NEW ISSUE
FULL BOOK ENTRY

RATING:
Moody's: Aaa
Standard & Poor's: AAA
(See "MISCELLANEOUS – Ratings" herein)

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest on the Series A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel also observes that interest on the Series B Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that interest on the Series A Bonds and the Series B Bonds is exempt from State of California personal income taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds and the Series B Bonds. See "TAX MATTERS."

$92,372,235.75
SACRAMENTO CITY FINANCING AUTHORITY
2005 TAX ALLOCATION REVENUE BONDS,
SERIES A
(MERGED DOWNTOWN AND OAK PARK PROJECTS)

$46,750,000
SACRAMENTO CITY FINANCING AUTHORITY
2005 TAXABLE TAX ALLOCATION REVENUE BONDS,
SERIES B
(MERGED DOWNTOWN AND OAK PARK PROJECTS)

Dated: Date of Delivery **Due: December 1, as shown below**

Purpose. The captioned bonds (the "Bonds"), are being issued by the Sacramento City Financing Authority (the "Authority"). Proceeds of the Bonds will be used to fund two loans (the "Loans") to the Redevelopment Agency of the City of Sacramento (the "Agency"), which Loan proceeds will be used to (i)[refinance certain obligations of the Agency, as described in this Official Statement], (ii) finance redevelopment activities of the Agency with respect to two of its Project Areas, (iii) purchase certain reserve fund surety bonds and (iv) pay the costs of issuing the Bonds.

Issuance. The Bonds are being issued pursuant to an Indenture dated as of November 1, 2005 (the "Indenture") by and between the Authority and U.S. Bank National Association, as Trustee. The Bonds are issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases of the Bonds will be made in book-entry form only. A portion of the Series A Bonds are being issued as capital appreciation bonds (the "Capital Appreciation Bonds"). The balance of the Series A Bonds, and all of the Series B Bonds are being issued as current interest bonds (the "Current Interest Bonds").

Payments. Interest on the Current Interest Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2006. The Capital Appreciation Bonds accrue interest from their delivery date, compounded semiannually on June 1 and December 1 of each year, commencing on June 1, 2006. Payments of principal or Accreted Value (as defined herein), premium, if any, and interest on the Bonds will be paid by the Trustee to DTC which is obligated in turn to remit such principal or Accreted Value, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds.

Redemption. Certain of the Bonds are subject to optional and mandatory redemption prior to maturity as described herein.

Security. *The Bonds are limited obligations of the Authority and payable solely from Revenues (as defined herein) which consist primarily of amounts payable by the Agency pursuant to two loan agreements (the "Loan Agreements") as described herein, and certain amounts on deposit with the Trustee. See "SECURITY FOR THE BONDS" herein.*

Bond Insurance. Payment of the principal of and interest (or Accreted Value, as applicable) on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company simultaneously with delivery of the Bonds. See "BOND INSURANCE AND RESERVE POLICY" and "APPENDIX H – Specimen Bond Insurance Policy" herein.

FGIC Financial Guaranty Insurance Company

MATURITY SCHEDULES
(See inside cover)

Cover Page. This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors should review the entire Official Statement before making any investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to approval as to legality by Orrick Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by the City Attorney of the City of Sacramento, and by Bond Counsel, and for the Agency by Dana W. Phillips, General Counsel to the Agency. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel. It is anticipated that the Bonds, in book entry form, will be available for delivery in New York, New York, on or about December 7, 2005.

Dated: November 17, 2005

STONE & YOUNGBERG LLC

Goldman, Sachs & Co. **Merrill Lynch & Co.**

E. Wagner & Associates, Inc. **Siebert Brandford Shank & Co., LLC**

MATURITY SCHEDULES
Base CUSIP†: 785849

SERIES A BONDS

$20,500,000 Series A Current Interest Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† Number
2016	$ 890,000	5.00%	4.220% [C]	PS3
2017	935,000	5.00	4.280 [C]	PT1
2018	4,645,000	5.00	4.340 [C]	PU8

$4,295,000 5.000% Term Series A Current Interest Bonds due December 1, 2024, Priced to Yield 4.580% [C]; CUSIP†: PY0
$9,735,000 5.000% Term Series A Current Interest Bonds due December 1, 2034, Priced to Yield 4.790% [C]; CUSIP†: PZ7

C Priced to par call on December 1, 2015.

$71,872,235.75 Series A Capital Appreciation Bonds

Maturity (December 1)	Initial Principal Amount	Initial Principal Amount per $5,000 Maturity Value	Accreted Value at Maturity	Yield to Maturity Date	CUSIP† Number
2019	$5,108,339.00	$2,547.80	$10,025,000	4.880%	QB9
2021	7,752,665.70	2,284.90	16,965,000	4.960	QD5
2022	7,333,290.90	2,161.30	16,965,000	5.000	QE3
2023	6,438,602.80	2,035.60	15,815,000	5.060	QF0
2024	6,090,830.95	1,925.65	15,815,000	5.090	QG8
2025	6,599,675.00	1,820.60	18,125,000	5.120	QH6
2026	5,452,221.25	1,723.75	15,815,000	5.140	QJ2
2027	5,160,276.35	1,631.45	15,815,000	5.160	QK9
2028	4,871,178.15	1,540.05	15,815,000	5.190	QL7
2029	4,606,276.90	1,456.30	15,815,000	5.210	QM5
2030	4,354,027.65	1,376.55	15,815,000	5.230	QN3
2031	3,685,913.40	1,297.40	14,205,000	5.260	QP8
2032	1,614,945.40	1,225.30	6,590,000	5.280	QQ6

$2,803,922.30 5.290% Term Series A Capital Appreciation Bonds due December 1, 2034, Maturing to $12,735,000; CUSIP†: QS2å

SERIES B BONDS

$8,630,000 Series B Current Interest Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Price	CUSIP† Number
2006	$ 960,000	4.750%	100%	QT0
2007	950,000	4.850	100	QU7
2008	995,000	4.880	100	QV5
2009	1,035,000	4.985	100	QW3
2010	1,090,000	5.015	100	QX1
2011	1,145,000	5.040	100	QY9
2012	1,200,000	5.080	100	QZ6
2013	1,255,000	5.110	100	RA0

$2,725,000 5.150% Term Series B Current Interest Bonds due December 1, 2015, Price: 100%; CUSIP†: RC6
$33,540,000 5.540% Term Series B Current Interest Bonds due December 1, 2020, Price: 100%; CUSIP†: RH5
$1,855,000 5.70% Term Series B Current Interest Bonds due December 1, 2025, Price: 100%; CUSIP†: RN2

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the offer and sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Agency or any other entity described or referenced herein since the date hereof. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the Authority or the Agency, in any press release and in any oral statement made with the approval of an authorized officer of the Agency or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements". Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority or the Agency or any other entity described or referenced herein since the date hereof.

Limit of Offering. No dealer, broker, salesperson or other person has been authorized by the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and if given or made, such other information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Involvement of Underwriters. The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, their responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

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SERIES A	**SERIES B**
(MERGED DOWNTOWN AND OAK PARK PROJECTS)	**(MERGED DOWNTOWN AND OAK PARK PROJECTS)**

INTRODUCTION

This Official Statement, including the cover page and appendices hereto, is provided to furnish information in connection with the sale by the Sacramento City Financing Authority (the "Authority") of its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Series A Bonds") and its 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (the "Series B Bonds", and together with the Series A Bonds, the "Bonds"). This Introduction contains a brief summary of certain information contained in this Official Statement. It is not intended to be complete and is qualified by the more detailed information contained elsewhere in this Official Statement. Definitions of certain terms used in this Official Statement are set forth in "APPENDIX A – Summary of Principal Legal Documents".

Legal Authority

The Bonds are being issued pursuant to:

- the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State (the "Act"),
- Resolution No. 2005-002 of the Authority adopted on November 1, 2005,
- Resolution No. 2005-056 of the Redevelopment Agency of the City of Sacramento (the "Agency") adopted on November 1, 2005, and
- an Indenture dated as of November 1, 2005 (the "Indenture") by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Authority. the Agency and the Trustee will enter into the Loan Agreements (as described below) pursuant to and in accordance with applicable laws of the State and the foregoing resolutions.

Financing Purpose

The proceeds of the Bonds will be used to fund two separate loans (each, a “Loan” and, together, the "Loans") from the Authority to the Agency. A Loan in the principal amount of $118,423,492.55 will be made to the Agency with respect to its hereinafter described Merged Downtown Project (the “Merged Downtown Loan”) and a Loan in the principal amount of $20,698,743.20 will be made to the Agency with respect to its hereinafter described Oak Park Redevelopment Project (the “Oak Park Loan”). The proceeds of the Loans will be used to:

- assist the Agency in financing redevelopment activities in two of its project areas (each, a “Project Area” and, together, the "Project Areas"),
- to fund the Reserve Accounts for the Loans by the purchase of Qualified Reserve Account Credit Instruments, as described herein; and
- to pay certain costs relating to the issuance of the Bonds and the making of the Loans.

See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Project Areas are located in the City of Sacramento (the “City”), in the County of Sacramento, California (the “County”). Certain general economic and demographic information with regards to the City and the County may be found in "APPENDIX C – City of Sacramento General Information." **NEITHER THE BONDS, NOR THE OBLIGATIONS OF THE AGENCY UNDER THE LOAN AGREEMENTS ARE A DEBT OF THE CITY NOR IS THE CITY LIABLE THEREFOR. THE PRINCIPAL OF, ACCRETED VALUE, IF APPLICABLE, PREMIUM, IF ANY, AND INTEREST ON THE BONDS ULTIMATELY ARE PAYABLE PRINCIPALLY FROM AND SECURED BY A PLEDGE OF CERTAIN AMOUNTS PAYABLE BY THE AGENCY TO THE AUTHORITY UNDER THE LOAN AGREEMENTS.**

The Authority

The Authority is a joint exercise of powers authority organized under the laws of the State of California (the “State”) and was created by a joint exercise of powers agreement between the City and the Agency. The Authority was created primarily to provide financing of public capital improvements of the City and the Agency and the purchase by the Authority of local obligations of the City and the Agency within the meaning of the Act.

Description of the Bonds

Current Interest and Capital Appreciation Bonds. A portion of the Series A Bonds, and all of the Series B Bonds, will be issued as current interest bonds (the “Current Interest Bonds”). The remainder of the Series A Bonds will be issued as capital appreciation bonds (the “Capital Appreciation Bonds”). The Current Interest Bonds will be dated their date of delivery thereof (the “Dated Date”) and will mature on December 1 in the years indicated on the inside cover page hereof.

The Capital Appreciation Bonds will be dated the Dated Date, and will be issued as fully registered bonds, without coupons, in the denominations of $5,000 Accreted Value at maturity (where “Accreted Value” means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date compounded on each Distribution Date (where “Distribution Date” means a date on which interest is due on the Bonds, being December 1 and June 1 of each year, commencing on June 1, 2006), commencing on the first Distribution Date after its issuance (through and including the maturity date of such Bond), at the “original issue yield” for such Bond, as set forth in the Indenture; provided, however, that the Trustee shall calculate or cause to be calculated the Accreted Value on any date other than a Distribution Date set forth in the Indenture by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Distribution Dates. In performing such calculation, the Trustee shall be entitled to engage and rely upon a firm of accountants, consultants or financial advisors with appropriate knowledge and experience. The term “original issue yield” means, with respect to any particular Bond, the yield to the applicable maturity date of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Distribution Date. The Capital Appreciation Bonds will mature on December 1 in the years indicated on the inside cover page hereof.

Security for the Bonds and Loans

The Bonds are limited obligations of the Authority, payable from and secured as to the payment of the interest thereon and principal or Accreted Value thereof and redemption premiums, if any, solely from the Revenues. Generally, Revenues consist of all amounts payable by the Agency pursuant to the Loan Agreements described below, all moneys in the funds and accounts held under the Indenture (other than the Rebate Fund and, with respect to the Accounts within the Reserve Fund, only in accordance with the provisions of the Indenture) and all investment income with respect to any money held by the Trustee (other than moneys on deposit in the Rebate Fund).

The Agency's obligations under each Loan Agreement are secured by a pledge of certain tax increment revenues (the "Tax Revenues") derived from taxes assessed on property within the applicable Project Area, as described herein, and other amounts allocated and paid to the Agency, on a parity with certain prior obligations of the Agency (the "Outstanding Parity Debt") as further described herein. See "SECURITY FOR THE LOANS—OUTSTANDING PARITY DEBT." The Tax Revenues allocated to and collected within one Project Area do not secure payment of the Loan Agreement relating to the other Project Area.

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of taxes collected within a redevelopment project area. The taxable valuation of a redevelopment project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which the taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Subject to certain exceptions, taxes collected upon any increase in taxable valuation over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness 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. Taxes collected upon the increase in assessed valuations in the Project Areas and received on or after the date of issuance of the Bonds are referred to herein as the “tax increment revenues”.

Any future decrease in the taxable valuations in a Project Area or in the applicable tax rates could reduce the tax increment revenues allocated to the Agency and, correspondingly, could have an adverse impact on the availability of Tax Revenues to pay the Loan made to such

Project Area and, thereby, have an adverse impact on the ability of the Authority to pay debt service on the Bonds. See “RISK FACTORS” herein.

The City and the Agency

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 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 Agency.

The Project Areas

The two Project Areas to which Loans are to be made with the proceeds of the Bonds are the following:

(i) “Merged Downtown Sacramento Redevelopment Project” (the “Merged Downtown Project”), approved by Ordinance Nos. 86-063 through 86-067 of the City of Sacramento adopted on June 17, 1986; and

(ii) “Oak Park Redevelopment Project” (the “Oak Park Project”), approved by Ordinance No. 3278 of the City of Sacramento adopted on May 30, 1973.

See the four sections herein that describe each of the two Project Areas for additional information on assessed valuations, property ownership and land uses, as well as projections of Tax Revenues in each of the Project Areas.

Municipal Bond Insurance

Concurrently with issuance of the Bonds, Financial Guaranty Insurance Company doing business in California as FGIC Insurance Company (“Financial Guaranty” or the “Bond Insurer”) will issue its Financial Guaranty 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 “BOND INSURANCE AND RESERVE POLICY” and “APPENDIX H – Specimen Bond Insurance Policy”.

Continuing Disclosure

The Agency has covenanted for the benefit of holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Agency by not later than the last day of the ninth month following the end of the Agency’s respective fiscal year (which fiscal year of the Agency currently ends on December 31), commencing with the report for the 2004-05 fiscal year, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Agency with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The notices of material events will be filed by the Agency with the Municipal Securities Rulemaking Board (and with the appropriate State information depository, if any). The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth in “APPENDIX F – Form of Continuing Disclosure Certificate.” These covenants have been made in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5). The Agency has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Other Information

Following in this Official Statement are brief descriptions of the Bonds, the Authority, the Agency, the City, Revenues and Tax Revenues, the Project Areas, security for the Bonds, risk factors and limitations on Revenues and Tax Revenues and certain other information relevant to the issuance of the Bonds. All references herein to the Indenture and the Loan Agreements are qualified in their entirety by reference to the Indenture and the Loan Agreements, as applicable, and all references to the Bonds are further qualified by reference to the definitive Bonds and to the terms thereof which are contained in the Indenture. All capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Indenture or the Loan Agreements.

The Agency regularly prepares a variety of publicly available reports, including audits, budgets and related documents. Any Bondowner may obtain a copy of any such report, as available, from the Agency. Additional information regarding this Official Statement may be obtained by contacting:

Mr. Satoshi Matsuda
Director of Finance
Redevelopment Agency of the City of Sacramento
630 I Street
Sacramento, California 95814
(916) 440-1340

FINANCING PLAN

The Projects

A portion of Series A Bond proceeds are expected to be used to finance the following projects:

Merged Downtown Project

- Westfield: Assistance with relocation/expansion of movie theater complex to 7th and K streets.
- Façade Rebate Program: Grants for façade improvements to building and business owners.
- Streetscape: Streetscape improvements for J, K, and L streets, including improvements to St. Rose of Lima Park and Cathedral Square.
- Infrastructure: Sewer/electrical capacity improvements.
- Trash Enclosures/Service Courts: Construction of service courts in Old Sacramento Historic District to consolidate and “disguise” trash and other utility uses.
- Urban Design Plan: Landscaping, lighting, ingress, egress and streetscape improvements to enhance historic district.
- Parkway: Design and development of a waterfront promenade and parkway connecting the existing promenade south to Miller Park.
- Single Room Occupancy Policy: Define and implement a plan for the reinvestment and development of new Single Room Occupancy units serving the Central City.

Oak Park Project

- Streetlights Installation Project: Installation of historic streetlights in various Oak Park neighborhoods.
- Broadway Streetscape: Final phase of streetscape along Broadway from Martin Luther King Blvd. to Stockton Boulevard.
- Oak Park Sewer System Improvements: Sewer capacity system improvements in the Oak Park neighborhood.
- Park Improvements: Park enhancements at various sites throughout the Oak Park neighborhood.
- Oak Park Community Center Expansion: Construction of a 9,400 sq. ft. multi-purpose facility in the center of the Oak Park area.

A portion of Series B Bond proceeds are expected to be used to finance the following projects:

Merged Downtown Project

- 700 Block: Historic renovation of existing buildings for new destination-oriented retail and housing.
- 800 Block: Demolition of dilapidated building for a mixed-use housing and retail project.
- Greyhound: Potential relocation of Greyhound terminal, allowing the current site to be developed into a mixed-use project.
- 10th/K: Development of Agency-owned site for a mixed-use project consisting of condominiums, entertainment-related retail and potentially a performing arts facility.
- Marshall Hotel: Historic renovation and repositioning of building to accommodate strong ground floor retail and a range of housing units on upper floors.
- Berry Hotel: Improvements to the existing SRO units.
- Elks Building: Historic renovation improvements to accommodate new ground floor retail/restaurants.
- Ebner/Empire Project Site: Reconstruction of a historic building with two separate facades. Site will include a mixed-use project with 5,000 square feet of ground floor retail/restaurant space and a total of 10,000 square feet of office space. Development also includes 16 parking spaces.
- Orleans Project Site: A mixed-use project with 15,000 square feet of ground/second floor restaurant/catering space and 16 high-end apartments. Development also includes 22 parking spaces.
- Land Assembly: Assembly of land south of R Street along the waterfront to implement the Docks Area Specific Plan.
- Affordable Housing: Assist to mixed-use projects to incorporate affordable housing, where feasible.

Oak Park Project

- Martin Luther King Blvd. /Broadway Development: Mixed-use, mixed income development of approximately 80 dwelling units and 5,000 square feet of retail.
- Made Rite Development Site: Mixed-use development of 48 rental units and 11,000 square feet of retail.
- Walton Plaza: Mixed-use development of 22 rental units and 10,000 square feet of retail space including a pediatric office.

- South Oak Park Action Plan: Funding of residential projects to improve South Oak Park neighborhood.

- Stockton Boulevard/9th Avenue: Development of residential or mixed-uses.

- Renaissance Implementation: Implementation of projects identified in the Renaissance Community Master plan.

It is possible that one or more of the above projects may not occur. The Agency may, consistent with the Redevelopment Law and its covenants set forth in the Loan Agreements, substitute other projects for those which are described above.

Estimated Sources and Uses of Funds

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

	Series A Bonds		**Series B Bonds**		**Total**
	Merged Downtown	Oak Park	Merged Downtown	Oak Park	
Sources of Funds:					
Par Amount of Bonds	$83,528,492.55	8,843,743.20	$34,895,000.00	$11,855,000.00	$139,122,235.75
Original Issue Premium	361,232.50	299,065.95			660,298.45
Total Sources	$83,889,725.05	$9,142,809.15	$34,895,000.00	$11,855,000.00	$139,782,534.20
Uses of Funds:					
Deposit to Redevelopment Funds	$50,892,168.29	$8,854,356.81	$26,549,411.05	8,906,208.28	$95,202,144.43
Deposit to Low and Moderate Income Housing Funds	29,479,780.53		7,439,335.54	2,651,844.44	39,570,960.51
Deposit to Costs of Issuance Fund (1)	3,517,776.23	288,452.34	906,253.41	296,947.28	5,009,429.26
Total Uses	$83,889,725.05	$9,142,809.15	$34,895,000.00	$11,855,000.00	$139,782,534.20

(1) Includes bond insurance and reserve account surety bond premiums, Trustee fees, Bond Counsel and Disclosure Counsel fees, Underwriter's discount, Fiscal Consultant fees, printing costs, rating agency fees and other related costs.

THE BONDS

Description

Current Interest Bonds. Interest with respect to the Current Interest Bonds accrues from their Dated Date, and is payable semiannually on June 1 and December 1 of each year (each, a "Distribution Date") commencing June 1, 2006. Each Current Interest Bond shall bear interest from the Distribution Date next preceding the date of registration and authentication thereof unless (i) it is registered and authenticated as of a Distribution Date, in which event it shall bear interest from such date, or (ii) it is registered and authenticated prior to a Distribution Date and after the close of business on the fifteenth (15th) day of the month preceding such Distribution Date, in which event it shall bear interest from such Distribution Date, or (iii) it is registered and authenticated on or prior to May 15, 2006, in which event it shall bear interest from the date of original delivery; *provided, however*, that if at the time of authentication of a Current Interest Bond, interest is in default thereon, such Bond shall bear interest from the Distribution Date to which interest has previously been paid or made available for payment thereon.

Interest on the Current Interest Bonds, including the final interest payment upon maturity, is payable by check of the Trustee mailed on the Distribution Date via first-class mail to the Owner thereof at such Owner's address as it appears on the bond register maintained by the Trustee at the close of business on the fifteenth (15th) day of the month preceding the Distribution Date (the "Record Date"), or at such other address as the Owner may have filed with the Trustee for that purpose, or upon written request filed with the Trustee as of the Record Date by an Owner of at least $1,000,000 in aggregate principal amount of Current Interest Bonds, by wire transfer.

The Current Interest Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. The Current Interest Bonds mature on December 1, in the years and amounts set forth on the inside cover page hereof. Principal of Current Interest Bonds at maturity or early redemption shall be payable by check mailed by first class mail in lawful money of the United States of America upon presentation and surrender at the Office of the Paying Agent.

