together with the interest to accrue thereon and moneys then on deposit in the funds and accounts provided for in the Indenture and the Loan Agreements, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and Accreted Value or maturity amount, and redemption premiums) at or before their respective maturity dates.

Upon such payment, and notwithstanding that any Bonds have not been surrendered for payment, the pledge of the Revenues and other funds provided for in the Indenture with respect to such Bonds, and all other obligations of the Authority under the Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose. In the event the Authority shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge, including, without limitation, selection by lot of Bonds of any maturity of the Bonds that the Authority has determined to pay and discharge in part. In the event the Authority shall, pursuant to the foregoing provisions, pay and discharge all of the Bonds then outstanding, any funds thereafter held by the Trustee which are not required for said purposes, shall be paid over to the Authority.

Notwithstanding the foregoing provisions of the Indenture, in the event that the principal, interest or Accreted Value of maturity amount and premium (if any) on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the obligations of the Trustee and the Agency shall continue in full force and effect and the Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid.

SUMMARY OF LOAN AGREEMENTS

Terms of Loans; Payment of Principal and Interest

Pursuant to the Loan Agreements, the Authority agrees to make the Loans to the Agency on the Closing Date. The principal of the Loans is payable in aggregate installments as of December 1 in each of the years and in the amounts, and interest on each installment of the Loan is calculated at the rates per annum and is payable as of each Interest Payment Date in the aggregate amounts, corresponding to the amounts of principal and interest then coming due with respect to the outstanding Bonds. Principal of and interest on the Loans is payable by the Agency to the Trustee, as assignee of the Authority under the Indenture.

Prepayment of Loans

The Loans are subject to optional prepayment in whole or in part on any date, commencing on the date that the Bonds are first subject to optional redemption, by such principal installments or portions thereof as shall be determined by the Agency, from any available source of funds of the Agency, at a prepayment price corresponding to the redemption price of the Bonds to be redeemed from such prepayments. In the event that a portion of the principal of a Loan shall have been prepaid by the Agency, the amount of all future annual principal installments set forth in the applicable Loan Agreement shall be reduced in the aggregate amount of such principal so prepaid, based on calculations to be provided to the Trustee by an Independent Financial Consultant.

Reserve Accounts

Each of the Loan Agreements establishes a separate Reserve Account to be held by the Trustee in trust for the benefit of the Agency and the Owners of the Bonds. The amount on deposit in the Reserve Account relating to any Loan shall be maintained at the related Reserve Requirement at all times so long as such Loan remains unpaid. In the event that the Agency fails to deposit with the Trustee the full amount of principal and interest on any Loan on or before the fifth (5th) Business Day preceding any Interest Payment Date as required under the related Loan Agreement, on such Interest Payment Date the Trustee will withdraw the amount of such deficiency from the related Reserve Account and transfer such amount to the Trustee for deposit to the Interest Account and the Principal Account, in such order. Amounts on deposit in the Reserve Account relating to a Loan are not pledged or available to make payments with respect to any obligations other than such Loan.

In the event that the amount on deposit in a Reserve Account shall at any time be less than the related Reserve Requirement, the Trustee will promptly notify the Agency of the amount required to be deposited therein to restore the balance to the Reserve Requirement. In the event that the amount on deposit in a Reserve Account on the fifth (5th) Business Day preceding any Interest Payment Date exceeds the related Reserve Requirement, the City will withdraw from such Reserve Account any amount in excess of such Reserve Requirement and transfer such amount to the Agency to be used by the Agency as a credit towards the deposit of principal and interest on the related Loan then required to be made by the Agency. At the written request of the Agency filed with the Trustee, all amounts in a Reserve Account shall either (a) be transferred to the Agency to be used by the Agency, on the fifth (5th) Business Day preceding the final Interest Payment Date, for the payment of principal and interest on the related Loan then required to be made by the Agency, or (b) be transferred, on the final Interest Payment Date, to the Agency to be deposited in the Redevelopment Fund of the related Project Area and in the Low and Moderated Income Housing Account. No amounts shall be withdrawn from a Reserve Fund and transferred to the Agency during any period in which an event of default has occurred and is continuing under the related Loan Agreement.