Capital Appreciation Bonds. The Capital Appreciation Bonds are dated the Dated Date, and accrete interest from such date. The Capital Appreciation Bonds are issuable in denominations of any integral multiple of $5,000 of Accreted Value at maturity and shall mature on the dates, in the initial principal amounts and with the Accreted Values at maturity as set forth on the inside cover hereof. The Capital Appreciation Bonds will not bear current interest; each Capital Appreciation Bond shall accrete in value daily over the term to its maturity, compounded semiannually on each June 1 and December 1, commencing June 1, 2006 (each, a "Distribution Date"), from its Initial Principal Amount on the date of delivery thereof to its stated Accreted Value at maturity .

The Accreted Value at maturity shall be payable only to the person whose name appears in the registration books of the Trustee as the registered owner thereof. The Capital Appreciation Bonds are payable only at maturity according to the Accreted Value at maturity set forth on the inside cover hereof.

The interest portion of the Accreted Value of any Capital Appreciation Bond which is payable on the date of maturity shall represent interest accrued and coming due on such date. The Accreted Value of any Capital Appreciation Bond at maturity shall be payable by check mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the Office of the Trustee.

General. The Bonds will be delivered in fully registered form only, and when delivered will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only, in denominations of $5,000 principal amount or Accreted Value at maturity, as applicable, or any integral multiple thereof. Payments of principal or Accreted Value, premium, if any, and interest on the Bonds will be paid by the Trustee to the nominee of DTC, and DTC is obligated in turn to remit such principal, premium, if any, and interest on the Bonds to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Holders of the Bonds shall mean Cede & Co. and shall not mean the beneficial owners of the Bonds. See APPENDIX G – "BOOK ENTRY ONLY SYSTEM" herein for a further description of DTC and its book-entry system.

While the Bonds are held in the book-entry only system of DTC, all payments on the Bonds will be made to Cede & Co., as the nominee of DTC and the registered owner of the Bonds.

Optional Redemption

Series A Bonds. The Series A Current Interest Bonds maturing on or before December 1, 2015 are not subject to optional redemption prior to maturity. The Series A Current Interest Bonds maturing on or after December 1, 2016 are subject to optional redemption by the Authority prior to their respective stated maturity dates as a whole or in part on any date on or after December 1, 2015, from any source of available funds, at a redemption price equal to the principal amount of the Series A Current Interest Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

The Series A Capital Appreciation Bonds are not subject to optional redemption prior to maturity.

Series B Bonds. The Series B Bonds maturing on or before December 1, 2015 are not subject to optional redemption prior to maturity. The Series B Bonds maturing on or after December 1, 2016 are subject to optional redemption by the Authority prior to their respective stated maturity dates as a whole or in part on any date on or after December 1, 2015, from any source of available funds, at a redemption price equal to the principal amount of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

Mandatory Redemption From Sinking Fund Payments

Series A Bonds. The Series A Current Interest Bonds maturing on December 1, 2024 and December 1, 2034, are subject to mandatory sinking fund redemption by the Authority prior to their stated maturity date, in part on December 1 of each year set forth below, solely from sinking fund payments due and payable on such dates, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium, in the principal amounts set forth below (subject to modification in the event of optional redemption as described above or extraordinary redemption as described below):

$4,295,000 Term Series A Current Interest Bonds Maturing December 1, 2024

Sinking Account Payment Date (December 1)	Principal Amount To Be Redeemed
2023	$2,095,000
2024 (Maturity)	2,200,000

$9,735,000 Term Series A Current Interest Bonds Maturing December 1, 2034

Sinking Account Payment Date (December 1)	Principal Amount To Be Redeemed
2031	$1,610,000
2032	2,325,000
2033	2,440,000
2034 (Maturity)	3,360,000

The Series A Capital Appreciation Bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption by the Authority prior to their stated maturity date, in part on December 1 of each year set forth below, solely from sinking fund payments due and payable on such dates, at a redemption price equal to the Accreted Value thereof called for redemption, without a redemption premium, in the maturity amounts set forth below (subject to modification in the event of optional redemption as described above or extraordinary redemption as described below):

Term Series A Capital Appreciation Bonds Maturing December 1, 2034

Sinking Account Payment Date (December 1)	Maturity Amount To Be Redeemed
2033	$6,940,000*
2034 (Maturity)	5,795,000

* The sinking fund payment due and payable on December 1, 2033 to redeem the maturity amount of $6,940,000 will equal the Accreted Value due and payable on such date of $6,586,892.80.

Series B Bonds. The Series B Bonds maturing on December 1, 2015, December 1, 2020 and December 1, 2025, are subject to mandatory sinking fund redemption by the Authority prior to their stated maturity date, in part on December 1 of each year set forth below, solely from sinking fund payments due and payable on such dates, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium, in the principal amounts set forth below (subject to modification in the event of optional redemption as described above or extraordinary redemption as described below):

$2,725,000 Term Series B Bonds Maturing December 1, 2015

Sinking Account Payment Date (December 1)	Principal Amount To Be Redeemed
2014	$1,330,000
2015 (Maturity)	1,395,000

$33,540,000 Term Series B Bonds Maturing December 1, 2020

Sinking Account Payment Date (December 1)	Principal Amount To Be Redeemed
2016	$ 575,000
2017	610,000
2018	10,385,000
2019	5,815,000
2020 (Maturity)	16,155,000

$1,855,000 Term Series B Bonds Maturing December 1, 2025

Sinking Account Payment Date (December 1)	Principal Amount To Be Redeemed
2021	$ 85,000
2022	90,000
2023	530,000
2024	560,000
2025 (Maturity)	590,000

General Redemption Provisions

Selection of Bonds for Redemption. If less than all of the Outstanding Bonds are to be redeemed at the option of the Authority at any one time, the Treasurer shall select the maturity date or dates of the Bonds to be redeemed, and if less than all of the Bonds of any one maturity are to be redeemed by the Authority at any one time, the Trustee shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of $5,000 in any manner that the Trustee deems appropriate.

Notice of Redemption. The Trustee will mail notice of redemption by first-class mail at least 30 but not more than 60 days prior to the redemption date, to the respective Holders of all Bonds selected for redemption in whole or in part at their respective addresses appearing on the registration books, and to DTC and the Information Services; provided, that neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of the proceedings for the redemption. So long as DTC is acting as securities depository for the Bonds, notice of redemption will be mailed to DTC, not to the Beneficial Owners of any Bonds designated for redemption.

Such notice shall state the date of such notice, the name of the Bonds to be redeemed, the date of issue of such Bonds, the date fixed for the redemption of such Bonds, the redemption price of such Bonds, the place of redemption of such Bonds, the CUSIP number of the maturity or maturities of the Bonds to be redeemed and (if less than all the Bonds of any one maturity date are to be redeemed) the numbers of the Bonds of such maturity date to be redeemed, that the redemption notice may be rescinded (as described below), in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that, subject to rescission of the notice of redemption, further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the date fixed for redemption, and shall require that such Bonds to be redeemed be surrendered for payment of the redemption price thereof. If any Bond so chosen for redemption will not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of the principal thereof a new Bond or Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

Right of Rescission. The Authority (at the direction of the Agency) shall have the right to rescind and cancel any optional redemption by written notice. Any notice of optional redemption shall be cancelled and annulled if for any reason funds 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 Trustee shall mail notice of rescission of such redemption in the same manner as the original notice of redemption was sent.

Effect of Redemption. If notice of redemption has been duly given under the Indenture and not rescinded as provided in the Indenture and money for the payment of the redemption price of the Bonds or portions thereof so called for redemption is held by the Trustee, then on the date fixed for redemption designated in such notice such Bonds or such portions thereof will become due and payable, and from and after the date so designated interest on the Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof

DEBT SERVICE AND LOAN PAYMENT SCHEDULES

The following four tables show (i) scheduled debt service on the Series A Bonds, (ii) scheduled debt service on the Series B Bonds (both without regard to any optional redemption), (iii) scheduled Loan Payments on the Merged Downtown Loan, and (iv) scheduled Loan Payments on the Oak Park Loan. For a detailed breakout of the allocation of principal among the various components of each Loan, see "APPENDIX K - PRINCIPAL ALLOCATION BY LOAN AND SERIES."

TABLE 1-A
SACRAMENTO CITY FINANCING AUTHORITY
2005 TAX ALLOCATION REVENUE BONDS, SERIES A
(MERGED DOWNTOWN AND OAK PARK PROJECTS)

Series A Bonds Debt Service Schedule

	CURRENT INTEREST BONDS		CAPITAL APPRECIATION BONDS		
Year Ending (December 1)	Series A Principal	Series A Interest	Series A Principal	Series A Accreted Interest	Series A Total Debt Service
2006	-	$1,007,916.66	-	-	$1,007,916.66
2007	-	1,025,000.00	-	-	1,025,000.00
2008	-	1,025,000.00	-	-	1,025,000.00
2009	-	1,025,000.00	-	-	1,025,000.00
2010	-	1,025,000.00	-	-	1,025,000.00
2011	-	1,025,000.00	-	-	1,025,000.00
2012	-	1,025,000.00	-	-	1,025,000.00
2013	-	1,025,000.00	-	-	1,025,000.00
2014	-	1,025,000.00	-	-	1,025,000.00
2015	-	1,025,000.00	-	-	1,025,000.00
2016	$ 890,000	1,025,000.00	-	-	1,915,000.00
2017	935,000	980,500.00	-	-	1,915,500.00
2018	4,645,000	933,750.00	-	-	5,578,750.00
2019	-	701,500.00	$5,108,339.00	$4,916,661.00	10,726,500.00
2020	-	701,500.00	-	-	701,500.00
2021	-	701,500.00	7,752,665.70	9,212,334.30	17,666,500.00
2022	-	701,500.00	7,333,290.90	9,631,709.10	17,666,500.00
2023	2,095,000	701,500.00	6,438,602.80	9,376,397.20	18,611,500.00
2024	2,200,000	596,750.00	6,090,830.95	9,724,169.05	18,611,750.00
2025	-	486,750.00	6,599,675.00	11,525,325.00	18,611,750.00
2026	-	486,750.00	5,452,221.25	10,362,778.75	16,301,750.00
2027	-	486,750.00	5,160,276.35	10,654,723.65	16,301,750.00
2028	-	486,750.00	4,871,178.15	10,943,821.85	16,301,750.00
2029	-	486,750.00	4,606,276.90	11,208,723.10	16,301,750.00
2030	-	486,750.00	4,354,027.65	11,460,972.35	16,301,750.00
2031	1,610,000	486,750.00	3,685,913.40	10,519,086.60	16,301,750.00
2032	2,325,000	406,250.00	1,614,945.40	4,975,054.60	9,321,250.00
2033	2,440,000	290,000.00	1,528,049.20	5,058,843.60	9,316,892.80
2034	3,360,000	168,000.00	1,275,943.10	4,519,056.90	9,323,000.00
TOTAL	$20,500,000	$21,547,916.66	$71,872,235.75	$134,089,657.05	$248,009,809.46

TABLE 1-B
SACRAMENTO CITY FINANCING AUTHORITY
2005 TAX ALLOCATION REVENUE BONDS, SERIES A
(MERGED DOWNTOWN AND OAK PARK PROJECTS)

Series B Bonds Debt Service Schedule

Year Ending (December 1)	Series B Bonds Principal	Series B Bonds Interest	Series B Bonds Total
2006	$ 960,000	$2,491,251.66	$ 3,451,251.66
2007	950,000	2,487,876.26	3,437,876.26
2008	995,000	2,441,801.26	3,436,801.26
2009	1,035,000	2,393,245.26	3,428,245.26
2010	1,090,000	2,341,650.50	3,431,650.50
2011	1,145,000	2,286,987.00	3,431,987.00
2012	1,200,000	2,229,279.00	3,429,279.00
2013	1,255,000	2,168,319.00	3,423,319.00
2014	1,330,000	2,104,188.50	3,434,188.50
2015	1,395,000	2,035,693.50	3,430,693.50
2016	575,000	1,963,851.00	2,538,851.00
2017	610,000	1,931,996.00	2,541,996.00
2018	10,385,000	1,898,202.00	12,283,202.00
2019	5,815,000	1,322,873.00	7,137,873.00
2020	16,155,000	1,000,722.00	17,155,722.00
2021	85,000	105,735.00	190,735.00
2022	90,000	100,890.00	190,890.00
2023	530,000	95,760.00	625,760.00
2024	560,000	65,550.00	625,550.00
2025	590,000	33,630.00	623,630.00
TOTAL	$46,750,000	$31,499,500.94	$78,249,500.94

TABLE 2-A
SACRAMENTO CITY FINANCING AUTHORITY
2005 TAXABLE TAX ALLOCATION REVENUE BONDS, SERIES A and Series B

Loan Payment Schedule- Merged Downtown Loan

	SHARE OF SERIES A			SHARE OF SERIES B		
Year Ending (Dec. 1)	Merged Downtown Principal	Merged Downtown Interest	Accreted Value	Merged Downtown Principal	Merged Downtown Interest	Merged Downtown Total Debt Service
2006	-	$ 664,733.33	-	$ 355,000.00	$1,880,440.63	$ 2,900,173.96
2007	-	676,000.00	-	335,000.00	1,895,450.00	2,906,450.00
2008	-	676,000.00	-	345,000.00	1,879,202.50	2,900,202.50
2009	-	676,000.00	-	360,000.00	1,862,366.50	2,898,366.50
2010	-	676,000.00	-	380,000.00	1,844,420.50	2,900,420.50
2011	-	676,000.00	-	400,000.00	1,825,363.50	2,901,363.50
2012	-	676,000.00	-	415,000.00	1,805,203.50	2,896,203.50
2013	-	676,000.00	-	435,000.00	1,784,121.50	2,895,121.50
2014	-	676,000.00	-	465,000.00	1,761,893.00	2,902,893.00
2015	-	676,000.00	-	485,000.00	1,737,945.50	2,898,945.50
2016	-	676,000.00	-	510,000.00	1,712,968.00	2,898,968.00
2017	-	676,000.00	-	540,000.00	1,684,714.00	2,900,714.00
2018	$3,785,000.00	676,000.00	-	10,185,000.00	1,654,798.00	16,300,798.00
2019	5,108,339.00	486,750.00	$4,916,661.00	4,700,000.00	1,090,549.00	16,302,299.00
2020	-	486,750.00		14,985,000.00	830,169.00	16,301,919.00
2021	7,227,138.70	486,750.00	8,587,861.30	-	-	16,301,750.00
2022	6,836,191.90	486,750.00	8,978,808.10	-	-	16,301,750.00
2023	6,438,602.80	486,750.00	9,376,397.20	-	-	16,301,750.00
2024	6,090,830.95	486,750.00	9,724,169.05	-	-	16,301,750.00
2025	5,758,557.80	486,750.00	10,056,442.20	-	-	16,301,750.00
2026	5,452,221.25	486,750.00	10,362,778.75	-	-	16,301,750.00
2027	5,160,276.35	486,750.00	10,654,723.65	-	-	16,301,750.00
2028	4,871,178.15	486,750.00	10,943,821.85	-	-	16,301,750.00
2029	4,606,276.90	486,750.00	11,208,723.10	-	-	16,301,750.00
2030	4,354,027.65	486,750.00	11,460,972.35	-	-	16,301,750.00
2031	5,295,913.40	486,750.00	10,519,086.60	-	-	16,301,750.00
2032	3,939,945.40	406,250.00	4,975,054.60	-	-	9,321,250.00
2033	3,968,049.20	290,000.00	5,058,843.60	-	-	9,316,892.80
2034	4,635,943.10	168,000.00	4,519,056.90	-	-	9,323,000.00
TOTAL	83,528,492.55	5,968,733.33	131,343,400.25	34,895,000.00	25,249,605.13	290,985,231.26

TABLE 2-B
SACRAMENTO CITY FINANCING AUTHORITY
2005 TAXABLE TAX ALLOCATION REVENUE BONDS, SERIES A and Series B

Loan Payment Schedule- Oak Park Loan

	SHARE OF SERIES A			SHARE OF SERIES B		
Year Ending (Dec. 1)	Merged Downtown Principal	Merged Downtown Interest	Accreted Value	Merged Downtown Principal	Merged Downtown Interest	Merged Downtown Total Debt Service
2006	-	$ 343,183.33	-	$605,000.00	$ 610,811.03	$1,558,994.36
2007	-	349,000.00	-	615,000.00	592,426.26	1,556,426.26
2008	-	349,000.00	-	650,000.00	562,598.76	1,561,598.76
2009	-	349,000.00	-	675,000.00	530,878.76	1,554,878.76
2010	-	349,000.00	-	710,000.00	497,230.00	1,556,230.00
2011	-	349,000.00	-	745,000.00	461,623.50	1,555,623.50
2012	-	349,000.00	-	785,000.00	424,075.50	1,558,075.50
2013	-	349,000.00	-	820,000.00	384,197.50	1,553,197.50
2014	-	349,000.00	-	865,000.00	342,295.50	1,556,295.50
2015	-	349,000.00	-	910,000.00	297,748.00	1,556,748.00
2016	$ 890,000.00	349,000.00	-	65,000.00	250,883.00	1,554,883.00
2017	935,000.00	304,500.00	-	70,000.00	247,282.00	1,556,782.00
2018	860,000.00	257,750.00	-	200,000.00	243,404.00	1,561,154.00
2019	-	214,750.00	-	1,115,000.00	232,324.00	1,562,074.00
2020	-	214,750.00	-	1,170,000.00	170,553.00	1,555,303.00
2021	525,527.00	214,750.00	$624,473.00	85,000.00	105,735.00	1,555,485.00
2022	497,099.00	214,750.00	652,901.00	90,000.00	100,890.00	1,555,640.00
2023	2,095,000.00	214,750.00	-	530,000.00	95,760.00	2,935,510.00
2024	2,200,000.00	110,000.00	-	560,000.00	65,550.00	2,935,550.00
2025	841,117.20	-	1,468,882.80	590,000.00	33,630.00	2,933,630.00
TOTAL	8,843,743.20	5,579,183.33	2,746,256.80	11,855,000.00	6,249,895.81	35,274,079.14

SECURITY FOR THE BONDS

Pledge Under the Indenture

The Bonds are limited obligations of the Authority, payable from, and secured as to the payment of the interest thereon and the principal or Accreted Value thereof and redemption premiums, if any, thereon solely from the Revenues. Under the Indenture, the term "Revenues" is defined as (a) all Program Obligation Payments, including all amounts realized upon the enforcement of the Program Obligation Payments due under the Program Obligations; (b) all money deposited and held from time to time in any of the accounts and funds established under the Indenture (except the Rebate Fund and with respect to the Accounts in the Reserve Fund, only in accordance with the Indenture); and (c) all investment income with respect to any money held by the Trustee in the accounts and funds established under the Indenture (except the Rebate Fund). "Program Obligations" are defined in the Indenture to mean the Loan Agreements. Pursuant to the Indenture, the Bonds are secured by a first pledge of and charge and lien upon the Revenues for the payment of the interest on and principal or Accreted Value of the Bonds as and when they respectively become due in accordance with the terms thereof.

The Bonds are limited obligations of the Authority payable from and secured as to the payment thereof solely from the Revenues. The Bonds are not a debt of the City, the Agency or any public agency thereof (other than the Authority), and neither the City, the Agency nor the State of California nor any public agency thereof (other than the Authority) is liable therefor.

Loan Agreements

Each Loan is secured by a pledge of and lien on the Tax Revenues allocated and paid to the Agency with respect to the applicable the Project Area. "Tax Revenues" are defined in the respective Loan Agreements. See "SECURITY FOR THE LOANS – Tax Revenues". The respective Loans are additionally secured by all of the moneys in the applicable Reserve Account established by each Loan Agreement and held pursuant to the Indenture. See "APPENDIX A - Summary of Principal Legal Documents - The Indenture," - The Loan Agreement" and "Reserve Accounts " below.

Reserve Accounts

Pursuant to each Loan Agreement, a Reserve Account will be established for each Loan (a "Reserve Account") in an amount equal to the Reserve Requirement to the Loans. The terms "Merged Downtown Reserve Requirement" and "Oak Park Reserve Requirement " are each defined in the Indenture to mean, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service on the Loan, (b) 10% of the aggregate unpaid principal amount of such Loan or (iii) 125% of the average annual debt service on the Loan. Each Reserve Account will be held by the Trustee under the Indenture within the Reserve Fund established by the Indenture, in trust for the benefit of the Holders of the Bonds. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Indenture Definitions." The amounts on deposit in each Reserve Account shall be maintained at the appropriate Reserve Requirement at all times prior to the payment of the Loan. Each Reserve Account will be initially funded in the amount of the applicable Reserve Requirement by crediting thereto a Qualified Reserve Account Credit Instrument in the form of a reserve account surety bond or reserve account insurance policy issued by the Bond Insurer. The Merged Downtown Reserve Requirement upon delivery of the Bonds is $11,842,349.26, and the Oak Park Reserve Requirement upon delivery of the Bonds is $2,935,550.00.

All money in the Merged Downtown Reserve Account in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds if no other money is available in the Revenue Fund for such purpose and only to the extent the shortfall in the Revenue Fund is due to the nonpayment of Loan repayments under the Merged Downtown Loan Agreement. All money in the Oak Park Reserve Account in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Bonds if no other money is available in the Revenue Fund for such purpose and only to the extent the shortfall in the Revenue Fund is due to the nonpayment of Loan repayments under the Oak Park Loan Agreement.

Under each Loan, the Agency has the right at any time to release funds from a Reserve Account by satisfying a Reserve Requirement, in whole or in part, by tendering to the Trustee a Qualified Reserve Account Credit Instrument in an amount not less than the amount so to be released, provided that the amount on deposit in the applicable Reserve Account after such substitution, taking into consideration all cash and all Qualified Reserve Account Credit Instruments on deposit therein, is equal to or greater than the applicable Reserve Requirement. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Loan Agreements." For a description of outstanding Parity Debt and the funding of the portion of the respective Reserve Requirements applicable thereto, see "SECURITY FOR THE LOANS---Outstanding Parity Debt"

SECURITY FOR THE LOANS

Tax Allocation Financing

The Redevelopment Law provides a means for financing redevelopment projects based upon an allocation of property taxes collected within a project area. The taxable valuation of taxable property within a project area last equalized prior to adoption of the redevelopment plan, or base roll, is established and, except for any period during which such taxable valuation drops below the base year level, the taxing agencies thereafter receive the taxes produced by the levy of the then current tax rate upon the base roll. Subject to certain exceptions, taxes collected upon any increase in taxable valuation of taxable property within a project area over the base roll are allocated to a redevelopment agency and may be pledged by a redevelopment agency to the repayment of any indebtedness incurred in financing or refinancing a redevelopment project, including low and moderate income housing projects. Redevelopment agencies themselves have no authority to levy property taxes and must look specifically to the allocation of such taxes produced as above indicated.

Allocation of Taxes

As provided in the redevelopment plan for each Project Area (the "Redevelopment Plan"), and pursuant to Article 6 of Chapter 6 of the Redevelopment Law (commencing with Section 33670 of the California Health and Safety Code) and Section 16 of Article XVI of the Constitution of the State of California, taxes levied upon taxable property in the Project Area each year by or for the benefit of the State of California and any city, county, city and county, district or other public corporation (herein collectively referred to as "taxing agencies") for each fiscal year beginning after the effective date of the ordinance approving the applicable Redevelopment Plan, are divided as follows:

1. <u>To other taxing agencies</u>: That portion of the taxes which would be produced by the rate upon which the tax is levied each year by or for each of the 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 effective date of the ordinance approving the applicable Redevelopment Plan (the “Base Year Amount”) shall be allocated to and when collected shall be paid into the funds of the respective taxing agencies in the same manner as taxes by or for the taxing agencies on all other property are paid; and

2. To the Agency: Except for taxes which are attributable to a tax rate levied by a taxing agency for the purpose of producing revenues to repay bonded indebtedness approved by the voters of the taxing agency on or after January 1, 1989, which shall be allocated to and when collected shall be paid to the respective taxing agency, that portion of the levied taxes each year in excess of the Base Year Amount shall be paid into a special fund of the Agency to pay the principal of and interest on bonds, loans, moneys advanced to, or indebtedness (whether funded, refunded, assumed, or otherwise) incurred by the Agency to finance or refinance, in whole or in part, the Project Area.

Tax Revenues

The term "Tax Revenues" as defined in each Loan Agreement means 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 excluding (i) all other amounts required to be deposited in the Low and Moderate Income Housing Fund, (ii) 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) amounts payable by the Agency pursuant to Sections 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 to the payment of all Parity Debt, and (iv) amounts payable by the Agency pursuant to the Tax Sharing Agreements, except and to the extent that any such tax revenues are released from the pledge contained therein or are payable on a basis subordinate to the payment of the Loan and to the payment of all Parity Debt.

For a description of payments to be made pursuant to Sections 33607.5 and 33607.7 of the Law, see "APPENDIX B—FISCAL CONSULTANT’S REPORT—SECTION F—ADJUSTMENTS AND LIENS ON TAX INCREMENT—TAX SHARING PAYMENTS". As of the date hereof, there are no Tax Sharing Agreements applicable to the Project Areas.

Each Loan is secured by and payable from the Tax Revenues from the applicable Project Area and the amounts held in the applicable Reserve Account established by the related Loan Agreement and held under the Indenture.

The Agency’s receipt of Tax Revenues is subject to certain limitations (“Plan Limits”) contained in the applicable Redevelopment Plans on the number of dollars of taxes which may be divided and allocated to the Agency pursuant to the Redevelopment Plan, as such limitation is prescribed by Section 33333.4 of the Redevelopment Law.

The Agency has covenanted in the Loan Agreements 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 Agency has 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 principal and interest on the Loans. Likewise, broadened property tax exemptions could have a similar effect. See "RISK FACTORS" and "LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS" herein.

Outstanding Parity Debt

Merged Downtown Project

The Authority has previously issued its 1993 Taxable Tax Allocation Revenue Bonds, Series A (Merged Downtown Sacramento, Alkali Flat, Del Paso Heights and Oak Park Redevelopment Project Areas) and its 1993 Tax Allocation Bonds, Series B (Merged Downtown Sacramento, Alkali Flat, Del Paso Heights and Oak Park Redevelopment Project Areas) for the purpose of, among other things, making a loan (the "1993 Loan") to the Agency under that certain Merged Downtown Sacramento Loan Agreement (the "1993 Loan Agreement"), dated as of May 1, 1993, between the Agency and the Authority. The Agency has previously issued $37,330,000 Redevelopment Agency of the City of Sacramento Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1998 A (the "1998 A Bonds") and $13,080,000 Redevelopment Agency of the City of Sacramento Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1998 B (the "1998 B Bonds"), pursuant to the respective Indenture and Fiscal Agent Agreements, each dated as of April 1, 1998, and $17,985,000 Redevelopment Agency of the City of Sacramento Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 1998 C (the "1998 C Bonds") pursuant to an Indenture and Fiscal Agent Agreement, dated as of July 1, 1998. The Agency has also issued its $22,065,000 principal amount of Redevelopment Agency of the City of Sacramento Merged Downtown Sacramento Redevelopment Project Tax Allocation Bonds, Series 2000 A (the "2000 A Bonds") pursuant to an Indenture and Fiscal Agent Agreement, dated as of October 1, 2000, and has borrowed money from the Authority (the "2002 Loan") pursuant to the Downtown Merged Loan Agreement, dated as of July 1, 2002, between the Agency and the Authority. The outstanding unpaid amounts of the foregoing Agency obligations are Parity Debt under the Merged Downtown Loan Agreement payable from Tax Revenues allocable to the Merged Downtown Project on a parity with the Merged Downtown Loan. The outstanding unpaid amounts of the foregoing Agency obligations are as follows:

Obligation	Initial Principal Amount	Outstanding Balance As of November 2, 2005
1993 Loan	$17,958,219	$15,652,918*
1998A Bonds	37,330,000	30,830,000
1998B Bonds	13,080,000	9,565,000
1998C Bonds	17,985,000	17,200,000
2000A Bonds	22,065,000	4,715,000
2002 Loan	26,815,000	21,270,000

* This represents the initial principal value of the outstanding capital appreciation bonds, with a value at maturity of $55,380,000.

The Agency funded the reserve requirement for the 1993 Loan by providing a Qualified Reserve Account Credit Instrument issued by Municipal Bond Investors Assurance Corporation ("MBIA"). The Agency funded the reserve requirements established for the 1998 A Bonds, the

1998 B Bonds, the 1998 C Bonds, the 2000 A Bonds and one half of the reserve requirement for the 2002 Loan Agreement by providing Qualified Reserve Account Credit Instruments issued by Financial Assurance Security Inc. ("Financial Security"). The balance of the reserve for the 2002 Loan was funded with 2002 Loan proceeds. The Reserve Requirement in the amount of $11,842,349.26 allocable to the Merged Downtown Loan will be funded by providing an additional Qualified Reserve Account Credit Instrument issued by Financial Guaranty. See "APPENDIX I - Specimen Municipal Bond Debt Service Reserve Insurance Policy" herein.

Pursuant to the Qualified Reserve Account Credit Instrument issued by MBIA, MBIA unconditionally and irrevocably guarantees the full and complete payment of amounts that are to be applied from the Reserve Account to payment of the 1993 Loan. Pursuant to the Qualified Reserve Account Credit Instruments issued by Financial Security, Financial Security guarantees the full and complete payment of amounts that are to be applied from the Reserve Accounts to the payment of the 1998 A Bonds, the 1998 B Bonds, the 1998 C Bonds, the 2000 A Bonds and the 2002 Loan Agreement. To the extent that the Reserve Account has been funded with a combination of cash and a Qualified Reserve Account Credit Instrument, then all such cash shall be completely used before any demand is made on such Qualified Reserve Account Credit Instrument, and replenishment of the Qualified Reserve Account Credit Instruments and accrued interest related to draws thereunder, shall be made on a pro rata basis prior to any replenishment of any such cash. If the Reserve Account is funded, in whole or in part, with more than one Qualified Reserve Account Credit Instrument, then any draws made against such Qualified Reserve Account Credit Instruments shall be made pro-rata.

Oak Park Project

The Authority has previously issued its 1999 Capital Improvement Revenue Bonds (Solid Waste and Redevelopment Projects) (the "1999 Bonds") and used a portion of the proceeds to make a loan in the principal amount of $17,855,000 (the "1999 Loan") to the Agency pursuant to a Loan Agreement, dated as of December 1, 1999, by and between the Authority and the Agency (the "1999 Loan Agreement"). The 1999 Loan is currently outstanding in the principal amount of $15,405,000. The 1999 Loan Agreement is on a parity with the Oak Park Loan Agreement and is payable on such parity from Tax Revenues allocable to the Oak Park Project.

The Agency funded the reserve requirement established for the 1999 Loan by a cash deposit from a portion of the proceeds of the 1999 Loan. The Reserve Requirement in the amount of $2,935,550.00 allocable to the Oak Park Loan will be funded by providing a Qualified Reserve Account Credit Instrument issued by the Insurer. See "APPENDIX I_ - Specimen Municipal Bond Debt Service Reserve Insurance Policy" herein.

Issuance of Additional Debt

Issuance of Parity Debt. In addition to the Loans, the Agency may issue or incur Parity Debt payable from Tax Revenues generated by a Project Area if, among other conditions, the Tax Revenues received or estimated to be received for the then current fiscal year (i) calculated using a tax rate of one percent, (ii) based on the most recent taxable valuation of property in the Project Area as evidenced by the records of the Agency and as adjusted to give effect to certain construction which has not yet been reflected on the property tax rolls, (iii) inclusive of Additional Revenues but exclusive of investment earnings and payments, subventions and certain other amounts, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service with respect to the Merged Downtown Project and one hundred thirty percent (130%) of Maximum Annual Debt Service with respect to the Oak Park Project (reducing to one hundred twenty-five percent (125%) at such time as no 1999 Bonds are outstanding), 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. "Additional

Revenues" is defined in each of the Loan Agreements as 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. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Loan Agreements—Parity Debt."

Parity Debt issued solely to refund all or any portion of a Loan or any Parity Debt need not satisfy the above requirement, 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 proposed to be refunded. In addition, in no event shall the aggregate amount of the principal of and interest on the applicable Loan, any Parity Debt and any Subordinate Debt coming due and payable following the issuance of any Parity Debt 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. See APPENDIX A – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Loan Agreements—Parity Debt."

Limitation on Superior Debt. In each Loan Agreement, the Agency covenants that, so long as the 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 which is superior to the lien established under the Loan Agreement for the security of the Loan.

Subordinate Debt. The Agency may issue or incur any loans, advances or indebtedness ("Subordinate Debt") which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues from a Project Area; 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 for the security of the applicable Loan in such principal amount as shall be determined by the Agency, subject to the following specific conditions precedent:

(i) The Agency shall be in compliance with all covenants set forth in the applicable Loan Agreement;

(ii) The aggregate amount of the principal and interest on the applicable 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 Project Area Plan Limit to be allocated and paid to the Agency following the issuance or incurrence of such Subordinate Debt; and

(iii) 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 the applicable Loan Agreement have been satisfied.

BOND INSURANCE AND RESERVE POLICY

The Insurer has supplied the following information for inclusion in this Official Statement. No representation is made by the Authority as to the accuracy or completeness of this information.

Payments Under the Policy

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty" or the "Insurer") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). 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. Financial Guaranty will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal, Accreted Value or interest (as applicable) is due or on the business day next following the day on which Financial Guaranty shall have received notice (in accordance with the terms of the Policy) from an owner of the Bonds or the Trustee of the nonpayment of such amount by the Authority. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent 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 Financial Guaranty. 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.

Once issued, the Policy is non-cancellable by Financial Guaranty. The Policy covers failure to pay principal (or Accreted Value, if applicable) of the Bonds on their stated maturity dates and their mandatory sinking fund redemption dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Policy also covers the failure to pay interest on the stated date for its payment. In the event that payment of the Bonds is accelerated, Financial Guaranty will only be obligated to pay principal (or Accreted Value, if applicable) and interest in the originally scheduled amounts on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the rights of the owners of the Bonds thereunder.

The Policy does not insure any risk other than Nonpayment by the Authority, as defined in the Policy. Specifically, the Policy does not cover: (i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal (or Accreted Value, if applicable) or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any.

As a condition of its commitment to insure the Bonds, Financial Guaranty may be granted certain rights under the Indenture. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Bonds may be set forth in the description of the principal legal documents appearing elsewhere in this Official Statement, and reference should be made thereto.

The Reserve Policies

Concurrently with the issuance of the Bonds, Financial Guaranty will also issue two separate Municipal Bond Debt Service Reserve Fund Policies (each, a "Reserve Policy"), one for each Loan. The Reserve 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. Financial Guaranty will make such payments to the Trustee for the Bonds 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 Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount by the Authority. 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 Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Reserve 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 called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Bonds or the date on which no Bonds are outstanding under the Indenture.

Generally, in connection with its issuance of a Reserve Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the Indenture other than (A) acceleration of the Bonds or (B) remedies which would adversely affect holders in the event that the Authority fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the Indenture be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy 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 for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

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

The Policy and the Reserve Policy are not covered by the California Insurance Guaranty Association (California Insurance Code, Article 14.2).

Financial Guaranty Insurance Company

Financial Guaranty, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, a Delaware corporation, and provides financial guaranty insurance for public finance and structured finance obligations. Financial Guaranty is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia, the U.S. Virgin Islands, the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. FGIC Corporation paid GE Capital approximately $284.3 million in pre-closing dividends from the proceeds of dividends it, in turn, had received from Financial Guaranty, and GE Capital retained approximately $234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Policy, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. Financial Guaranty is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including Financial Guaranty, to financial guaranty insurance and certain related lines.

For the nine months ended September 30, 2005, and the years ended December 31, 2004, and December 31, 2003, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately $58.5 billion, $59.5 billion and $42.4 billion par value of securities, respectively (of which approximately 55%, 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately $312.5 million, $323.6 million and $260.3 million, respectively. For the nine months ended September 30, 2005, Financial Guaranty had reinsured approximately 7.8% of the risks it had written.

As of September 30, 2005, Financial Guaranty had net admitted assets of approximately $3.401 billion, total liabilities of approximately $2.246 billion, and total capital and policyholders' surplus of approximately $1.155 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of Financial Guaranty as of September 30, 2005, the audited financial statements of Financial Guaranty as of December 31, 2004, and the audited financial statements of Financial Guaranty as of December 31, 2003, which have been filed with the Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs"), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading "BOND INSURANCE AND RESERVE POLICY," or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by Financial Guaranty with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

Financial Guaranty also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of Financial Guaranty's most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty's telephone number is (212) 312-3000.

Financial Guaranty's Credit Ratings

The financial strength of Financial Guaranty is rated "AAA" by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., "Aaa" by Moody's Investors Service, and "AAA" by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies' current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty or the Policy under the heading "BOND INSURANCE AND RESERVE POLICY." In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement dated October 1, 1989, by and between the City and the Agency in accordance with the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Board of Directors of the Authority is comprised of the members of the City Council. The Authority was created primarily for the purpose of providing financing for public capital improvements and the purchase by the Authority of local obligations of the City or the Agency within the meaning of the Act.

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

Authority and Personnel

The Agency was activated on September 27, 1950, by Ordinance No. 3320 of the City Council pursuant to the Community Redevelopment Law of California, now codified as Part 1 of Division 24 of the State of California Health and Safety Code. The City Council has designated itself as the Agency.

Resumes of certain key Agency staff are set forth below.

Anne Moore, Executive Director. Ms. Moore has been the Executive Director of the Agency since November 1998 and has been with the Agency for the last twenty 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 thirty 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.

Powers and Duties

The Agency is charged with the responsibility of eliminating blight within the redevelopment project areas through the process of redevelopment. Generally, this process culminates when the Agency disposes of land for development by the private sector. Before this can be accomplished, the Agency must complete the process of acquiring and assembling the necessary sites, relocating residents and businesses, demolishing the deteriorated improvements, grading and preparing the sites for purchase by development and providing for ancillary off-site improvements.

All powers of the Agency are vested in its nine members. The Agency exercises governmental functions in carrying out projects and has sufficiently broad authority to acquire, develop, administer and sell or lease property, including the right of eminent domain and the right to borrow moneys and to issue bonds, notes and other evidences of indebtedness and expend their proceeds.

Fiscal Consultant's Report

In connection with the issuance of the Bonds, the Authority has engaged Fraser & Associates, Roseville, California (the "Fiscal Consultant") to prepare a Fiscal Consultant Report dated October, 2005. See "APPENDIX B – FISCAL CONSULTANT'S REPORT".

THE MERGED DOWNTOWN REDEVELOPMENT PROJECT

The Merged Downtown Sacramento Redevelopment Project was established by the adoption on June 17, 1986 of Ordinance Nos. 86-063, 86-064, 86-065, 86-066, and 86-067 upon the completion of a two-year process to merge and add land to the Merged Downtown Project. The Merged Downtown Project includes approximately 430 acres encompassing the central business district (approximately 109 City blocks) and the adjacent portion of the Sacramento River. The Merged Downtown Project contains tourist, commercial offices, retail and residential land uses and is adjacent to the State Capitol and other State office buildings.

The Agency's principal objectives in the Merged Downtown Project are to provide for the development of projects which will revitalize blighted areas by strengthening retail and other commercial activities by providing for the improvement and development of cultural and public amenities. The Agency also seeks to expand and enhance the community's supply of housing, including low and moderate income housing.

The following table shows land use in the Merged Downtown Project by assessed value as of fiscal year 2005-06.

TABLE 3
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Land Use by Assessed Valuation, Fiscal Year 2005-06

	Taxable Parcels	Taxable Value	% of Total
Residential	258	$ 106,262,132	5.06%
Commercial	388	1,602,647,160	76.39
Industrial	20	9,138,626	0.44
Vacant Land	43	32,744,360	1.56
Other	180	206,738,290	9.85
Total Secured	889	1,957,530,568	93.30
Unsecured/State Assessed		140,531,781	6.70
Grand Total		$2,098,062,349	100.00%

Source: Fraser & Associates

Plan Limitations

By Ordinance No. 2005-022, adopted March 15, 2005, the City Council approved an amendment to the Merged Downtown Redevelopment Plan that increased the tax increment limit (the "Plan Limit") and bonded indebtedness limit (the "Bond Limit") and extended certain time limits for the Merged Downtown Project. The Agency established a new cumulative Plan Limit of $2.278 billion and a Bond Limit of $886 million for the Merged Downtown Project. The new Plan Limit is from the effective date of the merger, July 17, 1986. Through the 2004-05 fiscal year, the Agency has received approximately $280.6 million in tax increment revenues since the merger. Based on the Fiscal Consultant's projections shown herein on Table 10, the Agency is unlikely to reach the Plan Limit by the end of the period to receive tax increment. The Agency has covenanted in each of the Loan Agreements to annually review the total amount of Tax Revenues remaining available to be received by the Agency under the applicable Plan Limit, as well as future cumulative annual payments on the Merged Downtown Loan, any Parity Debt and any other obligation of the Agency payable from Tax Revenues. The Agency will not accept 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 Plan Limit to fall below the remaining cumulative debt service, except for the purpose of depositing such Tax Revenues in escrow for future Merged Downtown Loan or Parity Debt payments or to prepay the Merged Downtown Loan or Parity Debt.

By ordinances adopted on September 23, 2003, the City Council pursuant to Senate Bill 211, Chapter 741, Statutes 2001 ("SB 211"), deleted the time limitations on the incurrence of loans, advances and indebtedness applicable to the Merged Downtown Project. By ordinances adopted on November 13, 2003, pursuant to Senate Bill 1045, Chapter 290, Statutes 2003 (SB "1045"), the City Council extended for one year the Redevelopment Plan's effectiveness and the period for receiving tax increment revenues.

The City Council amended the Redevelopment Plan for the Merged Downtown Project pursuant to Senate Bill 1096, Chapter 211, Statutes 2004 ("SB 1096"). SB 1096 required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF) in 2004-05 and 2005-06. Under certain conditions, redevelopment agencies can amend their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by one year for each year that an ERAF payment is made. The City Council extended the relevant time limits by one year for the ERAF payment made in 2004-05, and by one additional year for the ERAF payment to be made in fiscal year 2005-06. The time limits for Redevelopment Plan effectiveness and debt repayment shown below include the additional extensions.

TABLE 4
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Time Limits

Project	Debt Establishment	Plan Effectiveness	Debt Repayment
2A	Deleted	1/01/2022	1/1/2032
3	Deleted	1/01/2022	1/1/2032
4	Deleted	1/01/2022	1/1/2032
4A	Deleted	1/01/2022	1/1/2032
8	Deleted	7/20/2025	7/20/2035

Source: Fraser & Associates

Major Property Owners

The following table lists the ten largest payers of secured property taxes in the Merged Downtown Project for fiscal year 2005-06. The aggregate assessed value of the top ten secured property taxpayers accounts for approximately 42.7% of the total secured assessed value of $2,098,062,349 of the Merged Downtown Project for fiscal year 2005-06.

TABLE 5
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Top Ten Taxable Property Owners
Fiscal Year 2005-06

Assessee	Type of Use	2005-06 Secured Value (1)	% of Total Value (2)	% of Incremental Value (3)
EOP 400 Capitol Mall LLC	Wells Fargo-Office	$143,438,589	6.84%	7.52%
Downtown Plaza LLC	Downtown Plaza	135,920,491	6.48	7.13
SRI Six USBP LLC (4)	U.S. Bank-Office	116,532,186	5.55	6.11
Sacramento Hotel Corporation (5)	Sheraton Grand Hotel	90,228,369	4.30	4.73
VV USA City LP	300 Capitol Mall-Office	76,896,346	3.67	4.03
California Hospital Association	Esquire Plaza-Office	74,510,441	3.55	3.91
1415 L State Partners LLC	Meridian-Office	70,000,000	3.34	3.67
Rubicon NGP Sacramento California LLC	Office	67,013,766	3.19	3.51
Capitol Regency LLC	Hyatt Hotel	66,491,509	3.17	3.49
NNN 801 K Street 23 LLC (6)	Renaissance Tower-Office	56,344,961	2.69	2.95
Total		$897,376,658	42.77%	47.06%

(1) Based on ownership of locally-assessed secured property; none of these taxpayers had any unsecured value on the roll.
(2) Based on 2005-06 Merged Downtown Project taxable value of $2,098,062,349.
(3) Based on 2005-06 Merged Downtown Project taxable value of $1,907,240,893.
(4) This property recently sold at a reported price of $159 million per the Sacramento Business Journal.
(5) This parcel has an appeal pending.
(6) This property recently sold at a reported price of $79 million per the Sacramento Business Journal.
Source: Fraser & Associates

Following is a brief description of the four largest property owners in the Merged Downtown Project.