The Agency shall have the right at any time to release funds from a Reserve Account, in whole or in part, by tendering to the Trustee a Qualified Reserve Account Credit Instrument issued by the Insurer or approved in writing by the Insurer. Upon tender of such a Qualified Reserve Account Credit Instrument to the Trustee, and upon delivery by the Agency to the Trustee of a written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such amount from the applicable Reserve Account to the Agency free and clear of the lien created by the related Loan Agreement, all as provided in such Loan Agreement. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as provided in the related Loan Agreement.

At least fifteen days prior to the expiration of any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the applicable Reserve Account is equal to the Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Agency shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the City shall, prior to the expiration thereof, draw upon the Qualified Reserve Account Credit Instrument in full and deposit the proceeds of such draw in the applicable Reserve Account.

In the event that a Reserve Requirement shall at any time be maintained in a Reserve Account in the form of a combination of cash and a Qualified Reserve Account Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from such Reserve Account before the Trustee shall draw any moneys under such Qualified Reserve Account Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Account Credit Instrument to make any payment then required to be made from a Reserve Account, the Tax Revenues thereafter received by the Trustee with respect to the related Loan Agreement, to the extent remaining after making the other deposits (if any) then required to be made as provided in such Loan Agreement, shall be used to reinstate the applicable Qualified Reserve Account Credit Instrument.

A Reserve Account may be maintained in the form of one or more separate sub-accounts which are established for the purpose of holding separately the proceeds of the Bonds and any Parity Debt in conformity with applicable provisions of the Code.

Redevelopment Fund

Each of the Loan Agreements establishes a separate Redevelopment Fund, to be held and maintained by the Agency. Amounts on deposit in each Redevelopment Fund established under any Loan Agreement shall be derived solely from a portion of the proceeds of the related Loan and from the interest, profits and other income received from the investment of moneys therein. Moneys in each Redevelopment Fund shall be used solely in the manner provided by the Redevelopment Law and the related Redevelopment Plan to provide financing for the related Redevelopment Project.

Low and Moderate Income Housing Account

There is established and held by the Agency pursuant to the Redevelopment Law a special trust fund designated as the "Low and Moderate Income Housing Fund". There is established and held by the Agency pursuant to each Loan Agreement a special trust fund designated as the "Low and Moderate Income Housing Account". The proceeds of a Loan deposited in the Low and Moderate Income Housing Account pursuant to the applicable Loan Agreement shall be held in a segregated account and shall be used solely in the manner and for the purposes Increasing, improving and preserving the supply of low and moderate income housing as provided by Sections 33334.2 and 33334.3 of the Redevelopment Law.

Parity Debt

The Agency may, with the prior approval of the City, issue or incur Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue and deliver any Parity Debt subject to the following specific conditions which are made conditions precedent to the issuance and delivery of such Parity Debt issued under the applicable Loan Agreement:

(a) No Event of Default shall have occurred and be continuing, and the Agency shall otherwise be in compliance with all covenants set forth in the Loan Agreement.

(b) The Tax Revenues received or estimated to be received for the then current Fiscal Year (i) calculated using a tax rate of (1%), (ii) based on the most recent taxable valuation of property in the applicable Project Area as evidenced in a written document from an appropriate official of the County and (iii) inclusive of Additional Revenues, but exclusive of investment earnings and payments, subventions and other amounts described under clause (a) of the definition of Tax Revenues, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service, including within such Maximum Annual Debt Service, the amount of Maximum Annual Debt Service on the Parity Debt then proposed to be issued or incurred, and provided that, with respect to the calculation of Tax Revenues for purposes of the issuance or incurrence of Parity Debt under the Loan Agreement relating to the Mather/McClellan Project Area, Tax Revenues shall include only fifty percent (50%) of the average taxable value over the prior five (5) Fiscal Years assigned to aircraft as that term is defined in Section 5303 of the Revenue and Taxation Code of the State (without excluding aircraft described in subsection (b)(2) of said Section 5303).