Wells Fargo Building. The 30-story tower features more than 502,000 square feet of Class A office space owned by Equity Office Properties Trust, one of the nation's largest office building owner and managers and one of the largest real estate investment trusts in the USA. Major tenants include Wells Fargo Bank's corporate offices and several large, regional law firms including Orrick, Herrington & Suttcliffe LLP and Weintraub Genshlea and Chediak, KPMG, and Perry Smith Accounting. The project has a 98% occupancy level.

Downtown Plaza. The property is owned by Westfield Corporation, based in Los Angeles and Australia. The outdoor mall was renovated in 1993-1994 to provide a state-of-the-art shopping experience including 1.2 million square feet of entertainment related-retail, dining, and major department stores, as well as office. Anchor tenants: Macy's (Men's, Women's and Home Furniture), Century Theatres and Hard Rock Café. Plans are currently underway for the relocation and expansion of Century Theatres, the addition of another anchor tenant and new restaurant space.

US Bank Building. This property was recently purchased from Shorenstein Properties, based in San Francisco. New property owner information has not yet been disclosed. The building was completed in 1991 and includes 25 stories and 426,000 square feet of office space, housing US Bank's corporate offices. Ground floor retail tenants include La Bou, Starbucks, and a new deli café. The building is adjacent to, and shares public space with, the City's historic Central Library building.

Sheraton Grand. This property is owned by the Sacramento Hotel Corporation and opened in April 2001. The building includes a 28-story, 500-room convention center hotel operated by Starwood Hotels and Resorts, Inc, as well as a renovated historic building, originally designed in 1923 by Julia Morgan, that houses the hotel's ballroom, two restaurants, and meeting space. The building also includes a business center, fitness facilities, valet parking, and car rental services. The year-to-date occupancy is 80.2% with an average room rate of $129.89 and revenue per available room of $104.20.

Assessment Appeals

Proposition 8 Appeals. Most of the appeals that might be filed in the Merged Downtown Project would be based on Section 51 of the Revenue and Taxation Code, which requires that for each lien date the value of real property shall be the lesser of its base year value annually adjusted by the inflation factor under Article XIIIA of the State Constitution or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. Under California law, property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. These market-driven appeals are known as Proposition 8 appeals.

Any reduction in the assessment ultimately granted as a Proposition 8 appeal applies to the year for which application is made and during which the written application was filed. These reductions are often temporary and are adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIIIA. The State Board of Equalization has approved this reassessment formula and such formula has been used by county assessors statewide. The reassessment formula was approved by the California of Appeal, Fourth District, in the recent case of County of Orange et al. v Bezaire, petition for review to the California Supreme Court denied.

Base Year Appeals. A second type of assessment appeal is called a Base Year appeal, where the property owners challenge the original (basis) value of their property. Appeals for reduction in the “base year” value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Appeals in the Merged Downtown Project. Ten property owners in the Merged Downtown Project have requested reductions in their assessments that total $72.7 million. The Fiscal Consultant reports that there have been very few successful appeals in the Downtown Merged Project between 1999 and 2003. A total of 80 appeals were filed during this time period, with only two applicants receiving reductions in their assessment. Those appeals averaged a 16 percent reduction in the original assessed value. The Fiscal Consultant made the following assumptions in regards to the appeals:

- The appeal from CIM Sacramento is on the land value for certain parcels that were acquired from the Agency at less than fair market value. The Fiscal Consultant has assumed that CIM would receive a reduction based on 50 percent of the current tax roll value.

- The appeal from Sacramento Hotel Corporation is for the Sheraton Grand Hotel. Discussions with Agency staff indicate that this appeal may be valid, so the Fiscal Consultant has assumed that the applicant would receive the requested reduction.

- The Fiscal Consultant has assumed that all of the other appeals will be unsuccessful.

See "APPENDIX B - FISCAL CONSULTANT'S REPORT – Section D – Assessment Appeals" for more detailed information regarding pending appeals in the Merged Downtown Project, and see "RISK FACTORS-REDUCTION IN TAXABLE VALUE" herein**.**

MERGED DOWNTOWN PROJECT TAX REVENUES

Property Tax Increment

The table below sets forth an historical summary of the Merged Downtown Project's taxable valuations. According to information in the Fiscal Consultant's report, taxable values have grown from $1.7 billion in fiscal year 2001-02 to almost $2.1 billion in fiscal year 2005-06. The total percentage change was 24 percent over the five year period. The average annual percentage growth in values was 5.61 percent.

Secured taxable values over the five year period increased by more than $420 million. New development in the Project Area contributed almost half of the increase at $201 million. The two major new developments were the completion of the Sheraton Grand Hotel (which added $80 million) and the Embassy Suites Hotel (which added $48 million). Changes of ownership also added over $86 million in value. The allowable 2 percent inflation adjustment and other smaller changes of ownership and new investment account for the balance of growth over the past five years.

Unsecured values between fiscal year 2001-02 and fiscal year 2005-06 have been fairly stable, although there have been some variances between individual fiscal years. In fiscal year 2001-02, unsecured values were reported at $144.5 million compared to the fiscal year 2005-06 amount of $136 million. Most of the decrease was in personal property values, which depreciate over time.

TABLE 6
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Historical Taxable Value [1]
Fiscal Years 2001-02 through 2005-06

	2001-02	2002-03	2003-04	2004-05	2005-06
Locally-Assessed Secured Value	$1,536,549,769	$1,662,872,385	$1,787,121,832	$1,899,241,351	$1,957,530,568
Unsecured Value	144,454,061	138,318,571	119,926,654	130,133,475	136,053,302
State-Assessed Value	5,325,466	5,777,173	5,780,672	5,282,345	4,478,479
Total Taxable Value	1,686,329,296	1,806,968,129	1,912,829,158	2,034,657,171	2,098,062,349
Annual Percentage Change	n/a	7%	6%	6%	3%
Total Incremental Value [2]	$1,495,507,840	$1,616,146,673	$1,722,007,702	$1,843,835,715	$1,907,240,893

Total Percentage Change: 24.42%
Average Percentage Change: 5.61%

[1] Excludes the taxable value of Project 4-A Amendment, which is below its base year value.
[2] Taxable Value above base year value of $190,821.456.
Source: Sacramento County Assessor; Fraser & Associates

Tax Increment Receipts

The table below sets forth a four-year history of tax increment receipts in the Merged Downtown Project. During this period, the average receipts per levy (before supplemental assessments) was 102.26%; and the average receipts per levy (after supplemental assessments) was 105.77%.

TABLE 7
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Levy to Receipts
Fiscal Years 2001-02 through 2004-05

	2001-02	2002-03	2003-04	2004-05
Levy per County [2]	$17,885,435	$18,771,392	$19,396,314	$20,455,087
Tax Increment Receipts less Supplements	17,865,245	18,982,842	20,100,770	21,289,321
% of Levy Received	99.89%	101.13%	103.63%	104.08%
Supplements	$ 481,886	$ 698,083	$ 705,107	$ 801,014
Total Tax Increment Receipts	18,347,131	19,680,925	20,805,877	22,090,335
% of Levy Received	102.58%	104.85%	107.27%	107.99%
Property Tax Admin. Fee	$ 331,683	$ 383,474	$ 327,656	$ 310,044
Net Tax Increment Receipts	18,015,448	19,297,451	20,478,221	21,780,291

[1] Receipts per Agency.
[2] Initial levy reported by Sacramento County.
Source: Sacramento County Assessor; Fraser & Associates

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. An amendment to the Merged Downtown Redevelopment Plan triggered a minimum housing set-aside of 30 percent of total tax increment for the Merged Downtown Project starting in fiscal year 2005-06. See Table 10 for an analysis of housing set-aside amounts that may be applied to pay the Loan and prior Parity Debt.

Table 8 below sets forth projected Tax Revenues for the fiscal year 2005-06. For estimated payment coverage on the Loan and all Parity Debt, see Table 11 herein. Although the Agency believes its assumptions to be reasonable, no assurance can be made that Tax Revenues will be received in the amounts estimated.

TABLE 8
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Estimate of Incremental Taxable Value
Fiscal Year 2005-06

	2005-06 (2) Taxable Value	Base Taxable Value	Incremental Taxable Value
Secured			
Land	$ 448,741,903		
Improvements	1,504,794,685		
Personal Property	29,352,038		
Gross Secured	1,982,888,626		
Less: Exemptions	(25,358,058)		
Total Secured	$1,957,530,568	$169,060,848	$1,788,469,720
SBE Total Value	4,478,479		
Unsecured			
Land	$ 7,047,042		
Improvements	61,426,004		
Personal Property	70,026,225		
Gross Unsecured	138,499,271		
Less: Exemptions	2,445,969		
Total Unsecured	136,053,302	21,760,608	114,292,694
Total Secured and Unsecured	$2,098,062,349	$190,821,456	$1,907,240,893
Tax Increment Revenue (3)			19,167,000
Unitary Revenue (4)			2,400,000
Total Estimated Tax Increment Revenues			21,567,000
Adjustments to Tax-Increment Revenues			
Less: Property Tax Administrative Charge (5)			330,000
Less: Housing Set-Aside Revenue			6,470,000
Less: Tax Sharing Payments (6)			244,905
Tax Revenues			$14,522,095

(1) Based on taxable value information from the records of Sacramento County.
(2) Because the total assessed value of Project 4 Amendment Area is below the base year value, such values have been excluded.
(3) Calculated based on the application of the estimated tax rate for 2005-06.
(4) Based on estimated unitary revenue for 2005-06.
(5) Estimated at 1.53 percent of Total Tax Increment Revenues.
(6) Tax sharing payments per the provisions of AB 1290.
Source: Fraser & Associates

Merged Downtown Project Projected Tax Revenues

The following two tables (Table 9 and Table 10) set forth projected Merged Downtown Project Tax Revenues for the years indicated. The first table shows a projection of gross tax increment revenues, and the second table shows a projection of Tax Revenues (after deductions for County administration fees, housing set-aside and AB 1290 tax sharing payments.

The projections assume real property values will increase based on a 2 percent inflation factor. 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 Merged Downtown Project, and also for recent changes of ownership. Table 6.1 of the Fiscal Consultant's Report (attached hereto as Appendix B) shows the new developments that have been included, which are further described in the Fiscal Consultant's Report. In addition, taxable values have been reduced for the impact of assessment appeals and for properties that are currently included in the reported taxable values, but for which exemptions are typically granted. For fiscal year 2006-07, the Fiscal Consultant reduced the value of real property for the Merged Downtown Project $40.4 million for appeals and by $8.9 million for exempt property. See "Assessment Appeals" above. For the Merged Downtown Project, taxable values for recent transfers of ownership were increased by $75.1 million in 2006-07.

Furthermore, tax revenues are anticipated to drop beginning in Fiscal Year 2031-32 as several component areas within the Merged Project Area reach their plan life. See Table 5.2 in the Fiscal Consultant's Report for revenue projections for Subarea 8.

Certain assumptions, as noted in the footnotes to the tables, were used in the preparation of the projections. Although the Agency believes its assumptions to be reasonable, no assurance can be made that the Merged Downtown Project Tax Revenues will be received in the amounts projected. See APPENDIX B – "REPORT OF THE FISCAL CONSULTANT."

The third table (Table 11) shows estimated coverage on both the housing and non-housing portions of the Merged Downtown Project Loan and outstanding Parity Debt. The subordinated debt service of the Merged Downtown Project is also shown for informational purposes.

TABLE 9
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Projected Tax Revenue ($'s in thousands)
Fiscal Years 2005-06 through 2034-35

Fiscal Year	Real Property (1)	New Development (2)	Other Property (3)	Total Value (4)	Incremental Value Over Base of $190,821	Tax Increment (5)	Unitary Property Tax Revenue (6)	Total Tax Revenue
2005-06	$1,996,652	N/A	$101,411	$2,098,062	$1,907,241	$19,167	$2,400	$21,567
2006-07	1,986,269	$87,617	101,411	2,175,296	1,984,475	19,922	2,400	22,322
2007-08	2,115,363	70,838	101,411	2,287,612	2,096,790	21,026	2,400	23,426
2008-09	2,229,925	11,125	101,411	2,342,461	2,151,639	21,556	2,400	23,956
2009-10	2,285,871	-	101,411	2,387,282	2,196,460	21,984	2,400	24,384
2010-11	2,331,588	-	101,411	2,432,999	2,242,178	22,422	2,400	24,822
2011-12	2,378,220	-	101,411	2,479,631	2,288,809	22,888	2,400	25,288
2012-13	2,425,784	-	101,411	2,527,195	2,336,374	23,364	2,400	25,764
2013-14	2,474,300	-	101,411	2,575,711	2,384,889	23,849	2,400	26,249
2014-15	2,523,786	-	101,411	2,625,197	2,434,375	24,344	2,400	26,744
2015-16	2,574,262	-	101,411	2,675,673	2,484,851	24,849	2,400	27,249
2016-17	2,625,747	-	101,411	2,727,158	2,536,336	25,363	2,400	27,763
2017-18	2,678,262	-	101,411	2,779,673	2,588,851	25,889	2,400	28,289
2018-19	2,731,827	-	101,411	2,833,238	2,642,417	26,424	2,400	28,824
2019-20	2,786,464	-	101,411	2,887,875	2,697,053	26,971	2,400	29,371
2020-21	2,842,193	-	101,411	2,943,604	2,752,782	27,528	2,400	29,928
2021-22	2,899,037	-	101,411	3,000,448	2,809,626	28,096	2,400	30,496
2022-23	2,957,018	-	101,411	3,058,428	2,867,607	28,676	2,400	31,076
2023-24	3,016,158	-	101,411	3,117,569	2,926,747	29,267	2,400	31,667
2024-25	3,076,481	-	101,411	3,177,892	2,987,070	29,871	2,400	32,271
2025-26	3,138,011	-	101,411	3,239,422	3,048,600	30,486	2,400	32,886
2026-27	3,200,771	-	101,411	3,302,182	3,111,360	31,114	2,400	33,514
2027-28	3,264,786	-	101,411	3,366,197	3,175,376	31,754	2,400	34,154
2028-29	3,330,082	-	101,411	3,431,493	3,240,671	32,407	2,400	34,807
2029-30	3,396,684	-	101,411	3,498,095	3,307,273	33,073	2,400	35,473
2030-31	3,464,617	-	101,411	3,566,028	3,375,207	33,752	2,240	36,152
2031-32	2,049,936	-	54,841	2,104,778	1,950,965	19,510	2,235	21,745
2032-33	2,090,935	-	54,841	2,145,776	1,991,964	19,920	2,235	22,155
2033-34	2,132,754	-	54,841	2,187,595	2,033,783	20,338	2,235	22,573
2034-35	2,175,409	-	54,841	2,230,250	2,076,438	20,764	2,235	22,999

(1) Real Property increased by 2 percent per year beginning in 2005-06. The value for 2006-07 has been reduced for open appeals.
(2) See Table 6 of the Fiscal Consultant's Report "Schedule of New Development".
(3) Includes the value of secured and unsecured personal property and state assessed railroad and non-unitary property.
(4) Because the total assessed value of Project 4 Amendment Area is below base year value, such values have been excluded.
Based on the application of Project Area tax rates to incremental taxable value.
(6) Unitary tax revenue is based on actual amount for 2004-05 and has been held constant.

Source: Fraser & Associates.

TABLE 10
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Projected Net Tax Revenue ($'s in thousands)
Fiscal Years 2005-06 through 2034-35

Fiscal Year	Total Tax Revenue[1]	Property Tax Admin Fees [2]	Housing Set-Aside [3]	AB 1290 Tax Sharing	Net Tax Revenue
2005-06	$21,567	$330	$6,470	$245	$14,522
2006-07	22,322	342	6,696	347	14,936
2007-08	23,426	358	7,028	496	15,544
2008-09	23,956	367	7,187	569	15,834
2009-10	24,384	373	7,315	628	16,068
2010-11	24,822	380	7,447	689	16,307
2011-12	25,288	387	7,586	751	16,564
2012-13	25,764	394	7,729	814	16,827
2013-14	26,249	402	7,875	878	17,095
2014-15	26,744	409	8,023	999	17,313
2015-16	27,249	417	8,175	1,122	17,535
2016-17	27,763	425	8,329	1,247	17,762
2017-18	28,289	433	8,487	1,375	17,994
2018-19	28,824	441	8,647	1,506	18,230
2019-20	29,371	449	8,811	1,639	18,471
2020-21	29,928	458	8,978	1,775	18,716
2021-22	30,496	467	9,149	1,914	18,967
2022-23	31,076	475	9,323	2,055	19,223
2023-24	31,667	485	9,500	2,199	19,483
2024-25	32,271	494	9,681	2,347	19,749
2025-26	32,886	503	9,866	2,497	20,020
2026-27	33,514	513	10,054	2,650	20,297
2027-28	34,154	523	10,246	2,806	20,579
2028-29	34,807	533	10,442	2,965	20,867
2029-30	35,473	543	10,642	3,127	21,161
2030-31	36,152	553	10,846	3,293	21,460
2031-32	21,745	333	6,523	2,163	12,725
2032-33	22,155	339	6,646	2,263	12,906
2033-34	22,573	345	6,772	2,365	13,090
2034-35	22,999	352	6,900	2,501	13,247

(1) From Table 9.
(2) Reductions for property tax administrative fees charged by Sacramento County pursuant to SB 2557.
(3) Housing set-aside at 30 percent starting in 2005-06.
Source: Fraser & Associates.

TABLE 11
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Merged Downtown Redevelopment Project Area
Projected Coverage of Loan Payments and Parity Debt
Fiscal Years 2005-06 through 2033-34

	RDA Debt								Housing Debt						
Year (1)	Tax Revenue (2)	All RDA Parity Debt (3)	2005 TABs Series A	2005 TABs Series B	Total 2005 TABs	Total Parity Debt Service	RDA Coverage (4)	Subordinate Debt Service (5)	Housing Set-Aside (2)	All Housing Parity Debt (3)	2005 TABs Series A	2005 TABs Series B	Total 2005 Housing TABs	Total Parity Debt Service	Housing Coverage (4)
2006	14,522,000	9,950,031	39,088	1,625,775	1,664,863	11,614,893	125%	2,398,888	6,470,000	3,452,601	625,646	609,666	1,235,311	4,687,912	138%
2007	14,936,000	10,073,097	39,750	1,503,986	1,543,736	11,616,832	125%	2,398,838	6,696,000	3,324,489	636,250	726,465	1,362,715	4,687,204	138%
2008	15,544,000	10,075,129	39,750	1,498,743	1,538,493	11,613,622	125%	2,487,038	7,028,000	3,326,430	636,250	725,460	1,361,710	4,688,139	138%
2009	15,834,000	10,074,477	39,750	1,498,743	1,538,493	11,612,970	125%	2,495,288	7,187,000	3,325,289	636,250	723,624	1,359,874	4,685,163	138%
2010	16,068,000	10,076,104	39,750	1,498,743	1,538,493	11,614,597	125%	2,497,888	7,315,000	3,325,050	636,250	725,678	1,361,928	4,686,977	138%
2011	16,307,000	10,075,167	39,750	1,498,743	1,538,493	11,613,660	125%	2,497,688	7,447,000	3,324,045	636,250	726,621	1,362,871	4,686,916	138%
2012	16,564,000	10,075,221	39,750	1,498,743	1,538,493	11,613,714	125%	2,494,688	7,586,000	3,327,786	636,250	721,461	1,357,711	4,685,496	138%
2013	16,827,000	10,075,084	39,750	1,498,743	1,538,493	11,613,577	125%	2,498,688	7,729,000	3,327,568	636,250	720,379	1,356,629	4,684,197	138%
2014	17,095,000	9,612,949	39,750	1,963,743	2,003,493	11,616,442	125%	2,492,000	7,875,000	3,785,001	636,250	263,150	899,400	4,684,401	138%
2015	17,313,000	9,614,262	39,750	1,959,796	1,999,546	11,613,808	125%	2,489,500	8,023,000	3,786,075	636,250	263,150	899,400	4,685,475	138%
2016	17,535,000	9,614,097	39,750	1,959,818	1,999,568	11,613,665	125%	2,492,000	8,175,000	3,785,940	636,250	263,150	899,400	4,685,340	138%
2017	17,762,000	9,614,083	39,750	1,961,564	2,001,314	11,615,397	125%	2,499,000	8,329,000	3,785,929	636,250	263,150	899,400	4,685,329	138%
2018	17,994,000	-	39,750	11,576,648	11,616,398	11,616,398	125%	-	8,487,000	-	4,421,250	263,150	4,684,400	4,684,400	138%
2019	18,230,000	-	6,824,750	4,792,399	11,617,149	11,617,149	125%	-	8,647,000	-	3,687,000	998,150	4,685,150	4,685,150	138%
2020	18,471,000	-	39,750	11,577,738	11,617,488	11,617,488	125%	-	8,811,000	-	447,000	4,237,431	4,684,431	4,684,431	138%
2021	18,716,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	8,978,000	-	4,687,000	-	4,687,000	4,687,000	138%
2022	18,967,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	9,149,000	-	4,687,000	-	4,687,000	4,687,000	138%
2023	19,223,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	9,323,000	-	4,687,000	-	4,687,000	4,687,000	138%
2024	19,483,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	9,500,000	-	4,687,000	-	4,687,000	4,687,000	138%
2025	19,749,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	9,681,000	-	4,687,000	-	4,687,000	4,687,000	138%
2026	20,020,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	9,866,000	-	4,687,000	-	4,687,000	4,687,000	138%
2027	20,297,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	10,054,000	-	4,687,000	-	4,687,000	4,687,000	138%
2028	20,579,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	10,246,000	-	4,687,000	-	4,687,000	4,687,000	138%
2029	20,867,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	10,442,000	-	4,687,000	-	4,687,000	4,687,000	138%
2030	21,161,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	10,642,000	-	4,687,000	-	4,687,000	4,687,000	138%
2031	21,460,000	-	11,614,750	-	11,614,750	11,614,750	125%	-	10,846,000	-	4,687,000	-	4,687,000	4,687,000	138%
2032	12,725,000	-	6,629,750	-	6,629,750	6,629,750	127%	-	6,573,000	-	2,691,500	-	2,691,500	2,691,500	138%
2033	12,906,000	-	6,626,643	-	6,626,643	6,626,643	127%	-	6,696,000	-	2,690,250	-	2,690,250	2,690,250	138%
2034	13,090,000	-	6,629,750	-	6,629,750	6,629,750	127%	-	6,821,000	-	2,693,250	-	2,693,250	2,693,250	138%

(1) Pledged Revenues presented on a fiscal year basis, bond debt service presented on the lagging bond year basis. (i.e. debt service due on December 1, 2006 will be paid from FY 2005-06 pledged revenues.)
(2) Based on Fraser & Associates' Table 5.1 and 5.2, October 2005. Note that the plan life for several components of the Merged Downtown area terminate on 1/1/32 so only revenues from Subarea 8 are shown thereafter.
(3) Includes allocable share of 1993 TABs, 1998A TABs, 1998B TABs, 1998C TABs, 2000A TABs, and 2002A TABs.
(4) FY 05-06 Tax Revenues of $14,522,000 and Housing Set-Aside Revenues of $6,470,000 are used for purposes of calculating debt service coverage in years 2006 through 2031.
Only the FY 2005-06 Revenues attributable to Subarea 8 - Tax Revenues of $8,442,000 and Housing Set-Aside of $3,718,000 - are used for purposes of calculating coverage thereafter.
(5) Includes allocable share of 2002 Lease and 2005 Lease.