(c) The aggregate amount of the principal of and interest on the Loan, any Parity Debt and any Subordinate Debt coming due and payable following the issuance of such Parity Debt shall not exceed the maximum amount of Tax Revenues permitted under the applicable Plan Limit to be allocated to the Agency following the issuance of such Parity Debt.

(d) Unless the Agency shall first determine that other payment dates will not impair the Agency's ability to make payments on the Loan, the Parity Debt Instrument providing for the issuance of such Parity Debt shall provide that interest thereon shall be payable on June 1 and December 1 and principal thereof shall be payable on December 1 in any year in which principal is payable.

(e) The Parity Debt Instrument providing for the issuance of such Parity Debt may provide for the establishment of separate funds, accounts and subaccounts.

(f) The Parity Debt Instrument providing for the issuance of such Parity Debt shall provide that an Event of Default under the Loan Agreement shall constitute an event of default under such Parity Debt Instrument.

(g) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a), (b), (c) and (d) above have been satisfied and that, upon issuance and delivery of such Parity Debt, the amount on deposit in the Reserve Account shall equal the Reserve Requirement.

(h) The foregoing conditions precedent shall not apply to the issuance or incurrence of any Parity Debt the net proceeds of which will be used solely to refund all or any portion of a Loan or any outstanding Parity Debt, provided that debt service payable in each year with respect to the proposed Parity Debt is less than the debt service otherwise payable in each year with respect to such Loan or Parity Debt, or portion thereof, proposed to be refunded.

Subordinate Debt

The Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in the applicable Loan Agreement;

(b) The aggregate amount of the principal and interest on the Loan, any Parity Debt and all Subordinate Debt coming due and payable following the issuance of such Subordinate Debt shall not exceed the maximum amount of Tax Revenues permitted under the Plan Limit to be allocated and paid to the Agency following the issuance or incurrence of such Subordinate Debt; and

(c) The Agency shall deliver to the Trustee a Written Certificate of the Agency certifying that the conditions precedent to the issuance of such Subordinate Debt set forth in subsections (a) and (b) above have been satisfied.

Pledge and Deposit of Tax Revenues

The Loan and all Parity Debt with respect to any Project Area are equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues derived from such Project Area, including, as a part thereof, Housing Tax Revenues allocable to that portion of the proceeds of a Loan deposited in the Low and Moderate Income Housing Account pursuant to the applicable Loan Agreement. Each Loan is additionally secured by a first and exclusive pledge of and lien upon all of the moneys in the related Reserve Account, including all amounts derived from the investment of such moneys.

Each Loan Agreement establishes or continues a Special Fund to be held by the Agency. The Agency shall deposit in the Special Fund relating to any Loan all of the related Tax Revenues until such time (if any) during any Bond Year as the amounts on deposit in such Special Fund equal the aggregate amounts required to be transferred to the Trustee under such Loan Agreement in such Bond Year and, with respect to any Parity Debt, under any applicable Parity Debt Instrument; and any Tax Revenues received during such Bond Year in excess of such amounts shall be released from the pledge and lien and may be used for any lawful purposes of the Agency. With respect to each Loan, the Agency shall withdraw from each Special Fund and transfer to the Trustee, the following amounts at the following times and in the following order of priority:

(a) *Interest and Principal Deposits.* No later than the fifth (5th) Business Day preceding each Interest Payment Date, the Agency shall withdraw from such Special Fund and transfer to the Trustee all amounts of principal of and interest on the related Loan becoming due and payable on such Interest Payment Date.

(b) *Reserve Account Deposits.* In the event that the Trustee notifies the Agency that the amount on deposit in a Reserve Account is less than the related Reserve Requirement, the Agency shall immediately withdraw from the related Special Fund and transfer to the Trustee for deposit in such Reserve Account an amount of money necessary to maintain the Reserve Requirement therein.

(c) *Surplus.* Except as may be otherwise provided in any documents authorizing the issuance of any Parity Debt, the Agency shall not be obligated to deposit in a Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in such Special Fund, exceeds the amounts required to be deposited with the Trustee or the City in such Bond Year. In the event that for any reason whatsoever any amounts shall remain on deposit in a Special Fund on any December 2 after making all of the transfers theretofore required to be made pursuant to the foregoing described provisions and pursuant to any Parity Debt Instrument, the Agency shall withdraw such amounts from such Special Fund to be used for any lawful purpose of the Agency.

Other Covenants of the Agency

Limitation on Superior Debt. The Agency hereby covenants that, so long as a Loan remains unpaid, the Agency shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any loans, advances or indebtedness, which is in any case secured by a lien on all or any part of the Tax Revenues pledged to pay such Loan which is superior to or on a parity with the lien established hereunder for the security of such Loan, excepting only Parity Debt issued as provided in the applicable Loan Agreement. Except as provided with respect to Subordinate Debt. nothing in a Loan Agreement is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance by the Agency of loans, bonds, notes, advances or other indebtedness which are unsecured or which are secured by a junior lien on the applicable Tax Revenues.

Books and Accounts; Financial Statements. The Agency will keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City or the County, as applicable, in which complete and correct entries shall be made of all transactions relating to each Project Area, the Tax Revenues, the Revenue Fund (and the accounts therein), Special Funds, the Reserve Accounts, the Redevelopment Funds and the Low and Moderate Income Housing Fund (and the accounts therein). Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Authority, the Trustee, the Insurer and the Owners of any Bonds then outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and filed with the Insurer annually, within 180 days after the close of each Fiscal Year so long as any of the Bonds are outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Funds, the Reserve Accounts, the Redevelopment Funds and the Low and Moderate Income Housing Fund (and the accounts therein) and the financial condition of each Project Area.

Protection of Security and Rights. The Agency will preserve and protect the security of the Loans and the rights of the Trustee and the Bond Owners with respect to the Loans. From and after the Closing Date, the Loans shall be incontestable by the Agency.

Taxation of Leased Property. All amounts derived by the Agency as payments in lieu of Tax Revenues with respect to the lease of property for redevelopment shall be treated as Tax Revenues for all purposes of the Loan Agreements, and shall be paid to the Agency for deposit in the applicable Special Fund.

Disposition of Property. The Agency will not participate in the detachment of any land or real property from a Project Area or the disposition of any land or real property in a Project Area which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way) so that such detachment or disposition shall, when taken together with other such detachments or dispositions, aggregate either more than 10% of the land area in such Project Area or 10% of the assessed value of the Project Area.

Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and the State, and shall forward information copies of each such filing to the Trustee. The Agency shall not enter into any agreement with the County or any other governmental unit which would have the effect of reducing the amount of related Tax Revenues available for payment of any Loan. Subject to the provisions relating to Subordinate Debt, nothing in any Loan Agreement is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such agreement which by its term is subordinate to the payment of the Loan and all Parity Debt.

Compliance With Arbitrage Requirements; Rebate Requirements. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of any Loan which would cause any of the Bonds to be "arbitrage bonds" under federal tax law. The Agency agrees to furnish all information to, and cooperate fully with, the Authority, the Trustee and their respective officers, employees, agents and attorneys, in order to assure compliance with the provisions of federal tax law relating to the rebate of excess investment earnings. The Agency will pay to the Trustee from available Tax Revenues or any other source of legally available funds all amounts determined by the Authority to be subject to such rebate.

Private Activity Bond Limitation. The Agency shall assure that the proceeds of a Loan are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code.

Private Loan Financing Limitation. The Agency shall assure that the proceeds of a Loan are not so used as to cause the Bonds to satisfy the private loan financing test of section 141(c) of the Code.

Federal Guarantee Prohibition. The Agency 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 Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Compliance With Code. The Agency shall not use or permit the use of any proceeds of the Loan or any funds of the Agency, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

Amendment of Redevelopment Plan. If the Agency proposes to amend the Redevelopment Plan, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a report (the "Report") on the effect of such proposed amendment, the Agency may make such amendment. If the Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Redevelopment Law will not be materially reduced by such proposed amendment, the Agency may make such amendment. If the Report concludes that the taxes from the Project Area eligible for allocation to the Agency under the Redevelopment Law will be materially reduced by such proposed amendment, the Agency shall not make such proposed amendment.