THE OAK PARK REDEVELOPMENT PROJECT

The Oak Park Project Area was originally adopted on May 30, 1973, by Ordinance No. 3278. The Redevelopment Plan has been amended six times. Located south of the downtown of City of Sacramento, the Oak Park Project includes approximately 1,305 acres. The project area contains primarily residential land uses as well as some retail and medical office uses.

The following table shows land use in the Oak Park Project by assessed value as of fiscal year 2005-06.

TABLE 12
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Land Use by Assessed Valuation, Fiscal Year 2005-06

	Taxable Parcels	Taxable Value	% of Total
Residential	4,088	$351,945,756	76.36%
Commercial	222	53,379,918	11.58
Industrial	12	23,715,292	5.15
Vacant Land	405	14,597,753	3.17
Other	195	6,614,779	1.44
Total Secured	4,922	450,253,498	97.69
Unsecured/State Assessed		10,643,869	2.31%
Grand Total		$460,897,367	100.00%

Source: Fraser & Associates

Plan Limitations

The Oak Park Redevelopment Plan contains a tax increment limit ("Plan Limit") and bond debt limit ("Bond Limit"). The Plan Limit is $172 million and the Bond Limit is $59 million for the Oak Park Project. Through the 2004-05 fiscal year, the Agency has received approximately $32.3 million in tax increment revenues since the merger. Based on the Fiscal Consultant's projections (see "APPENDIX B – Fiscal Consultant's Report") the Agency is unlikely to reach the tax increment limit by the end of the term to receive tax increment. The Agency will not accept 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 Plan Limit to fall below the remaining cumulative debt service, except for the purpose of depositing such Tax Revenues in escrow for future Oak Park Loan or Parity Debt payments or to prepay the Oak Park Loan or Parity Debt.

By an ordinance adopted on November 13, 2003, pursuant to SB 1045, the City Council extended for one year the Redevelopment Plan effectiveness and the period for receiving tax increment revenues. As with the Merged Project Area, the City Council amended the Oak Park Redevelopment Plan's effectiveness and tax increment receipt dates by one additional year pursuant to SB 1096. The time and financial limits for the Project Area, including the additional extensions per SB 1096, are as follows:

TABLE 13
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Time Limits

Debt Establishment	5/29/2013
Plan Effectiveness	5/29/2016
Debt Repayment	5/29/2026
Cumulative Tax Increment	$172 million
Bond Debt	$ 59 million

Source: Fraser & Associates

Major Property Owners

The following table lists the ten largest payers of secured property taxes in the Oak Park Project for fiscal year 2005-06. The aggregate assessed value of the top ten secured property taxpayers accounted for approximately 12.4% of the total secured assessed value of $460,897,367 of the Oak Park Project for fiscal year 2005-06.

TABLE 14
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Top Ten Taxable Property Owners
Fiscal Year 2005-06

Assessee	Type of Use	2005-06 Secured Value (1)	2005-06 Unsecured Value (1)	2005-06 Total Value (1)	% of Total Value (2)	% of Incremental Value (3)
Rainbow Baking Company (4)	Industrial	$18,971,401	$ 0	$18,971,401	4.12%	4.74%
Regents of U C/Camellia Inn Suites	Commercial	12,366,118	1,595,764	13,961,882	3.03	3.49
Stockton/Broadway Partners LP	Commercial	4,381,728	0	4,381,728	0.95	1.09
Crestwood Medical Center Hospital	Commercial	3,863,549	0	3,863,549	0.84	0.96
Security Public Storage Sacram.	Industrial	3,255,550	0	3,255,550	0.71	0.81
Edmar Investments LLC/Walgreens	Commercial	2,810,651	0	2,810,651	0.61	0.70
Donald & Virginia Compton Family Trust	Commercial	4,026,290	0	4,026,290	0.87	1.01
St. Hope Development	Commercial	2,061,770	0	2,061,770	0.45	0.51
Campbell Taggart Baking Companies Inc.	Commercial	1,949,456	0	1,949,456	0.42	0.49
Fruitridge Printing/Lithograph	Unsecured	0	1,779,626	1,779,626	0.39	0.44
Total		$53,686,513	$3,375,390	$57,061,903	12.38%	14.24%

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2005-06 Oak Park Project taxable value of $460,897,367.
(3) Based on 2005-06 Oak Park Project taxable value of $400,576,579.
(4) This parcel has an appeal pending.
Source: Fraser & Associates

Assessment Appeals

See "MERGED DOWNTOWN REDEVELOPMENT PROJECT – Assessment Appeals" for a brief general discussion of the appeals process.

Appeals in the Oak Park Project. Five property owners (including the largest property owner in the Oak Park Project) have filed appeals that are currently open. In total, they have requested reductions of $10.5 million. As with the Merged Project Area, there has been little appeal activity in the Oak Park Project Area. The one significant appeal that was granted in the last five years was to Rainbow Baking Company, which received a 39 percent reduction in its assessed value in fiscal year 2003-04. The appealed value was reversed in fiscal year 2004-05, and the applicant appealed again. The Fiscal Consultant's Report has assumed that Rainbow Baking would receive the requested reduction, but have not included any other reductions for the open appeals when preparing tax increment projections.

See "APPENDIX B - FISCAL CONSULTANT'S REPORT – Section D – Assessment Appeals" for more detailed information regarding pending appeals in the Oak Park Project, and see "RISK FACTORS" herein.

OAK PARK PROJECT TAX REVENUES

Property Tax Increment

Table 15 below sets forth an historical summary of the Oak Park Project's taxable valuations. According to information in the Fiscal Consultant's report, taxable values in the Oak Park Project have grown from $262.2 million in fiscal year 2001-02 to $460.9 million in fiscal year 2005-06. The total percentage change was almost 76 percent over the five year period. The average annual percentage growth in values was 15 percent.

Secured taxable value growth in the Oak Park Project Area has largely been driven by numerous small changes of ownership. The Fiscal Consultant's review showed a total of 499 changes of ownership in the project area, which increased secured value by over $62 million (of the total $82 million in secured value growth). The average value of the parcels that changed ownership went from $68,000 to $194,000.

TABLE 15
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Historical Taxable Value (1)
Fiscal Years 2001-02 through 2005-06

	2001-02	2002-03	2003-04	2004-05	2005-06
Locally-Assessed Secured Value	$252,812,746	$299,169,027	$309,413,792	$368,179,458	$450,253,498
Unsecured Value	9,392,164	12,618,698	21,900,235	11,305,949	10,643,869
State-Assessed Value	0	0	0	0	0
Total Taxable Value	262,204,910	311,787,725	331,314,027	379,485,407	460,897,367
Annual Percentage Change	n/a	19%	6%	15%	21%
Total Incremental Value (1)	201,884,122	251,466,937	270,993,239	319,164,619	400,576,579

Total Percentage Change: 75.78%
Average Percentage Change: 15.14%

(1) Incremental value over base year value of $60,320,788.

Source: Sacramento County Assessor; Fraser & Associates

Tax Increment Receipts

The following table sets forth a four-year history of tax increment receipts in the Oak Park Project. During this period, the average receipts per levy (before supplemental assessments) was 102.00%; and the average receipts per levy (after supplemental assessments) was 113.21%.

TABLE 16
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Levy to Receipts
Fiscal Years 2001-02 through 2004-05

	2001-02	2002-03	2003-04	2004-05
Levy per County (2)	$2,064,806	$2,555,655	$2,730,776	$3,206,958
Tax Increment Receipts less Supplements	2,077,182	2,579,001	2,810,603	3,302,211
% of Levy Received	100.60%	100.91%	102.92%	102.97%
Supplements	129,097	314,169	206,649	533,690
Total Tax Increment Receipts	2,206,279	2,893,170	3,017,252	3,835,901
% of Levy Received	106.85%	113.21%	110.49%	119.61%
Property Tax Admin. Fee	38,055	51,925	45,919	48,426
Net Tax Increment Receipts	2,168,224	2,841,245	2,971,333	3,787,475

(1) Receipts per Agency.
(2) Initial levy reported by Sacramento County.
Source: Sacramento County Assessor; Fraser & Associates

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. See Table 20 for an analysis of housing set-aside amounts that may be applied to pay the Oak Park Loan and the 1999 Loan Agreement.

Table 17 below sets forth projected Tax Revenues for the Fiscal Year 2005-06. For estimated payment coverage on the Oak Park Loan and the 1999 Loan Agreement, see Table 20 herein. Although the Agency believes its assumptions to be reasonable, no assurance can be made that Tax Revenues will be received in the amounts estimated.

TABLE 17
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Estimate of Incremental Taxable Value
Fiscal Year 2005-06

Secured	2005-06 [1] Taxable Value	Base Taxable Value	Incremental Taxable Value
Land	$ 125,662,129		
Improvements	541,121,913		
Personal Property	14,295,751		
Gross Secured	681,079,793		
Less: Exemptions	(230,826,295)		
Total Secured	450,253,498	57,450,020	
SBE Total Value	0	0	392,803,478
Unsecured			
Land	1,121,202		
Improvements	3,479,118		
Personal Property	6,456,034		
Gross Unsecured	11,056,354		
Less: Exemptions	(412,485)		
Total Unsecured	10,643,869	2,870,768	7,773,101
Total Secured and Unsecured	460,897,367	60,320,788	400,576,579
Tax Increment [2]			4,040,000
Unitary Revenue [3]			81,000
Total Estimated Tax Increment Revenues			4,121,000
Adjustments to Tax Increment Revenues			
Less: Property Tax Administration Fees [4]			63,000
Less: Housing Set-Aside (5)			824,000
Less: Tax Sharing Payments [6]			199,000
Tax Revenues			$3,035,000

(1) Based on taxable value information from the records of Sacramento County.
(2) Calculated based on the application of the estimated tax rate for 2005-06.
(3) Reflects estimated unitary revenue for 2005-06.
(4) Estimated at 1.53 percent of Total Tax Increment Revenues.
(5) Total housing set-aside calculated at 20 percent of tax increment.
(6) Tax sharing payments per the provisions of AB 1290.

Source: Fraser & Associates

Oak Park Project Projected Tax Revenues

The following two tables (Table 18 and Table 19) set forth projected Oak Park Project Tax Revenues for the years indicated. The first table shows a projection of gross tax increment revenues, and the second table shows a projection of Net Tax Revenues (after deductions for County administration fees, housing set-aside and AB 1290 tax sharing payments.

The projections assume real property values will increase based on a 2 percent inflation factor. 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 Merged Project Area, and also for recent changes of ownership. Table 6.1 of the Fiscal Consultant's Report (attached hereto as Appendix B) shows the new developments that have been included, which are further described in the Fiscal Consultant's Report. In addition, taxable values have been reduced for the impact of assessment appeals and for properties that are currently included in the reported taxable values, but for which exemptions are typically granted. For fiscal year 2006-07, the Fiscal Consultant reduced the value of real property for the Oak Park Project $6.0 million for appeals. See "Assessment Appeals" above. For the Oak Park Project, taxable values for recent transfers of ownership were increased by $6.4 million in fiscal year 2006-07.

Certain assumptions, as noted in the footnotes to the tables, were used in the preparation of the projections. Although the Agency believes its assumptions to be reasonable, no assurance can be made that the Oak Park Project Tax Revenues will be received in the amounts projected. See APPENDIX B – "REPORT OF THE FISCAL CONSULTANT."

The third table (Table 20) shows estimated coverage on both the housing and non-housing portions of the Oak Park Loan and outstanding Parity Debt. The subordinated debt service of the Oak Park Project is also shown for informational purposes.

TABLE 18
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Projected Tax Revenue ($'s in thousands)
Fiscal Years 2005-06 through 2024-25

Fiscal Year	Real Property (1)	New Development (2)	Other Property (3)	Total Value	Incremental Value Over Base of $60,321	Tax Increment (4)	Unitary Property Tax Revenue (5)	Total Tax Revenue
2005-06	$440,558	N/A	$20,339	$460,897	$400,577	$4,040	$81	$4,121
2006-07	443,275	$6,379	20,339	469,993	409,673	4,125	81	4,206
2007-08	458,647	0	20,339	478,987	418,666	4,208	81	4,289
2008-09	467,820	0	20,339	488,160	427,839	4,293	81	4,374
2009-10	477,177	0	20,339	497,516	437,195	4,379	81	4,460
2010-11	486,720	0	20,339	507,059	446,739	4,467	81	4,548
2011-12	496,455	0	20,339	516,794	456,473	4,565	81	4,646
2012-13	506,384	0	20,339	526,723	466,402	4,664	81	4,745
2013-14	516,511	0	20,339	536,851	476,530	4,765	81	4,846
2014-15	526,842	0	20,339	547,181	486,860	4,869	81	4,950
2015-16	537,378	0	20,339	557,718	497,397	4,974	81	5,055
2016-17	548,126	0	20,339	568,465	508,144	5,081	81	5,162
2017-18	559,088	0	20,339	579,428	519,107	5,191	81	5,272
2018-19	570,270	0	20,339	590,610	530,289	5,303	81	5,384
2019-20	581,676	0	20,339	602,015	541,694	5,417	81	5,498
2020-21	593,309	0	20,339	613,648	553,328	5,533	81	5,614
2021-22	605,175	0	20,339	625,515	565,194	5,652	81	5,733
2022-23	617,279	0	20,339	637,618	577,297	5,773	81	5,854
2023-24	629,624	0	20,339	649,964	589,643	5,896	81	5,977
2024-25	642,217	0	20,339	662,556	602,235	6,022	81	6,103

(1) Real Property increases by 2 percent per year beginning in 2005-06. The value for 2006-07 has been reduced for open appeals.
(2) Reflects transfers of ownership since January 1, 2005
(3) Includes the value of secured and unsecured personal property and state assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to the total incremental taxable value.
(5) Reflects actual unitary for 2004-05. Future unitary revenue held constant in the projections.

Source: Fraser & Associates.

TABLE 19
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Projected Net Tax Revenue ($'s in thousands)
Fiscal Years 2005-06 through 2024-25

Fiscal Year	Total Tax Revenue (1)	Property Tax Admin Fees (2)	Housing Set-Aside (3)	AB 1290 Tax Sharing	Net Tax Revenue
2005-06	$4,121	$63	$ 824	$199	$3,035
2006-07	4,206	64	841	212	3,089
2007-08	4,289	65	858	224	3,142
2008-09	4,374	67	875	236	3,196
2009-10	4,460	68	892	248	3,252
2010-11	4,548	69	910	261	3,308
2011-12	4,646	71	929	274	3,372
2012-13	4,745	72	949	287	3,436
2013-14	4,846	74	969	312	3,491
2014-15	4,950	76	990	338	3,546
2015-16	5,055	77	1,011	364	3,603
2016-17	5,162	79	1,032	390	3,661
2017-18	5,272	80	1,054	417	3,720
2018-19	5,384	82	1,077	445	3,780
2019-20	5,498	84	1,100	473	3,842
2020-21	5,614	86	1,123	501	3,904
2021-22	5,733	88	1,147	530	3,968
2022-23	5,854	89	1,171	560	4,034
2023-24	5,977	91	1,195	591	4,100
2024-25	6,103	93	1,221	622	4,168

(1) From Table 17.
(2) Reductions for property tax administrative fees charged by Sacramento County pursuant to SB 2557.
(3) Housing set-aside at 20 percent.

Source: Fraser & Associates.

TABLE 20
REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO
Oak Park Redevelopment Project Area
Projected Coverage of Loan Payments and Parity Debt
Fiscal Years 2005-06-Through 2024-25

	RDA Debt								Housing Debt				
Year (1)	Tax Revenue (2)	Parity Debt (3)	2005 TABs Series A	2005 TABs Series B	Total 2005 TABs	Total Parity Debt Service	RDA Coverage (4)	Subordinate Debt Service (5)	Housing Set-Aside (2)	Parity Debt (3)	2005 Series E Housing TABs	Total Parity Debt Service	Housing Coverage (4)
2006	3,035,000	945,950	343,183	1,021,775	1,364,959	2,310,908	131.334%	71,460	824,000	433,790	194,036	627,826	131.25%
2007	3,089,000	945,504	349,000	1,018,002	1,367,002	2,312,506	131.243%	71,460	841,000	433,586	189,424	623,010	132.26%
2008	3,142,000	943,879	349,000	1,020,115	1,369,115	2,312,994	131.215%	81,460	858,000	432,841	192,484	625,325	131.77%
2009	3,196,000	944,256	349,000	1,015,591	1,364,591	2,308,847	131.451%	145,985	875,000	433,014	190,288	623,302	132.20%
2010	3,252,000	946,862	349,000	1,014,185	1,363,185	2,310,047	131.383%	147,425	892,000	434,208	193,045	627,253	131.37%
2011	3,308,000	943,948	349,000	1,016,086	1,365,086	2,309,034	131.440%	148,525	910,000	432,872	190,538	623,410	132.18%
2012	3,372,000	946,371	349,000	1,016,058	1,365,058	2,311,429	131.304%	149,300	929,000	433,984	193,018	627,001	131.42%
2013	3,436,000	946,879	349,000	1,013,974	1,362,974	2,309,853	131.394%	139,800	949,000	434,216	190,224	624,440	131.96%
2014	3,491,000	945,688	349,000	1,014,883	1,363,883	2,309,570	131.410%	140,550	969,000	433,670	192,413	626,083	131.61%
2015	3,546,000	945,626	349,000	1,018,425	1,367,425	2,313,051	131.212%	146,050	990,000	433,642	189,323	622,965	132.27%
2016	3,603,000	944,913	1,239,000	124,650	1,363,650	2,308,563	131.467%	146,050	1,011,000	433,315	191,233	624,548	131.94%
2017	3,661,000	945,640	1,239,500	124,650	1,364,150	2,309,790	131.397%	145,800	1,032,000	433,648	192,632	626,280	131.57%
2018	3,720,000	944,179	1,117,750	249,650	1,367,400	2,311,579	131.296%	150,300	1,054,000	432,978	193,754	626,732	131.48%
2019	3,780,000	943,960	214,750	1,152,725	1,367,475	2,311,435	131.304%	145,500	1,077,000	432,878	194,599	627,477	131.32%
2020	3,842,000	944,783	214,750	1,150,386	1,365,136	2,309,919	131.390%	144,500	1,100,000	433,255	190,167	623,422	132.17%
2021	3,904,000	946,848	1,364,750	-	1,364,750	2,311,598	131.294%	143,250	1,123,000	434,202	190,735	624,937	131.85%
2022	3,968,000	946,154	1,364,750	-	1,364,750	2,310,904	131.334%	141,750	1,147,000	433,884	190,890	624,774	131.89%
2023	4,034,000	-	2,309,750	-	2,309,750	2,309,750	131.400%	-	1,171,000	-	625,760	625,760	131.68%
2024	4,100,000	-	2,310,000	-	2,310,000	2,310,000	131.385%	-	1,195,000	-	625,550	625,550	131.72%
2025	4,168,000	-	2,310,000	-	2,310,000	2,310,000	131.385%	-	1,221,000	-	623,630	623,630	132.13%

(1) Pledged Revenues presented on a fiscal year basis, bond debt service presented on the lagging bond year basis. (i.e. debt service due on December 1, 2006 will be paid from FY 2005-06 pledged revenues.)
(2) Based on Fraser & Associates' Table 5.3, October 2005.
(3) Includes allocable share of 1999 TABs.
(4) FY 05-06 Tax Revenues of $3,035,000 and Housing Set-Aside revenues of $824,000 are used for purposes of calculating debt service coverage.
(5) Includes allocable share of 1999 Lease and 2005 Lease.

RISK FACTORS

The following information should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be an exhaustive listing of risks and other considerations which may be relevant to investing in the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks.

To estimate the Tax Revenues available to pay the Loans and, thereby, to estimate the Revenues available to pay debt service on the Bonds, the Agency has made certain assumptions with regard to the assessed valuation in the Project Areas, future tax rates and percentage of taxes collected. The Agency believes these assumptions to be reasonable, but to the extent that the assessed valuation, the tax rates or the percentage of taxes collected are less than the Agency's assumptions, the Tax Revenues available to pay debt service on the Loans, and consequently, on the Bonds will, in all likelihood, be less than those projected.

Reduction in Taxable Value

Tax Revenues allocated to the Agency are determined by the amount of incremental taxable value in the Project Area with respect to a Project Area and the current rate or rates at which property in the Project Area is taxed. The reduction of taxable values of property caused by economic factors beyond the Agency's control, such as a relocation out of the Project Area by one or more major property owners, or the transfer, pursuant to California Revenue and Taxation Code Section 68, of a lower assessed valuation to property within the Project Area by a person displaced by eminent domain or similar proceedings, the transfer of property in a Project Area to a governmental or other property tax–exempt entity, or the discovery of hazardous substances on a property within the Project Area (see "Hazardous Substances," below) or the complete or partial destruction of such property caused by, among other eventualities, an earthquake (see "Seismic Factors," below), flood (see "Risk of Flood" below) or other natural disaster, could cause a reduction in the Tax Revenues securing the Loans. Property owners may also appeal to the County Assessor for a reduction of their assessed valuations or the County Assessor could order a blanket reduction in assessed valuations based on then current economic conditions. Such a reduction of assessed valuations and the resulting decline in Tax Revenues or the resulting property tax refunds could have an adverse effect on the Agency's ability to make timely payments on the Loans and the Authority's ability to pay debt service on the Bonds. See "THE PROJECT AREA - Appeals of Assessed Values."