Redevelopment of Project Area. The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of a Project Area are undertaken and accomplished in conformity with all applicable requirements of the applicable Redevelopment

Plan and the Redevelopment Law. The Agency has covenanted to deposit or cause to be deposited in the Low and Moderate Income Housing Fund all amounts when, as and if required to be deposited therein pursuant to the Redevelopment Law.

Plan Limit; Annual Review of Tax Revenues. The Agency shall annually review the total amount of Tax Revenues remaining available to be received by the Agency under an applicable Plan Limit, as well as future cumulative annual payments on the related Loan, any Parity Debt and any other obligations of the Agency payable from Tax Revenues. The Agency will not accept such Tax Revenues greater than the aggregate annual debt service payable by the Agency in any year if such acceptance will cause the amount remaining under the tax increment limit to fall below remaining cumulative debt service, except for the purpose of depositing such revenues in escrow for future Loan and Parity Debt payments or to prepay such Loan and any Parity Debt.

Continuing Disclosure. The Agency 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 a Loan Agreement, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default thereunder. However, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations as provided in the applicable Loan Agreement.

Amendment of Loan Agreements

The Loan Agreements may only be amended as provided in the Indenture. See "THE INDENTURE – Covenants of the Authority - Loan Agreements; Amendments Thereof" above.

Events of Default and Remedies

The following events constitute events of default under each of the Loan Agreements:

(a) Failure by the Agency to pay the principal of or interest or prepayment premium (if any) on the related Loan or Parity Debt when due and payable.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in such Loan Agreement, other than as referred to in the preceding clause (a), for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such 30 day period, the Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such 30 day period and diligently pursued until such failure is corrected.

(c) If the Agency shall file a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Agency, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Agency or of the whole or any part of its property.

If an event of default has occurred and is continuing under a Loan Agreement, the Trustee may, but only with the prior written consent of the Insurer, and at the written direction of the Insurer the Trustee shall, (a) declare the principal of the related Loan, together with the accrued interest on all unpaid installments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, and (b) subject to indemnity satisfactory to the Trustee from any liability or expense, exercise any other remedies available to the Trustee in law or at equity. This provision, however, is subject to the condition that if, at any time after the principal of such Loan shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all installments of principal of such Loan matured prior to such declaration and all accrued interest thereon, with interest on such overdue installments of principal and interest at the net effective rate then borne by the outstanding Bonds, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on such Loan due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then the Insurer may, by written notice to the Trustee and the Agency, rescind and annul such declaration and its consequences.

Application of Funds Upon Default

All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of any Loan Agreement, or otherwise held by the Trustee upon the occurrence of any Event of Default, shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee and the Insurer in declaring such event of default and in carrying out the provisions of such Loan Agreement relating to remedies, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of such Loan then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the outstanding Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) *first*, to the payment of all installments of interest on such Loan then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) *second*, to the payment of principal of all installments of such Loan then due and unpaid, other than principal having come due and payable solely by reason of acceleration, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full,

(c) *third*, to the payment of principal of such Loan then due and unpaid and having come due and payable solely by reason of acceleration, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and

(d) *fourth*, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

No Waiver. Nothing in any Loan Agreement shall affect or impair the obligation of the Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged thereunder, the principal of and interest and premium (if any) on the respective Loans to the Trustee as of the respective Interest Payment Dates, or affect or impair the right of action, which is also absolute and unconditional, of the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Loan Agreements.

A waiver of any default by the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of the Trustee 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 of any such default or an acquiescence therein, and every power and remedy conferred upon the Trustee by the Redevelopment Law or by the respective Loan Agreements may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

Discharge of Loan Agreements

If the Agency shall pay or cause to be paid, or shall have made provision to pay and discharge the indebtedness on the applicable Loan or any portion thereof, through setting aside trust funds or setting apart in a reserve fund or special trust account created pursuant to the related Loan Agreement or otherwise, or through the irrevocable segregation for that purpose in some sinking fund or other fund or trust account with a trustee or otherwise, moneys sufficient for the payment of the principal of and interest and prepayment premiums (if any) on such Loan or any such portion thereof, as and when the same become due and payable, including, but not limited to, interest earned or to be earned on Federal Securities, then the lien provided for in the related Loan Agreement, including, without limitation, the pledge of the Tax Revenues securing such Loan or such portion thereof, and all other rights granted hereby, shall thereupon cease, terminate and become void and be discharged and satisfied, and the principal of, premium, if any, and interest on such Loan or any such portion thereof shall no longer be deemed to be outstanding and unpaid.

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

December 23, 2003

Board of Directors
Sacramento County Public Financing Authority
630 I Street, 3rd Floor
Sacramento, California 95814

OPINION $33,695,587.95 Sacramento County Public Financing Authority 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects)

Members of the Board of Directors:

We have acted as bond counsel to the Sacramento County Public Financing Authority (the "Authority") in connection with the issuance by the Authority of $33,695,587.95 aggregate principal amount of Sacramento County Public Financing Authority 2003 Tax Allocation Revenue Bonds, Series A (Sacramento County and City Redevelopment Projects) (the "Bonds"), pursuant to provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act") and an Indenture of Trust, dated as of December 1, 2003 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"). The Bonds have been issued by the Authority to provide funds to make a loan to the Redevelopment Agency of the County of Sacramento and a loan to the Redevelopment Agency of the City of Sacramento (each an "Agency") pursuant to two separate Loan Agreements, each dated as of December 1, 2003 (together, the "Loan Agreements"), by and among the applicable Agency, the Trustee and the Authority. 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 Authority contained in the Indenture and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the power to enter into the Indenture and the Loan Agreements, to perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture and the Loan Agreements have been duly approved by the Authority and constitute valid and binding special obligations of the Authority enforceable against the Authority in accordance with their terms.

3. The Indenture creates a valid lien on and pledge of the Revenues (as such term is defined in the Indenture) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Indenture, subject to no prior lien granted under the Act.

4. The Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding special obligations of the Authority, payable solely from the sources provided therefor in the Indenture.

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

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

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

Respectfully submitted,

A Professional Law Corporation

APPENDIX G

THE BOOK-ENTRY SYSTEM

The information in this section concerning DTC and DTCs book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof. The Authority cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal of such issue.

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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds 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 maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, 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 the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, physical Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

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APPENDIX H

SPECIMEN MUNICIPAL BOND NEW ISSUE INSURANCE POLICY

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Exhibit A

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same 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 call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

FGIC

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

Deborah M. Reif

President

Effective Date: **Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

FGIC

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

FGIC

Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

The insurance provided by this Policy is not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

Financial Guaranty Insurance
Company, doing business in California
as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

FGIC.

Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

SPECIMEN

Notwithstanding the terms and conditions in this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