Reduction in Inflationary Rate

As described in greater detail below, 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 2% 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. Because Article XIIIA limits inflationary assessed value adjustments to the lesser of the actual inflationary rate or 2%, there have been years in which the assessed values were adjusted by actual inflationary rates, which were less than 2%. Since Article XIIIA was approved, the annual adjustment for inflation has fallen below the 2% limitation five times: for fiscal year 1993/94, 1%; for fiscal year 1995/96, 1.19%; for fiscal year 1996/97, 1.11%; for fiscal year 1999/00, 1.853% and for fiscal year 2004/05, 1.0186%. The Agency is unable to predict if any adjustments to the full cash value base of real property within the Project Area, whether an increase or a reduction, will be realized in the future.

Levy and Collection

The Agency does not have any 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 repay the Loans. Likewise, delinquencies in the payment of property taxes could have an adverse effect on the Agency's ability to make timely debt service payments.

Time Limits on Receiving Tax Increment Revenues from Merged Project Area

Under current limitations contained in the Redevelopment Plan for the Merged Downtown Project, the right to receive tax increment revenues from a substantial portion of the Merged Downtown Project will terminate on January 1, 2032. The right to receive tax increment revenue from the remainder of the Merged Downtown Project terminates July, 2035. See "The Merged Downtown Redevelopment Project – Plan Limitations. The final maturity of the Bonds is December 1, 2034. Accordingly, after January 1, 2032, the Bonds will be payable solely from tax increment revenues generated from the significantly smaller remaining portion of the Merged Downtown Project. Applying information currently available, the Agency has structured debt service so that the remaining tax increment revenues will be sufficient to pay remaining debt service on the Bonds. However, the January 1, 2032 termination date with respect to a substantial portion of the Merged Downtown Project will result in a smaller number of properties generating Tax Revenues to pay debt service on the Bonds. Because the Bonds are payable solely from Tax Revenues, the credit quality of the Bonds will depend upon the credit quality of the remaining portion of the Project Area generating the Tax Revenues. In addition, unanticipated adverse events affecting the remaining portion of the Merged Downtown Project could impair the Agency's ability to pay, when due, the remaining debt service on the Bonds.

Limited Application of Project Area Tax Revenues and Reserve Accounts

Tax Revenues allocated to one Project Area and pledged to pay debt service on the applicable Loan to such Project Area are not available to pay Loan payments with respect to the other Project Area. Under the California Constitution and the Redevelopment Law, Tax Revenues allocated to a Project Area may only be used to finance and refinance redevelopment activities within or of benefit to such Project Area. Furthermore, debt service payable on the Bonds issued by the Authority has been calculated based on the assumption that each Project Area will generate sufficient Tax Revenues to pay timely Loan payments on the Loan made to such Project Area and that the aggregate of the Loan payments on both Loans will be available in an amount sufficient to pay timely debt service on the Bonds issued by the Authority. Accordingly, if there should be a substantial decline in the amount of Tax Revenues available with respect to either Project Area causing a default in the payment of a Loan, and should the Reserve Account established for such Loan become depleted as a result of such default or defaults in the payment of such Loan, the Authority will be unable to pay debt service on that portion of its Bonds. Note, in this regard, that the Reserve Account established for a Loan is not available to meet any deficiency in the payment of the other Loan. See "SECURITY FOR THE BONDS – Reserve Account".

Additional Obligations on Parity with a Loan

As described in "SECURITY FOR THE BONDS – Issuance of Additional Debt," the Agency may issue or incur obligations payable from Tax Revenues on a parity with its pledge of Tax Revenues to payment of principal and interest on a Loan. The existence of and the potential for such obligations increases the risks associated with the Agency's payment of debt service on a Loan in the event of a decrease in the Agency's collection of Tax Revenues.

Bankruptcy Risks

The enforceability of the rights and remedies of the owners of the Bonds and the obligations of the Authority and the Agency 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; usual 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 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. Bond Counsel expressly disclaims any opinion on the effect on the rights of the Holders of the Bonds of bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

State Budget; ERAF

In connection with its approval of the budget for the 1992-93, 1993-94 and 1994-95 fiscal years, the State Legislature enacted legislation which, among other things, reallocated funds from redevelopment agencies to school districts by shifting a portion of each agency's tax increment, net of amounts due to other taxing agencies, to school districts for such fiscal years for deposit in the Education Revenue Augmentation Fund ("ERAF"). 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 State budget gap for Fiscal Year 2002-03, the State Legislature adopted as urgency legislation AB 1768, which required redevelopment agencies to pay into ERAF in Fiscal Year 2002-03 an aggregate amount of $75 million. AB 1768 became effective on September 30, 2002 and required the payment into ERAF in Fiscal Year 2002-03 only. AB 1768 provided that one-half of the Agency's ERAF obligation is calculated based on the gross tax increment received by the Agency and the other one-half of the Agency's ERAF obligation is calculated based on net tax increment revenues (after any pass-through payments to other taxing entities). The Agency made the required payment into ERAF.

Faced with a continuing State budget gap, the State Legislature in 2003 adopted SB 1045 which again required redevelopment agencies to make ERAF transfers in Fiscal Year 2003/04, based on a statewide aggregate transfer by redevelopment agencies of $135 million. SB 1045 required the Agency to transfer approximately $1.3 million to ERAF in fiscal year 2003/04 and to make this transfer payment by May 10, 2004. The Agency timely made the required ERAF payment.

The Governor's budget for fiscal year 2004-05 as implemented by SB 1096 (Chapter 211, Stats. 2005) again included a transfer by redevelopment agencies to the applicable ERAFs. However, the aggregate amount of ERAF transfers by redevelopment agencies has increased from $135 million (in Fiscal Year 2003-04) to $250 million in each of the Fiscal Years 2004/05 and 2005-06. The ERAF contribution for each Project Area is shown in the table below:

Fiscal Year	Merged Downtown Project	Oak Park Project
2002-03	$ 619,222	$ 72,414
2003-04	1,144,166	130,625
2004-05	1,880,962	246,275
2005-06 (estimate)	1,851,361	275,422

The Agency paid its fiscal year 2004/05 ERAF payment in a timely manner and expects to pay its fiscal year 2005-06 ERAF payment with available funds.

The Agency cannot predict whether the State Legislature will, in future fiscal years, adopt legislation requiring other shifts of redevelopment tax increment revenues to the State and/or to schools, whether by the ERAF mechanism or by other arrangement. Should such legislation be enacted, Tax Revenues available for payment of the Loans may, in the future, be substantially reduced and the Agency's ability to pay debt service on the Loans and the Authority's ability to pay debt service on the Bonds may be impaired.

Seismic Factors

As noted above, the assessed valuation of properties in a Project Area could be substantially reduced as a result of a major earthquake proximate to the Project Area. The area in and surrounding the Project Areas, like much of California, may be subject to unpredictable seismic activity. Although the Agency believes 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 Area, there could be a negative impact on assessed values of taxable values of property in a Project Area. 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. Such reduction of Tax Revenues could have an adverse effect on the Agency's ability to make timely payments of principal of and interest on a Loan.

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, 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 from disaster withstood the record water flows.

In response to these flood events, the U.S. Army Corps of Engineers (COE) has conducted hydrology studies on the lower American River in 1989, 1997, and again in 1999. In late 2004, the COE and the Sacramento Area Flood Control Agency completed levee improvements on the American River that improved the level of flood protection from that river to the 100-year criteria considered by the Federal Emergency Management Agency ("FEMA") as the minimum threshold for mandatory flood insurance.

On February 18, 2005, FEMÅ issued a Letter of Map Revision that updated the City's previous Flood Insurance Rate Maps ("FIRMs) dated July 6, 1998. The revised FIRMs removed large portions of the City from the 100-year floodplain area, including all areas in the Project

Areas. A 100-year floodplain is the area expected to be inundated during a flood of the magnitude for which there is a 1% probability of occurrence in any year. FEMA requires mandatory flood insurance for mortgages of structures in a 100-year floodplain with lenders insured by the Federal Deposit Insurance Corporation or who fund loans that are sold or secured by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. In the life of a 30-year mortgage the probability of flood related damage to a structure in a 100-year floodplain is approximately 25%.

Hazardous Substances

An additional environmental condition that may result in the reduction in the assessed value of property would be the discovery of a hazardous substance that would limit the beneficial use of taxable property within a Project Area. 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 has anything to do with creating or handling the hazardous substance. The effect, therefore, should any of the property within a Project Area be affected by a hazardous substance, could be to reduce the marketability and value of the property by the costs of remedying the condition.

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds, or, if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon the then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Series B Bonds

Defeasance of any Series B Bond may result in a reissuance thereof, in which event a holder will recognize taxable gain or loss equal to the difference between the amount realized from the sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and the holder's adjusted tax basis in the Series B Bond.

Loss of Tax Exemption

As discussed under the caption "MISCELLANEOUS – Tax Matters" herein, interest on the Series A Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date the Series A Bonds were issued as a result of future acts or omissions of the Authority or the Agency in violation of their respective covenants contained in the Indenture and the Loan Agreements. Should such an event of taxability occur, the Series A Bonds are not subject to special redemption or any increase in interest rate and may remain outstanding until maturity. **The interest payable on the Series B Bonds is not excluded from gross income for federal income tax purposes.**

LIMITATIONS ON TAX REVENUES AND POSSIBLE SPENDING LIMITATIONS

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. The amendment 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 XIII was adopted in August 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.

In the general election held 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.

Challenges to Article XIIIA

There have been many challenges to Article XIIIA of the California Constitution, including *Nordlinger v. Hahn,* a challenge relating to residential property. Based upon the facts presented in *Nordlinger,* the United States Supreme Court held that the method of property tax assessment under Article XIIIA did not violate the federal Constitution. The Agency cannot predict whether there will be any future challenges to California's present system of property tax assessment and cannot evaluate the ultimate effect on the Agency's receipt of tax increment revenues should a future decision hold unconstitutional the method of assessing property.

Implementing Legislation

Legislation enacted by the California Legislature to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that, notwithstanding any other law, local agencies may not levy any property tax, except to pay debt service on indebtedness approved by the voters prior to July 1, 1978, and that each county will levy the maximum tax permitted by Article XIIIA.

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.

Future assessed valuation growth allowed under Article XIIIA (new construction, change of ownership, 2% annual value growth) will be 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 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.

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 declared in default 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 1.5% per month to the time of redemption and a $15 Redemption Fee. If taxes are unpaid for a period of five years or more, the property is recorded in a "Power to Sell" status and 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 1-1/2% 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 January 1. Unsecured taxes enrolled by July 31, if unpaid, are delinquent August 31 at 5:00 p.m. and are subject to penalty; unsecured taxes added to roll after July 31, if unpaid, are delinquent on the last day of the month succeeding the month of enrollment.

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. The statute may provide 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.

Tax Collection Fees. SB 2557 (Chapter 466, Statutes of 1990) authorizes county auditors to determine property tax administration costs proportionately attributable to local jurisdictions and to submit invoices to the jurisdictions for such costs. Subsequent legislation specifically includes redevelopment agencies among the entities which are subject to a property tax administration charge. For fiscal year 2004-05, the amount of such costs was $310,044 for the Merged Downtown Project Area and $48,426 for the Oak Park Project Area. Such costs are not included in the Tax Revenues which are pledged to repay the Loans.

Unitary Property

AB 2890 (Statutes of 1986, Chapter 1457) provides that, commencing with the fiscal year 1988/89, assessed value derived from State-assessed unitary property (consisting mostly of operational property owned by utility companies and herein defined as "Unitary Property") is to be allocated county-wide as follows: (i) each tax rate area will receive the same amount from each assessed utility 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 has been changed to January 1. Railroad property will continue to be assessed and revenues allocated to all tax rate areas where the railroad property is sited. The projections of tax increment revenue in the Project Area shown in Table 4 assume that the utility tax revenue will remain constant in future years.

Appropriations Limitations - Article XIIIB

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.

Effective November 30, 1980, the California Legislature added Section 33678 to the Redevelopment Law which provided 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, including Section 33678 of the Redevelopment Law.

Exclusion of Tax Revenues for General Obligation Bonds Debt Service

An initiative to amend the California Constitution entitled "Property Housing Tax Revenues Redevelopment Agencies" was approved by California voters at the November 8, 1988 general election. Under prior law, a redevelopment agency using tax increment revenue received additional property tax revenue whenever a local government increased its property tax rate to pay off its general obligation bonds. This initiative amended the California Constitution to allow the California Legislature to prohibit redevelopment agencies from receiving any of the property Tax Revenues raised by increased property tax rates imposed by local governments to make payments on their bonded indebtedness. The initiative only applies to tax rates levied to finance general obligation bonds approved by the voters on or after January 1, 1989. Any revenue reduction to redevelopment agencies would depend on the number and value of the general obligation bonds approved by voters in prior years, which tax rate will reduce due to increased valuation subject to the tax or the retirement of the indebtedness. The Agency did not experience a revenue loss as a result of the initiative.

Proposition 218

On November 5, 1996, California voters approved Proposition 218—Voter Approval for Local Government Taxes—Limitation on Fees, Assessments, and Charges—Initiative Constitutional Amendment. Proposition 218 added Articles XIIIC and XIIID to the California Constitution, imposing certain vote requirements and other limitations on the imposition of new or increased taxes, assessments and property-related fees and charges. Tax Revenues securing the Loans are derived from property taxes which are outside the scope of taxes, assessments and property-related fees and charges which were limited by Proposition 218.

Future Initiatives

Article XIIIA, Article XIIIB and certain other propositions affecting property tax levies were each adopted as measures which 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.

MISCELLANEOUS

Litigation

To the Authority's or the Agency's knowledge, there is no litigation pending or , 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 Loan Agreements, or any proceedings of the Authority or the Agency with respect thereto.

Ratings

Moody's Investors Service ("Moody's") and Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies ("S&P"), have assigned their municipal bond rating of "Aaa" and "AAA", respectively, 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 Bond Insurer. In addition, S&P has assigned its underlying rating of "BBB+" to the Bonds.

Certain information was supplied by the Authority and the Agency to such rating agencies to be considered in evaluating the Bonds. These ratings reflect only the views of such rating agencies and are not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such ratings should be obtained from such rating agencies at the following addresses: Moody's Investors Service, 99 Church Street, New York, New York 10007, Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041 and Fitch, One State Street Plaza, New York, New York, 10004, (212) 668-8322. No assurance can be given that such ratings will be retained for any given period of time or that the same will not be revised or withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Except as otherwise required in the Continuing Disclosure Certificate, the Authority and the Agency undertakes no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the ratings obtained may have an adverse effect on the marketability or market price of the Bonds.

Certain Legal Matters

Orrick, Herrington & Suttcliffe LLP, Bond Counsel to the Authority, will render an opinion with respect to the Bonds substantially in the form set forth in APPENDIX E to this Official Statement. Copies of this opinion will be available at the time of delivery of the Bonds. Jones Hall, A Professional Law Corporation, San Francisco, California, is acting as Disclosure Counsel to the Agency. Payment of the fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance of the Bonds. Certain legal matters will be passed upon for the Agency by Agency Counsel and for the Authority by the City Attorney of the City.

Tax Matters

Series A Bonds*.* In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series A Bonds is not a specific preference item for the purposes of federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series A Bonds is less than the amount to be paid at maturity of such Series A Bonds (excluding amounts stated to be interest and payable at least annually over the term of the Series A Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each beneficial owner thereof, is treated as interest on the Series A Bonds which is excluded from gross income for federal income tax purposes and from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series A Bonds is the first price at which a substantial amount of such maturity of such Series A Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of such Series A Bonds accrues daily over the term to maturity of such Series A Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series A Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series A Bonds. Beneficial owners of the Series A Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series A Bonds with original issue discount, including the treatment of owners who do not purchase such Series A Bonds in the original offering to the public at the first price at which a substantial amount of such Series A Bonds is sold to the public.

Series A Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and an beneficial owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium allocable to such beneficial owner. Beneficial owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series A Bonds. The Authority has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series A Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series A Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series A Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series A Bonds may adversely affect the value of, or the tax status of interest on, the Series A Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Loan Agreements, the Tax Certificate, and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series A Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series A Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Orrick, Herrington & Sutcliffe LLP.

Although Bond Counsel is of the opinion that interest on the Series A Bonds is excluded from gross income for federal income tax purposes, and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds may otherwise affect a beneficial owner's federal or state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the beneficial owner or the beneficial owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series A Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series A Bonds. Prospective purchasers of the Series A Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series A Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series A Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series A Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, and their appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series A Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series A Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

Series B Bonds. In the opinion of Bond Counsel, interest on the Series B Bonds is exempt from State of California personal income taxes and is not excluded from gross income for federal income tax purposes under Section 103 of the Code of 1986. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds. The proposed form of opinion of Bond Counsel is contained in Appendix E hereto.

The following is a summary of certain of the United States federal income tax consequences of the ownership of the Series B Bonds as of the date hereof. Each prospective investor should consult with its own tax advisor regarding the application of United States federal income tax laws, as well as any state, local, foreign or other tax laws, to its particular situation.

This summary is based on the Code, as well as Treasury Regulations and administrative and judicial rulings and practice. Legislative, judicial and administrative changes may occur, possibly with retroactive effect, that could alter or modify the continued validity of the statements and conclusions set forth herein. This summary is intended as a general explanatory discussion of the consequences of holding the Series B Bonds generally and does not purport to furnish information in the level of detail or with the investor's specific tax circumstances that would be provided by an investor's own tax advisor. For example, it generally is addressed only to original purchasers of the Series B Bonds that are "U.S. holders" (as defined below), deals only with Series B Bonds held as capital assets within the meaning of Section 1221 of the Code and does not address tax consequences to holders that may be relevant to investors subject to special rules, such as individuals, trusts, estates, tax-exempt investors, foreign investors, cash method taxpayers, dealers in securities, currencies or commodities, banks, thrifts, insurance companies, electing large partnerships, mutual funds, regulated investment companies, real estate investment trusts, FASITs, S corporations, persons that hold Series B Bonds as part of a straddle, hedge, integrated or conversion transaction, and persons whose "functional currency" is not the U.S. dollar. In addition, this summary does not address alternative minimum tax issues or the indirect consequences to a holder of an equity interest in a holder of Series B Bonds.

As used herein, a “U.S. holder” is a “U.S. person” that is a beneficial owner of a Series B Bond. A “non-U.S. investor” is a holder (or beneficial owner) of a Series B Bond that is not a U.S. Person. For these purposes, a “U.S. person” is a citizen or resident of the United States, a corporation or partnership created or organized in or under the laws of the United States or any political subdivision thereof (except, in the case of a partnership, to the extent otherwise provided in Treasury regulations), an estate the income of which is subject to United States federal income taxation regardless of its source or a trust if (i) a United States court is able to exercise primary supervision over the trust’s administration and (ii) one or more United States persons have the authority to control all of the trust’s substantial decisions.

Tax Status of the Series B Bonds. The Series B Bonds will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be included in the income of the holder as it is paid (or, if the holder is an accrual method taxpayer, as it is accrued) as interest.

Holders of the Series B Bonds that allocate a basis in the Series B Bonds that is greater than the principal amount of the Series B Bonds should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under section 171 of the Code.

If a holder purchases the Series B Bonds for an amount that is less than the principal amount of the Series B Bonds, and such difference is not considered to be de minimis, then such discount will represent market discount that ultimately will constitute ordinary income (and not capital gain). Further, absent an election to accrue market discount currently, upon a sale or exchange of a Series B Bond, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred or continued to carry a market discount bond that does not exceed the accrued market discount for any taxable year, will be deferred.

Although the Series B Bonds are expected to trade “flat,” that is, without a specific allocation to accrued interest, for federal income tax purposes, a portion of the amount realized on sale attributed to the Series B Bonds will be treated as accrued interest and thus will be taxed as ordinary income to the seller (and will not be subject to tax in the hands of the buyer).

Sale and Exchange of Series B Bonds. Upon a sale or exchange of a Series B Bond, a holder generally will recognize gain or loss on the Series B Bonds equal to the difference between the amount realized on the sale and its adjusted tax basis in such Series B Bond. Such gain or loss generally will be capital gain (although any gain attributable to accrued market discount of the Series B Bond not yet taken into income will be ordinary). The adjusted basis of the holder in a Series B Bond will (in general) equal its original purchase price and decreased by any principal payments received on the Series B Bond. In general, if the Series B Bond is held for longer than one year, any gain or loss would be long term capital gain or loss, and capital losses are subject to certain limitations.

See also, the “Risk Factors-Series B Bonds” herein regarding reissuance of the Series B Bonds upon defeasance.

Foreign Investors. Distributions on the Series B Bonds to a non-U.S. holder that has no connection with the United States other than holding its Series B Bond generally will be made free of withholding tax, as long as that the holder has complied with certain tax identification and certification requirements.

Circular 230. Investors are urged to obtain independent tax advice based upon their particular circumstances. The tax discussion above was not intended or written to be used, and cannot be used, for the purposes of avoiding taxpayer penalties. The advice was written to support the promotion or marketing of the Bonds.

Underwriting

Series A Bonds. The Series A Bonds are being purchased for reoffering by Stone & Youngberg LLC, as representative for the underwriters (the "Underwriters"). The Underwriters have agreed to purchase the Series A Bonds for $92,098,376.50 (representing the aggregate principal amount of the Series A Bonds less an underwriter's discount of $934,157.70 and plus an original issue premium of $660,298.45).

Series B Bonds. The Series B Bonds are being purchased for reoffering by the Underwriters, which have agreed to purchase the Series B Bonds for $46,510,039.19 (representing the aggregate principal amount of the Series B Bonds less an underwriter's discount of $239,960.81).

The purchase contract pursuant to which the Underwriters are purchasing the Bonds provides that the Underwriters will purchase all of the Bonds if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in such contract of purchase.

The Underwriters 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 Underwriters.

Miscellaneous

All summaries of the Indenture, the Loan Agreements, applicable legislation, other agreements and other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

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

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

SACRAMENTO CITY FINANCING AUTHORITY

By: /s/ Thomas P. Friery
Treasurer

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: /s/ Anne M. Moore
Executive Director

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APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture, as well as the Merged Downtown Loan Agreement and the Oak Park Loan Agreement. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture as well as the Merged Downtown Loan Agreement and the Oak Park Loan Agreement. Copies of each of these documents are on file and available for inspection at the corporate trust office of the Trustee at One California Street, Suite 2550, San Francisco, California 94111.