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APPENDIX I

ACCRETED VALUES TABLE

	CAB due 2020 5.18%	CAB due 2021 5.26%	CAB due 2022 5.33%	CAB due 2023 5.40%	CAB due 2024 5.47%	CAB due 2025 5.52%	CAB due 2026 5.54%	CAB due 2027 5.55%	CAB due 2028 5.56%	CAB due 2029 5.57%	CAB due 2030 5.58%
12/23/03	$2,102.55	$1,970.00	$1,846.35	$1,728.05	$1,615.20	$1,514.10	$1,427.45	$1,348.40	$1,273.45	$1,202.45	$1,135.20
6/1/04	2,150.30	2,015.40	1,889.45	1,768.95	1,653.90	1,550.70	1,462.10	1,381.20	1,304.50	1,231.80	1,162.95
12/1/04	2,206.00	2,068.40	1,939.80	1,816.70	1,699.15	1,593.50	1,502.60	1,419.50	1,340.75	1,266.10	1,195.40
6/1/05	2,263.15	2,122.80	1,991.50	1,865.75	1,745.60	1,637.50	1,544.20	1,458.90	1,378.05	1,301.40	1,228.75
12/1/05	2,321.75	2,178.65	2,044.55	1,916.15	1,793.35	1,682.65	1,587.00	1,499.40	1,416.35	1,337.60	1,263.05
6/1/06	2,381.90	2,235.95	2,099.05	1,967.90	1,842.40	1,729.10	1,630.95	1,541.00	1,455.70	1,374.90	1,298.30
12/1/06	2,443.55	2,294.75	2,155.00	2,021.00	1,892.80	1,776.85	1,676.15	1,583.75	1,496.20	1,413.15	1,334.50
6/1/07	2,506.85	2,355.10	2,212.45	2,075.60	1,944.55	1,825.90	1,722.55	1,627.70	1,537.75	1,452.55	1,371.75
12/1/07	2,571.80	2,417.05	2,271.40	2,131.60	1,997.75	1,876.30	1,770.30	1,672.90	1,580.55	1,493.00	1,410.00
6/1/08	2,638.40	2,480.60	2,331.95	2,189.20	2,052.35	1,928.05	1,819.30	1,719.30	1,624.45	1,534.55	1,449.35
12/1/08	2,706.75	2,545.85	2,394.10	2,248.30	2,108.50	1,981.30	1,869.70	1,767.00	1,669.65	1,577.30	1,489.80
6/1/09	2,776.85	2,612.80	2,457.90	2,309.00	2,166.20	2,035.95	1,921.50	1,816.05	1,716.05	1,621.25	1,531.35
12/1/09	2,848.75	2,681.55	2,523.40	2,371.35	2,225.40	2,092.15	1,974.75	1,866.45	1,763.75	1,666.40	1,574.10
6/1/10	2,922.55	2,752.05	2,590.65	2,435.35	2,286.30	2,149.90	2,029.45	1,918.25	1,812.80	1,712.80	1,618.00
12/1/10	2,998.25	2,824.45	2,659.65	2,501.10	2,348.80	2,209.25	2,085.65	1,971.45	1,863.20	1,760.50	1,663.15
6/1/11	3,075.90	2,898.70	2,730.55	2,568.65	2,413.05	2,270.20	2,143.40	2,026.20	1,914.95	1,809.50	1,709.55
12/1/11	3,155.55	2,974.95	2,803.30	2,638.00	2,479.05	2,332.85	2,202.80	2,082.40	1,968.20	1,859.90	1,757.25
6/1/12	3,237.30	3,053.20	2,878.05	2,709.25	2,546.85	2,397.25	2,263.80	2,140.20	2,022.95	1,911.70	1,806.25
12/1/12	3,321.15	3,133.50	2,954.75	2,782.40	2,616.50	2,463.40	2,326.50	2,199.60	2,079.15	1,964.95	1,856.65
6/1/13	3,407.15	3,215.90	3,033.50	2,857.50	2,688.10	2,531.40	2,390.95	2,260.60	2,136.95	2,019.70	1,908.45
12/1/13	3,495.40	3,300.50	3,114.30	2,934.65	2,761.60	2,601.30	2,457.20	2,323.35	2,196.40	2,075.95	1,961.70
6/1/14	3,585.95	3,387.30	3,197.30	3,013.90	2,837.15	2,673.10	2,525.25	2,387.85	2,257.45	2,133.75	2,016.45
12/1/14	3,678.80	3,476.35	3,282.55	3,095.25	2,914.75	2,746.85	2,595.20	2,454.10	2,320.20	2,193.15	2,072.70