DEFINITIONS

The following are definitions of certain terms used in this Summary of Principal Legal Documents:

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Accreted Value" means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date compounded on each Distribution Date, commencing on the first Distribution Date after its issuance (through and including the maturity date of such Bond, at the "original issue yield" for such Bond, as set forth on in the Indenture; provided, however, that the Trustee shall calculate or cause to be calculated the Accreted Value on any date other than a Distribution Date set forth in the Indenture by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Distribution Dates. In performing such calculation, the Trustee shall be entitled to engage and rely upon a firm of accountants, consultants or financial advisors with appropriate knowledge and experience (which may include BondLogistix LLC). The term "original issue yield" means, with respect to any particular Bond, the yield to the applicable Maturity Date of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Distribution Date.

"Act" means the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State, and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State), and all laws amendatory thereof or supplemental thereto.

"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 the Redevelopment Agency of the City of Sacramento, a redevelopment agency duly organized and existing under and by virtue of the laws of the State.

"Allocable Share" means a percentage allocable to each Loan Agreement in relation to the entire issue of Bonds, which allocation may be made on any reasonable basis.

"Appeals Adjustment" means, with respect to each Loan Agreement, an amount which the Agency, in its sole discretion, elects to exclude from estimated or actual Tax Revenues for purposes of the additional bonds test of the Loan Agreement, to account for pending but unresolved assessment appeals with respect to property in the Project Area. The amount of any such adjustment or the absence thereof, shall be conclusively proven by a certificate of the Agency stating the amount of any adjustment and stating that the Agency considered in good faith the probable effect of pending assessment appeals on the ability of the Agency to pay its obligations when due.

"Authority" means the Sacramento City Financing Authority, a joint exercise of powers authority by and between the City and the Agency, duly organized and existing under and by virtue of the laws of the State.

"Board of Directors" means the Board of Directors of the Authority.

"Bond Insurance Policy" means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment of principal and interest on the Bonds when due.

"Bond Insurer" means the municipal bond insurance company providing the Bond Insurance Policy and the Reserve Instruments.

"Bond Obligation" means, as of any given date of calculation, (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Current Interest Bond, and (b) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value thereof as of such date.

"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, 2005.

"Bonds" means, collectively, the Series A Bonds and the Series B Bonds authorized, executed, authenticated and delivered in accordance with the Indenture.

"Business Day" means any day (other than a Saturday, a Sunday or a legal holiday) on which banks in New York, New York, and in Los Angeles and San Francisco, California, are open for business and on which the Trustee is open for business at its Principal Corporate Trust Office.

"Capital Appreciation Bond" means a Bond, the interest on which is payable at maturity and compounded semiannually on each Distribution Date to the maturity date or redemption date thereof, as the case may be.

"Certificate of the Agency" means a certificate in writing signed by the Executive Director, Director of Finance, General Counsel, Treasurer or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Certificate of the Authority" means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board of Directors for that purpose.

"Chair" means the Chair of the Authority.

"City" means the City of Sacramento, a chartered city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

"Code" means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and reference to any particular section of the Code shall include reference to all successor sections of the Code.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate executed by the Agency relating to the Bonds, dated the date of the original issuance of the Bonds.

"Costs of Issuance" means all costs directly or indirectly payable by or reimbursable to the Authority or the Agency related to the execution and delivery of the Program Obligations and the Indenture and the authorization and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of the Rating Agencies and costs to provide information required by the Rating Agencies, filing, recording and title insurance fees, charges and fees of the Trustee, legal fees and expenses, fees and expenses of consultants and professionals, costs of the premiums for the Bond Insurance Policy and the Reserve Instruments for the Bonds, charges and fees incidental to the acquisition of rights under the Program Obligations by the Authority and the preparation, execution, authentication and original delivery of the Bonds, and any other charge, cost, expense or fee in connection with the issuance of the Bonds.

"Costs of Issuance Fund" means the Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds, Series A and Series B (Merged Downtown and Oak Park Projects) Costs of Issuance Fund established pursuant to the Indenture (to be maintained by the Treasurer).

"Current Interest Bond" means, a Bond, the interest on which is payable on each Distribution Date.

"Defeasance Securities" means (unless otherwise approved by the Bond Insurer for the Bonds) only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, or (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's and Moody's, respectively, or any combination thereof.

"Distribution Date" means each December 1 and June 1 of each year to which reference is made, commencing on June 1, 2006.

"DTC" means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190, and its successors or assigns.

"Event of Default" means an event defined as such in the Indenture or the applicable Loan Agreement, as the case may be.

"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) the investment is the Local Agency Investment Fund of the State of California but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States.

"Fiscal Year" means the twelve-month period terminating on June 30 of each year, or any other annual accounting period selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

"Holder" or "Bondholder" means any person who shall be the registered owner of any Bond, as shown on the registration books maintained by the Trustee pursuant to the Indenture.

"Indenture" means the Indenture dated as of November 1, 2005 by and between the Authority and the Trustee executed pursuant to the Act, which provided for the issuance of the Bonds.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the Authority, and who, or each of whom--

(1) is in fact independent and not under the domination of the Authority;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and

(3) is not connected with the Authority as an officer of the Authority, but who may be regularly retained to provide accounting services to the Authority.

"Independent Financial Consultant" means any financial consultant or fiscal consultant or firm of such consultants, including an original purchaser of the Bonds, 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 or the Agency as an officer or employee of the Authority or the Agency but who may be regularly retained by the Authority 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 the Bonds or any Parity Debt;

(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; and

(e) either is approved in writing by the Bond Insurer for the Bonds, or is included in the following list: Don Fraser & Associates, Katz Hollis, GRC Redevelopment Consultants, Rosenow Spevacek Group Inc. and Keyser Marsten.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Standard and Poor's JJ Kenny' "Called Bond Service," 55 Water Street, 45th Floor, New York, New York 10041-0003 and Moody's "Municipal and Government," 525077 Center Drive, Suite 150, Charlotte, North Carolina, 28271; attention: Called Bonds Department; or, in accordance with then current guidelines of the Securities and Exchange Commission, to such other services providing information with respect to called bonds, or no such services as the Authority may indicate in a Certificate of the Authority delivered to the Trustee.

"Interest Account" means the account by that name within the Revenue Fund established under the Indenture.

"Legal Investments" means any of the following obligations if and to the extent that, at the time of making such investment, they are permitted by applicable law:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);

(2) Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America;

(3) Obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration (formerly the Farmers Home Administration)
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(4) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by Standard & Poor's issued by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System;

(5) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" or higher by Standard & Poor's and which mature no more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank):

(6) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" or higher by Moody's and "A-1+" or higher by Standard & Poor's and which matures not more than two hundred seventy (270) calendar days after the date of purchase;

(7) Investments in a money market fund rated "AAAm" or "AAAm-G" or higher by Standard & Poor's, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(8) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and Standard & Poor's or any successors thereto; or

(B) (i) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of obligations described in paragraphs (1) or (2) above, which escrow may be applied only to the payment of such interest and principal and redemption premiums, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay interest and principal and redemption premiums, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(9) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of at least "A2/A" or higher by both Moody's and Standard & Poor's; and

(10) Investments in the City of Sacramento Investment Pool "A."

The value of the above investments shall be determined as follows:

"Value" (which shall be determined as of the end of each month) means that the value of any investments shall be calculated as follows:

(1) For securities, (a) the closing bid price quoted by Interactive Data Systems, Inc.; or (b) a valuation performed by a nationally recognized and accepted pricing service whose valuation method consists of the composite average of various bid price quotes on the valuation date; or (c) the lower of two dealer bids on the valuation date (which dealers or their parent holding companies must be rated at least investment grade by Moody's and Standard & Poor's and must be market makers in the securities being valued);

(2) For certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest; and

(3) For any investment not specified above, the value thereof established by prior agreement between the Authority and the Trustee.

"Loan" or "Loans" means the Merged Downtown Loan and the Oak Park Loan collectively or separately, as applicable.

"Loan Agreement" or "Loan Agreements" means the Merged Downtown Loan Agreement and the Oak Park Loan Agreement, collectively or separately, as applicable.

"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 each Loan Agreement, 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 the Loan and, unless otherwise specified, 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, unless otherwise specified, 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 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 an Independent Redevelopment Consultant or Independent Financial Consultant and delivered to the Trustee, together with the Certificate required by the Loan Agreement 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 Loan Agreement.

"Member" means either the City or the Agency, as a member of the Authority.

"Merged Downtown Loan" means the loan made by the Authority to the Agency pursuant to the Merged Downtown Loan Agreement.

"Merged Downtown Loan Agreement" means that certain loan agreement, dated as of November 1, 2005, by and among the Agency, the Authority and the Trustee, with respect to the Merged Downtown Redevelopment Plan.

"Merged Downtown Redevelopment Plan" means the Amended Redevelopment Plan for Capitol Mall Area, Project No. 2A, Capitol Mall – Extension Project No. 3, Capitol Mall Riverfront Project No. 4, and Uptown Development Project, Project No. 8, approved and adopted by the City and any amendment thereof heretofore or hereafter made pursuant to the Redevelopment Law.

"Merged Downtown Reserve Account" means the account by that name established pursuant to the Merged Downtown Loan Agreement and held by the Trustee in the Reserve Fund pursuant to the Indenture to secure the payment of the interest on or principal of the Merged Downtown Loan and no other indebtedness.

"Merged Downtown Reserve Requirement" means, as of any date of calculation, the least of (a) Maximum Annual Debt Service on the Merged Downtown Loan (b) 10% of the aggregate unpaid principal balance of such Loan, or (c) 125% of the average annual debt service on such Loan.

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

"Oak Park Loan" means the loan made by the Authority to the Agency pursuant to the Oak Park Loan Agreement.

"Oak Park Loan Agreement" means that certain loan agreement, dated as of November 1, 2005, by and among the Agency, the Authority and the Trustee, with respect to the Oak Park Redevelopment Plan.

"Oak Park Redevelopment Plan" means the Redevelopment Plan for Oak Park Redevelopment Project, Project No. 7 approved and adopted by the City and any amendment thereof heretofore or hereafter made pursuant to the Redevelopment Law.

"Oak Park Reserve Account" means the account by that name established pursuant to the Oak Park Loan Agreement and held by the Trustee in the Reserve Fund pursuant to the Indenture to secure the payment of the interest on or principal of the Oak Park Loan and no other indebtedness.

"Oak Park Reserve Requirement" means, as of any date of calculation, the least of (a) Maximum Annual Debt Service on the Oak Park Loan, (b) 10% of the aggregate unpaid principal balance of such Loan or (c) 125% of the average annual debt service on such Loan.

"Opinion of Counsel" means a written opinion of a law firm of recognized national standing relating to municipal bonds that is retained by the Authority.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds except --

(1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) Bonds paid or deemed to have been paid pursuant to the Indenture; and

(3) Bonds in lieu of or in substitution for which replacement Bonds shall have been executed, authenticated and delivered pursuant to the Indenture.

"Parity Debt" means, any bonds, notes, loans, advances or other indebtedness issued or incurred by the Agency and secured equally and ratably with the obligations of the Agency under a Loan Agreement by a first pledge of, security interest in and lien on the related Tax Revenues pursuant to such Loan Agreement.

"Parity Debt Instrument" means any resolution, indenture of trust, trust agreement, loan agreements or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of the applicable Loan Agreement.

"Permitted Investments" means securities in which funds of the Agency may be legally invested in accordance with the applicable law in effect at the time of such investment and in accordance with the then current investment policy of the City (as established by the City), but only to the extent that the same are acquired at Fair Market Value.

"Plan Limit" means the limitation contained in the Merged Downtown Redevelopment Plan or the Oak Park Redevelopment Plan, as applicable, 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.

"Principal Corporate Trust Office" means the principal corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to the presentation of Bonds for registration, transfer, exchange, payment or redemption, such term shall mean such other office or agency of the Trustee designated in writing from time to time by the Trustee to the Authority as its Principal Corporate Trust Office.

"Principal Subaccount" means the subaccount by that name within the Redemption Account established under the Indenture.

"Project Area" means the Redevelopment Project area described in the Merged Downtown Redevelopment Plan or the Oak Park Redevelopment Plan, as applicable.

"Program" means the program implemented under the Act to provide assistance to the Agency so that the Agency can finance or refinance capital improvements in order that the Agency may achieve its public purpose.

"Program Fund" means the Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds, Series A and Series B (Merged Downtown and Oak Park Projects) Program Fund established pursuant to the Indenture (to be maintained by the Trustee).

"Program Obligations" means the Loan Agreements.

"Program Obligation Payments" means all payments by the Agency to the Authority under the Program Obligations, as provided therein, other than amounts paid to replenish the Merged Downtown Reserve Account or the Oak Park Reserve Account pursuant to the applicable Loan Agreement.

"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 rated in one of the two highest rating categories by S&P and Moody's, and, if rated by A.M. Best & Company, 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 Merged Downtown Reserve Requirement or the Oak Park Reserve Requirement, as applicable, with respect to which funds are proposed to be released; and (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.

"Rating Agencies" means Moody's and Standard & Poor's, and their respective successors or assigns, but only to the extent that and so long as either of them is then rating the Bonds, or any other nationally recognized securities rating agency or agencies then rating the Bonds at the request of the Authority.

"Rebate Fund" means the Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds, Series A and Series B (Merged Downtown and Oak Park Projects) Rebate Fund established pursuant to the Indenture (to be maintained by the Trustee).

"Redemption Account" means the account by that name within the Revenue Fund established under the Indenture.

"Redevelopment Fund" means the respective fund by that name established and held by the Agency pursuant to each Loan Agreement.

"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 Merged Downtown Redevelopment Plan or the Oak Park Redevelopment Plan, as applicable.

"Redevelopment Project" means the respective undertaking of the Agency pursuant to the Merged Downtown Redevelopment Plan or the Oak Park Redevelopment Plan and the Redevelopment Law for the redevelopment of the applicable Project Area.

"Report" means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of the Loan Agreement to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

"Request of the Agency" means a request in writing signed by the Executive Director, Director of Finance, General Counsel, Treasurer or Secretary of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose.

"Reserve Fund" means the fund by that name established pursuant to the Indenture (to be maintained by the Trustee), in which shall be held the Merged Downtown Reserve Account established under the Merged Downtown Loan Agreement and the Oak Park Reserve Account established under the Oak Park Loan Agreement.

"Reserve Instruments" means, collectively, the 2005 Merged Downtown Reserve Instrument and the 2005 Oak Park Reserve Instrument.

"Reserve Instrument Costs" means any amounts due and payable to the provider of any Qualified Reserve Account Credit Instrument pursuant to the terms of the Indenture, the related Loan Agreement or such instrument arising on a draw on such instrument pursuant to such Loan Agreement.

"Revenue Fund" means the Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds, Series A and Series B (Merged Downtown and Oak Park Projects) Revenue Fund established pursuant to the Indenture (to be maintained by the Trustee).

"Revenues" means: (a) all Program Obligation Payments, including all amounts realized upon the enforcement of the payments due under the Program Obligations; (b) all money deposited and held from time to time in any of the accounts and funds established under the Indenture (except the Rebate Fund and with respect to the accounts in the Reserve Fund, only in accordance with the terms of the Indenture); and (c) all investment income with respect to any money held in the accounts and funds established under the Indenture (except the Rebate Fund).

"Secretary" means the Secretary of the Authority.

"Serial Bonds" means the Bonds for which no Sinking Fund Payments are provided, being the Series A Bonds that are Current Interest Bonds maturing on December 1 in each of the years 2016 through 2018, both years inclusive, being the Series A Bonds that are Capital Appreciation Bonds maturing on December 1 in each of the years 2019 through 2032, both years inclusive and the Series B Bonds maturing on December 1 in each of the years 2006 through 2013, both years inclusive.

"Series" means when used with reference to the Bonds, all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Indenture as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, regardless of variations in maturity, interest rate, sinking fund installments or other provisions.

"Series A Bonds" means Sacramento City Financing Authority 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) issued pursuant to the Indenture.

"Series B Bonds" means Sacramento City Financing Authority 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) issued pursuant to the Indenture.

"Sinking Fund Payments" means the payments required by the Indenture to be deposited in the Sinking Fund Subaccount for the payment of the Term Bonds.

"Sinking Fund Subaccount" means the subaccount by that name within the Redemption Account established pursuant to the Indenture.

"Special Fund" means the respective fund by that name established and held by the Agency pursuant to each Loan Agreement.

"Standard & Poor's" means Standard & Poor's Ratings Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"State" means the State of California.

"Subordinate Debt" means any bonds, notes, loans, advances or indebtedness issued or incurred by the Agency pursuant to a Loan Agreement, which are either: (a) payable from, but not secured by a pledge of or lien upon, the Tax Revenues related to such Loan Agreement; or (b) secured by a pledge of or lien upon such Tax Revenues which is subordinate to the pledge of and lien upon such Tax Revenues under the applicable Loan Agreement for the security of the related Loan.

"Supplemental Indenture" means any indenture then in full force and effect that has been made and entered into by the Authority and the Trustee, amendatory of or supplemental to the Indenture; but only to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" mean the Tax Certificate executed by the Authority and the Agency at the time of the original issuance of the Series A Bonds, or any functionally similar replacement certificate, as the same may be amended or supplemented from time to time in accordance with its terms.

"Tax Revenues" means, with respect to each Loan Agreement, 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 excluding (i) all other amounts required to be deposited in the Low and Moderate Income Housing Fund, (ii) 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) amounts payable by the Agency pursuant to Sections 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 to the payment of all Parity Debt, and (iv) amounts payable by the Agency pursuant to the Tax Sharing Agreements, except and to the extent that any such tax revenues are released from the pledge contained therein or are payable on a basis subordinate to the payment of the Loan and to the payment of all Parity Debt.

"Tax Sharing Agreements" means any future agreements between the Agency and any taxing entity for the pass-through or sharing of Tax Revenues. As of the date hereof, there are no Tax Sharing Agreements.

"Treasurer" means the Treasurer of the Authority.

"Trustee" means U.S. Bank, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character set forth in the Indenture, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California which may at any time be substituted in its place as provided in the Indenture.

"2005 Merged Downtown Reserve Instrument" means the Qualified Reserve Account Credit Instrument, dated the date of the original delivery of the Bonds, issued by the Bond Insurer and credited to the Merged Downtown Reserve Account to satisfy the Merged Downtown Reserve Requirement.

"2005 Oak Park Reserve Instrument" means the Qualified Reserve Account Credit Instrument, dated the date of the original delivery of the Bonds issued by the Bond Insurer and credited to the Oak Park Reserve Account to satisfy the Oak Park Reserve Requirement.

"Verification Report" means a report of a nationally-recognized verification agent verifying the mathematical accuracy of the calculations which show that the amounts available from an escrow portfolio are sufficient to pay when due the payment requirements to be paid from such escrow.

"Written Request of the Authority" means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board of Directors for that purpose.

THE INDENTURE

Equal Security

In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract by and among the Authority, the Trustee and the Holders from time to time to secure the full and final payment of the interest on and the principal or Accreted Value of and the redemption premiums, if any, on all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered under the Indenture as and when they respectively become due, subject to the agreements, conditions, covenants and terms contained in the Indenture; and all agreements, conditions, covenants and terms contained in the Indenture required to be observed or performed by or on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or for any cause whatsoever, except as expressly provided in the Indenture or in the Bonds.

Authorization and Purpose of Bonds

The Board of Directors has reviewed all proceedings taken relative to the authorization of the Bonds and has found, as a result of such review, and finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and for the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Act, and the Authority is authorized, pursuant to each and every requirement of the Act and the Indenture, to issue the Bonds in the form and manner provided in the Indenture, which Bonds shall be entitled to the benefit, protection and security of the Act and the Indenture.

The purpose for which the Bonds are to be issued under the Act and under the Indenture is to provide funds to pay the costs of the acquisition by the Authority of the rights to receive the Program Obligation Payments due under the Program Obligations.

From and after the issuance of the Bonds, the findings and determinations of the Board of Directors respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds, and the validity of the issuance of the Bonds shall not be dependent on or affected in any way by any proceedings taken by the Authority for the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligations or by any contracts made by the Authority in connection therewith, and shall not be dependent upon the performance by any person, firm or corporation of his or her or its obligation with respect thereto. The recital contained in the Bonds that the Bonds are issued pursuant to the Act and pursuant to the Indenture shall be conclusive evidence of their validity and of the regularity of their issuance, and the Bonds shall be deemed to be issued, within the meaning Indenture, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been originally delivered to the purchaser thereof and the proceeds of sale thereof received.

Procedure for the Issuance of Bonds and Application of Bond Proceeds

At any time after the sale of the Bonds, the Authority shall prepare the Bonds and shall execute the Bonds for original issuance under the Indenture and shall deliver them to the Trustee, and thereupon the Bonds shall be authenticated and delivered by the Trustee to the underwriters thereof upon receipt of a Written Request of the Authority and upon receipt of payment of the purchase price thereof from the underwriters (net of the cost of the underwriters' discount and the premium for the Bond Insurance Policy and the premiums for the Reserve Instruments for the Bonds, which shall be paid by the underwriters directly to the Bond Insurer for the Bonds). Upon receipt of payment of such purchase price of the Bonds from the underwriters, the Trustee shall set aside and deposit in or transfer such net purchase price of the Bonds for deposit in the following respective funds (or in a temporary account in its books used to facilitate such deposit or transfer) in the following order:

(1) The Trustee shall deposit in the Program Fund an amount of such net purchase price received from the sale of the Bonds equal to the net amount required to be paid by the Authority to the Agency to acquire the rights to receive the payments due under the Program Obligations, being the sum of $135,144,973.72; and

(2) The Trustee shall transfer to the Treasurer for deposit in the Costs of Issuance Fund the remaining purchase price received from the sale of the Bonds, being the sum of $371,868.78.

Program Fund; Acquisition of Program Obligations

The Program Fund is established under the Indenture into which fund shall be deposited the amount required to be deposited therein by the provisions of the Indenture.

(a) The Authority shall acquire the Merged Downtown Loan Agreement from the Agency for a purchase price of $118,784,725.05 . The Authority shall deduct therefrom all costs and expenses of issuing the Bonds allocable to such Loan, including without limitation allocable portions of the underwriters discount, bond insurance premiums, Reserve Instrument premiums and other Costs of Issuance, and shall pay over the remaining amount to the Agency in exchange for the Merged Downtown Loan Agreement as provided in clause (c) below.