6/1/15	3,774.10	3,567.80	3,370.00	3,178.85	2,994.45	2,822.65	2,667.10	2,522.20	2,384.70	2,254.25	2,130.55
12/1/15	3,871.85	3,661.65	3,459.80	3,264.65	3,076.35	2,900.60	2,741.00	2,592.20	2,451.00	2,317.05	2,189.95
6/1/16	3,972.10	3,757.95	3,552.00	3,352.80	3,160.50	2,980.65	2,816.90	2,664.10	2,519.15	2,381.55	2,251.10
12/1/16	4,075.00	3,856.75	3,646.70	3,443.35	3,246.90	3,062.90	2,894.95	2,738.05	2,589.15	2,447.90	2,313.90
6/1/17	4,180.55	3,958.20	3,743.85	3,536.30	3,335.75	3,147.45	2,975.15	2,814.05	2,661.15	2,516.05	2,378.45
12/1/17	4,288.80	4,062.30	3,843.65	3,631.80	3,426.95	3,234.30	3,057.55	2,892.10	2,735.10	2,586.15	2,444.80
6/1/18	4,399.90	4,169.15	3,946.10	3,729.85	3,520.70	3,323.55	3,142.25	2,972.40	2,811.15	2,658.15	2,513.00
12/1/18	4,513.85	4,278.80	4,051.25	3,830.55	3,617.00	3,415.30	3,229.25	3,054.85	2,889.30	2,732.20	2,583.10
6/1/19	4,630.75	4,391.35	4,159.20	3,934.00	3,715.90	3,509.55	3,318.75	3,139.65	2,969.65	2,808.30	2,655.20
12/1/19	4,750.70	4,506.80	4,270.05	4,040.20	3,817.55	3,606.45	3,410.65	3,226.75	3,052.20	2,886.50	2,729.25
6/1/20	4,873.75	4,625.35	4,383.85	4,149.30	3,921.95	3,705.95	3,505.15	3,316.30	3,137.05	2,966.90	2,805.40
12/1/20	5,000.00	4,747.00	4,500.70	4,261.35	4,029.20	3,808.25	3,602.20	3,408.35	3,224.25	3,049.50	2,883.70
6/1/21	-	4,871.85	4,620.60	4,376.40	4,139.40	3,913.35	3,702.00	3,502.90	3,313.90	3,134.45	2,964.15
12/1/21	-	5,000.00	4,743.75	4,494.55	4,252.60	4,021.35	3,804.55	3,600.10	3,406.00	3,221.75	3,046.85
6/1/22	-	-	4,870.20	4,615.90	4,368.95	4,132.35	3,909.95	3,700.05	3,500.70	3,311.45	3,131.85
12/1/22	-	-	5,000.00	4,740.55	4,488.40	4,246.40	4,018.25	3,802.70	3,598.00	3,403.70	3,219.25
6/1/23	-	-	-	4,868.50	4,611.20	4,363.60	4,129.55	3,908.25	3,698.05	3,498.50	3,309.05
12/1/23	-	-	-	5,000.00	4,737.30	4,484.05	4,243.95	4,016.70	3,800.85	3,595.90	3,401.40
6/1/24	-	-	-	-	4,866.85	4,607.80	4,361.50	4,128.15	3,906.50	3,696.05	3,496.30
12/1/24	-	-	-	-	5,000.00	4,735.00	4,482.30	4,242.70	4,015.10	3,799.00	3,593.80
6/1/25	-	-	-	-	-	4,865.70	4,606.45	4,360.45	4,126.75	3,904.80	3,694.10
12/1/25	-	-	-	-	-	5,000.00	4,734.05	4,481.45	4,241.45	4,013.55	3,797.15
6/1/26	-	-	-	-	-	-	4,865.20	4,605.80	4,359.40	4,125.35	3,903.10
12/1/26	-	-	-	-	-	-	5,000.00	4,733.60	4,480.55	4,240.25	4,012.00
6/1/27	-	-	-	-	-	-	-	4,864.95	4,605.15	4,358.30	4,123.95
12/1/27	-	-	-	-	-	-	-	5,000.00	4,733.15	4,479.70	4,239.00
6/1/28	-	-	-	-	-	-	-	-	4,864.75	4,604.45	4,357.25
12/1/28	-	-	-	-	-	-	-	-	5,000.00	4,732.70	4,478.85
6/1/29	-	-	-	-	-	-	-	-	-	4,864.50	4,603.80
12/1/29	-	-	-	-	-	-	-	-	-	5,000.00	4,732.25
6/1/30	-	-	-	-	-	-	-	-	-	-	4,864.25
12/1/30	-	-	-	-	-	-	-	-	-	-	5,000.00

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