(b) The Authority shall acquire the Oak Park Loan Agreement from the Agency for a purchase price of $20,997,809.15 The Authority shall deduct therefrom all costs and expenses of issuing the Bonds allocable to such Loan, including without limitation allocable portions of the underwriters discount, bond insurance premiums, Reserve Instrument premiums and other Costs of Issuance, and shall pay over the remaining amount to the Agency in exchange for the Oak Park Loan Agreement as provided in clause (c) below.

(c) All money in the Program Fund shall be applied by the Trustee upon receipt of a Written Request of the Authority for the payment of the net purchase price for the Program Obligations as follows:

(A) Acquisition of the Merged Downtown Loan Agreement for $114,360,695.41; and

(B) Acquisition of the Oak Park Loan Agreement for $20,412,409.53;

provided, that any money remaining in the Program Fund after the completion of the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligations shall be withdrawn by the Trustee from the Program Fund and deposited by the Trustee in the Revenue Fund and the Program Fund shall thereupon be closed.

Costs of Issuance Fund

The Costs of Issuance Fund is established under the Indenture into which fund shall be deposited the amount required to be deposited therein by the provisions of the Indenture. All money in the Costs of Issuance Fund shall be withdrawn as directed by the Treasurer or his designee in the manner provided by law for payment of Costs of Issuance; provided, that any money remaining in the Costs of Issuance Fund after the completion of the payment of the Costs of Issuance (and in any event not later than May 1, 2006) shall be withdrawn by the Treasurer from the Costs of Issuance Fund and transferred to the Trustee for deposit by the Trustee in the Revenue Fund and the Cost of Issuance Fund shall thereupon be closed.

Assignment of Program Obligation and Pledge of Revenues

The Authority assigns to the Trustee for the benefit of the Holders of the Bonds all of the Authority's right, title and interest in the rights to receive the Program Obligation Payments due under the Program Obligations as security for the payment of the Bonds; provided, that the assignment of the rights to receive the Program Obligation Payments due under the Program Obligations to the Trustee is solely in its capacity as Trustee under the Indenture, and the duties, powers and liabilities of the Trustee in acting under the Indenture shall be subject to the provisions of the Indenture, and the Trustee shall have no responsibility for the representations, covenants or warranties of the Authority contained in the Program Obligations. All Revenues received by the Authority under the Indenture are pledged to the payment of the interest on and the principal or Accreted Value of the Bonds as and when they respectively become due as provided in the Indenture, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. This pledge shall constitute a first pledge of and charge and lien upon the Revenues for the payment of the interest on and the principal or Accreted Value of the Bonds as and when they respectively become due in accordance with the terms of the Indenture and the Bonds.

Receipt and Deposit of Revenues in the Revenue Fund

In order to carry out and effectuate the assignment and pledge contained in the Indenture, the Authority agrees and covenants (except as described below in the section "Reserve Fund") that all Revenues when and as received by the Authority will be forthwith transferred by the Authority to the Trustee for deposit in the Revenue Fund which fund is created under the Indenture and which fund the Authority agrees and covenants to maintain with the Trustee so long as any Bonds are Outstanding under the Indenture. All money in the Revenue Fund shall be accounted for through and held in trust in the Revenue Fund by the Trustee, and the Authority shall have no beneficial right or interest in any money in the Revenue Fund. All Revenues shall be allocated, applied and disbursed solely to the purposes and uses set forth in the Indenture, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

Establishment and Maintenance of Accounts for Use of Money in the Revenue Fund

All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts within the Revenue Fund (each of which is created and each of which the Trustee covenants and agrees to cause to be maintained) in the following order of priority:

(a) Interest Account, and

(b) Redemption Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes authorized in the Indenture.

(a) Interest Account. On or before June 1 and December 1 of each year, commencing June 1, 2006, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account an amount of money equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1, as the case may be; provided, that no deposit need be made into the Interest Account if the amount contained therein is at least equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including the payment of accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Redemption Account. On or before December 1 of each year, commencing December 1, 2006 the Trustee shall set aside from the Revenue Fund and deposit in the Principal Subaccount in the Redemption Account (which subaccount is created under the Indenture and which the Trustee covenants and agrees to cause to be maintained so long as any Serial Bonds shall be Outstanding) an amount of money equal to the principal amount or Accreted Value of all Outstanding 2005 Serial Bonds maturing on such December 1, and on or before December 1 of each year, commencing December 1, 2023, the Trustee shall set aside from the Revenue Fund and deposit in the Sinking Fund Subaccount in the Redemption Account (which subaccount is created under the Indenture and which the Trustee covenants and agrees to cause to be maintained so long as any Term Bonds shall be Outstanding) an amount of money equal to the Sinking Fund Payments required to be deposited therein on such December 1 for all Outstanding Term Bonds; provided, that no deposit need be made in the Redemption Account if the amount contained in the Principal Subaccount therein is at least equal to the principal amount or Accreted Value of all Outstanding Serial Bonds maturing by their terms on such December 1 and if the amount contained in the Sinking Fund Subaccount therein is at least equal to the amount of the Sinking Fund Payments required to be deposited therein on such December 1 for all Outstanding Term Bonds.

All money in the Principal Subaccount in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Serial Bonds as they shall become due and payable, whether at maturity or on prior redemption, and all money in the Sinking Fund Subaccount in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of purchasing or redeeming or paying the Term Bonds, and with respect to the Sinking Fund Subaccount, on each Sinking Fund Payment date the Trustee shall apply the Sinking Fund Payment or Sinking Fund Payments required to be made on such date to the redemption of the related Term Bonds upon the notice and in the manner provided in the Indenture or for the payment at maturity of the Term Bonds; provided, that at any time prior to selection of Term Bonds for such redemption the Trustee shall, upon receipt of a Written Request of the Authority, apply any money in a subaccount of the Sinking Fund Subaccount to the purchase for cancellation of the related Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in such Written Request of the Authority, except that the purchase price (excluding accrued interest) shall not exceed such redemption price that would be payable for the Term Bonds upon redemption by application of such Sinking Fund Payment, and if during the twelve-month period immediately preceding any Sinking Fund Payment date the Trustee has purchased any Term Bonds with money in the Sinking Fund Subaccount, such Term Bonds so purchased shall be applied to the extent of the full principal amount thereof to reduce the related Sinking Fund Payment due on such Sinking Fund Payment date.

Reserve Fund

The Reserve Fund is established under the Indenture, in which the Trustee covenants to hold and maintain the Merged Downtown Reserve Account established under the Merged Downtown Loan Agreement and the Oak Park Reserve Account established under the Oak Park Loan Agreement. In the event the amount on deposit in the Merged Downtown Reserve Account or the Oak Park Reserve Account, after taking into account the amount available under the applicable Reserve Instrument, shall be less than the Merged Downtown

Reserve Requirement or the Oak Park Reserve Requirement, respectively, the Trustee shall promptly notify the Agency of the amount of such deficiency in accordance with the applicable Loan Agreement. For this purpose all investments in the Reserve Fund on June 1 and December 1 of each year (beginning in June, 2006) shall be valued at the face value thereof if such investments mature within twelve (12) months from the date of such valuation, or if such investments mature more than twelve (12) months after the date of such valuation, at the price at which such investments are redeemable by the holder, at his option, if so redeemable, or if not so redeemable, at the then current market value of such investments; provided, that no deposit need be made in the Merged Downtown Reserve Account or the Oak Park Reserve Account, if the amount contained therein (valued as aforesaid) is at least equal to the applicable reserve requirement; and provided further, that if as a result of the foregoing valuation the Trustee determines that an amount in excess of the applicable reserve requirement is on deposit in either of the accounts in the Reserve Fund, the Trustee shall withdraw such excess and shall apply such excess as a credit against payments due under the applicable Loan Agreement, as appropriate. Upon receipt of a deposit from the Agency to the Merged Downtown Reserve Account pursuant to receipt of notice from the Trustee in accordance with this section and the Merged Downtown Loan Agreement, the Trustee shall deposit such moneys in the Merged Downtown Reserve Account. Upon receipt of a deposit from the Agency to the Oak Park Reserve Account pursuant to receipt of notice from the Trustee in accordance with this section and the Oak Park Loan Agreement, the Trustee shall deposit such moneys in the Oak Park Reserve Account.

All money in the Merged Downtown Reserve Account in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying Program Obligation Payments of the Merged Downtown Loan Agreement. All money in the Oak Park Reserve Account in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying Program Obligation Payments of the Oak Park Loan Agreement.

The Trustee agrees and covenants in the Indenture to comply with the provisions of each Loan Agreement with respect to the reserve account established under such Loan Agreement.

Rebate Fund

The Rebate Fund is established under the Indenture in which the Trustee shall deposit in the Rebate Fund from funds provided by the Authority an amount equal to the Rebate Requirement in accordance with the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee, and the Trustee shall apply all money held in the Rebate Fund as provided in the Indenture and in the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee; and subject to the provisions of the Indenture, all money held in the Rebate Fund is pledged to secure payments to the United States of America, and the Authority and the Holders shall have no rights in or claims to such money.

In accordance with the Tax Certificate, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee, and in addition, if the Tax Certificate so requires, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as therein provided, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee.

Punctual Payment and Performance

The Authority will punctually pay the interest on and the principal or Accreted Value of all Bonds issued under the Indenture as and when they respectively become due in strict conformity with the terms of the Act, and of the Indenture and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

Indebtedness and Encumbrances

The Authority will not issue any evidences of indebtedness payable from the Revenues except as provided in the Indenture, and will not create, nor permit the creation of, any pledge, lien or other encumbrance upon any money in the Revenue Fund other than as provided in the Indenture.

Tax Covenants

The Authority will at all times do and perform all acts and things permitted by law and the Indenture which are necessary to assure that interest paid on the Series A Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being excluded from gross income for federal income tax purposes; and without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Series A Bonds.

Payment of Claims

The Authority will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or the principal or Accreted Value of the Bonds, or which might impair the security of the Bonds.

Accounting Records and Reports

(a) The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than one hundred eighty (180) days after the close of each Fiscal Year, the Authority will furnish or cause to be furnished to the Trustee audited financial statements for such Fiscal Year (constituting a part of the financial statements of the City) prepared by an Independent Certified Public Accountant. The Authority will also keep or cause to be kept such other information as required under the Tax Certificate, and the Trustee shall have no duty to review or examine such statements.

(b) In accordance with Section 6599.1 of the California Government Code, until the October 30 following the final maturity of the Bonds, the Authority shall, not later than October 30 of each year, provide the following information to the California Debt and Investment Advisory Commission by mail, postage prepaid:

(1) The principal amount of Bonds outstanding and the principal amount of the Program Obligations outstanding.

(2) The balance in the reserve funds established in connection with the Program Obligations.

(3) The costs of issuance, including any ongoing fees.

(4) The total amount of administrative fees collected.

(5) The amount of administrative fees charged to the Program Obligations.

(6) The interest earnings and terms of all guaranteed investment contracts.

(7) The commissions and fees paid on all guaranteed investment contracts.

(8) The delinquency rates on the Program Obligations.

(9) The balance in capitalized interest accounts.

(c) In addition, in accordance with Section 6599.1 of the California Government Code, until the final maturity of the Bonds, the Authority shall notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within ten (10) days if any of the following events occur:

(1) The City or the Trustee fails to pay interest, principal or Accreted Value due on the Bonds on any scheduled payment date.

(2) Funds are withdrawn from the Reserve Account to pay interest, principal or Accreted Value on the Bonds.

(d) Neither the Authority nor the California Debt and Investment Advisory Commission shall be liable for any inadvertent error in reporting the information required by the foregoing described provisions of the Indenture, and the failure of the Authority to comply with the provisions of the Indenture shall not be an Event of Default thereunder.

Protection of Security and Rights of Holders

The Authority will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Indenture; provided, that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of any such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Indenture, except for any loss, cost, damage or expense resulting from the active or passive negligence or willful misconduct of the Trustee.

Enforcement and Amendment of the Program Obligation

The Authority shall enforce all of its rights with respect to the Program Obligations to the fullest extent necessary to preserve the rights and protect the security of the Holders under the Indenture. The Program Obligations may only be amended without the consent of or prior notice to the Holders or the written approval of the Trustee for the purposes set forth in the Program Obligations, and neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Program Obligations without the mailing of a notice thereof and receipt of the written approval or consent of (i) the Bond Insurer (provided that the Bond Insurance Policy and the Reserve Instrument related to the applicable Program Obligation are then in effect and the Bond Insurer is not in default under its payment obligations under the Bond Insurance Policy or such Reserve Instrument) or (ii) the Holders of not less than a majority of Bond Obligation of the Bonds at the time Outstanding if either the Bond Insurance Policy or the Reserve Instrument related to the applicable Program Obligation is no longer in effect or the Bond Insurer is in default under its payment obligations under the Bond Insurance Policy or such Reserve Instrument given and procured as provided in the Indenture; provided that no such amendment shall (a) extend the payment date of any Program Obligation Payments, or reduce the interest or principal or Accreted Value or prepayment premium payments due under the Program Obligations, without the prior written consent of the Holder of each Bond so affected, or (b) reduce the percentage of Bond Obligation of the Bonds the consent of the Holders of which is required for the execution of any amendment to the Program Obligations; and provided further, that nothing contained in this section shall be construed to prevent the Trustee, with the prior consent of the Authority, from settling a default under the Program Obligations on such terms as the Trustee may determine to be in the best interests of the Holders. If at any time the Authority shall request the consent of the Trustee to any such proposed amendment, change or modification of the Program Obligations, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by the Indenture, which such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Corporate Trust Office of the Trustee for inspection by the Bond Insurer or the Holders, as applicable.

Continuing Disclosure

The Authority will cause the Agency to comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as originally executed and as may be amended from time to time in accordance with the terms thereof; provided, that failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Indenture or a breach by the Trustee of any of its duties or obligations under the Indenture; and provided further, that the Trustee may and, at the request of the Authority or the Holders of at least twenty-five per cent (25%) in aggregate principal amount of Outstanding Bonds (but only to the extent indemnified to its satisfaction from liability or expense, including fees and expenses of its attorneys) shall, 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 Authority to comply with its obligations under the Continuing Disclosure Certificate.

Maintenance of Existence

The Authority will, so long as any Bonds are Outstanding under the Indenture, maintain its existence, powers and authority as a joint exercise of powers authority under the laws of the State.

Further Assurances

The Authority will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Holders of the rights and benefits provided in the Indenture, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Revenues provided in the Indenture to the fullest extent possible under applicable law of the State.

The Trustee

U.S. Bank National Association at its Principal Corporate Trust Office, is appointed Trustee for the purpose of receiving all Revenues which the Authority is required to deposit with the Trustee under the Indenture and for the purpose of allocating, applying and using the Revenues as provided under the Indenture and for the purpose of paying the interest on and the principal or Accreted Value of the Bonds presented for payment at its Principal Corporate Trust Office and for the purpose of canceling and destroying all paid or redeemed Bonds and all other Bonds surrendered by the Authority to it pursuant to the Indenture, with the rights and obligations provided therein. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or in San Francisco, California.

The Authority may at any time, unless there exists any Event of Default, remove the original Trustee appointed under the Indenture and any successor Trustee thereto and appoint a successor Trustee thereto by an instrument in writing; provided, that any such successor Trustee shall be a state or national bank doing business and having a corporate trust office in Los

Angeles or in San Francisco, California, and having (or in the case of an institution that is affiliated with a bank holding company, such holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars ($100,000,000) and being subject to supervision or examination by federal or state authority; and if such state or national bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of the Indenture the combined capital and surplus of such bank or trust company or national banking association (or in the case of an institution that is affiliated with a bank holding company, such holding company) shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Holders notice of such resignation, and upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing; provided, that notwithstanding any other provision under the Indenture, no removal or resignation or termination of the Trustee and appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any federal or state court for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Indenture. The Trustee may be removed at any time for any breach of the trust set forth in the Indenture.

The Trustee is authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Bonds and shall deliver to the Authority a certificate of such destruction upon request of the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and obligations (and only such duties and obligations) as are specifically set forth in the Indenture and no implied duties or obligations of the Trustee shall be read therein. The Trustee shall, during the existence of any Event of Default (that has not been cured), exercise such of the rights and powers vested in it under the Indenture, and use the same degree of care and skill in their exercise, as a corporate trustee would exercise or use under the circumstances.

Procedure for Amendment of or Supplement to the Indenture

(a) Amendment or Supplement With Consent of Holders. The Indenture and the rights and obligations of the Authority and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture shall become binding when the written consents of (i) the Bond Insurer (provided that the Bond Insurance Policy and the Reserve Instruments are then in effect and the Bond Insurer is not in default under its payment obligations under the Bond Insurance Policy or either Reserve Instrument) or (ii) the Holders of not less than a majority of Bond Obligation of the Bonds at the time Outstanding (if either the Bond Insurance Policy or the

Reserve Instruments are no longer in effect or the Bond Insurer is in default under its payment obligations under the Bond Insurance Policy or either Reserve Instrument) the Holders of at least a majority of Bond Obligations of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Indenture, shall have been filed with the Trustee; provided, that before executing any such Supplemental Indenture the Trustee shall first be provided at the Authority's expense with an Opinion of Counsel that such Supplemental Indenture complies with the provisions of the Indenture, on which opinion the Trustee may conclusively rely; and provided further, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or the principal Accreted Value of or make any Sinking Fund Payment for any Bond at the time and place and at the rate and in the currency and from the funds provided in the Indenture without the express written consent of the Holder of such Bond, or (2) permit the issuance by the Authority of any obligations payable from the Revenues other than the Bonds as provided in the Indenture, or jeopardize the ability of the Authority to collect the Revenues, or (3) reduce the percentage of Bond Obligation of the Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The Indenture and the rights and obligations of the Authority and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law and only after receiving an approving Opinion of Counsel and only for any one or more of the following purposes:

(i) To add to the agreements and covenants required in the Indenture to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority which shall not (in the opinion of the Authority) adversely affect the interests of the Holders, or to surrender any right or power reserved under the Indenture to or conferred under the Indenture upon the Authority which shall not (in the opinion of the Authority) adversely affect the interests of the Holders;

(ii) 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 regard to questions arising under the Indenture which the Authority may deem desirable or necessary and not inconsistent with the Indenture and which shall not (in the opinion of the Authority) adversely affect the interests of the Holders;

(iii) To add to the agreements and covenants contained in the Indenture such other agreements and covenants as may be necessary to qualify the Indenture under the Trust Indenture Act of 1939;

(iv) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State personal income taxes;

(v) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating by any of the Rating Agencies on the Bonds; or

(vi) To add to the rights of the Trustee.

In connection with the proceedings for the execution of any Supplemental Indenture, the Authority shall provide each of the Rating Agencies with a notice of such amendment together with a copy of the proposed Supplemental Indenture at least fifteen (15) days in advance of the execution and delivery thereof.

Events of Default and Acceleration of Maturities

If one or more of the following events ("Events of Default") shall happen, that is to say:

(a) if default shall be made by the Authority in the due and punctual payment of any interest on or principal or Accreted Value of or Sinking Fund Payment for any of the Bonds when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the observance or performance of any of the other agreements or covenants contained in the Indenture required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee;

(c) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, 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 Authority or of the whole or any substantial part of its property; or

(d) if an Event of Default (as that term is defined in the applicable Loan Agreement) has occurred under one of the Loan Agreements;

then and in each and every such case during the continuance of such Event of Default the Trustee may, and upon the written request of the Holders of not less than a majority of Bond Obligation of the Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall, by notice in writing to the Authority, declare the principal and Accreted Value of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall, without further action, become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding; provided, that this provision is subject to the condition that if at any time after the principal and Accreted Value of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal and Accreted Value of the Bonds matured prior to such declaration, with interest, at the rate borne by such Bonds on such overdue interest, principal or Accreted Value, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal and Accreted Value of the Bonds 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 and in every such case the Holders of not less than a majority of Bond Obligation of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; and provided further, that no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Application of Funds Upon Acceleration

All money in the accounts and funds provided in the Indenture upon the date of the declaration of acceleration by the Trustee as provided in the Indenture and all Revenues thereafter received by the Authority thereunder shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of the Indenture and of any other agreement to which the Trustee is a party in connection therewith, including any outstanding fees and expenses of the Trustee and including reasonable compensation to its accountants and counsel, and thereafter to the payment of the costs and expenses of the Holders in providing for the declaration of such Event of Default, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal or Accreted Value, with (to the extent permitted by law) interest on the overdue interest and principal or Accreted Value at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal or Accreted Value and (to the extent permitted by law) interest on overdue interest and principal or Accreted Value without preference or priority among such interest, principal or Accreted Value and interest on overdue interest and principal or Accreted Value ratably to the aggregate of such interest, principal or Accreted Value and interest on overdue interest and principal or Accreted Value.

Institution of Legal Proceedings by the Trustee

If one or more Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority of Bond Obligation of the Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Bonds under the Indenture by a suit in equity or action at law, either for the specific performance of any agreement or covenant contained therein or in aid of the execution of any power in the Indenture granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties thereunder; provided, that nothing contained in the Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and the principal or Accreted Value of the Bonds to the respective Holders of the Bonds as and when they respectively become due as provided in the Indenture from the Revenues as provided in the Indenture pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Indenture and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by the Indenture may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the Indenture conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Discharge of the Bonds

If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal or Accreted Value thereof as and when they respectively become due and payable in accordance with their terms or upon redemption proceedings as provided in the Indenture, or otherwise, and the whole amount of the principal or Accreted Value and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable by the Authority under the Indenture, including all fees and expenses of the Trustee, then and in that case the Indenture and the lien created thereby shall be completely discharged and satisfied and the Authority shall be released from the agreements, conditions, covenants and other obligations of the Authority contained in the Indenture, and the Trustee shall assign and transfer to or upon the order of the Authority all property, money or securities (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the preceding paragraph if there shall be on deposit with the Trustee money which is sufficient to pay the interest due on such Bonds on such date and the principal or Accreted Value due on such Bonds on such date.

Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the initial paragraph of this section (except that the Authority shall remain liable for the payment of such Bonds, but only out of the money or securities deposited with the Trustee or an escrow agent as described below) if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have agreed to mail a notice of redemption pursuant to the Indenture to the respective Holders of all such Outstanding Bonds and to DTC and the Information Services selected by it pursuant to the Indenture, (2) there shall have been deposited with the Trustee or an escrow agent acceptable to the Bond Insurer for the Bonds either money in an amount which shall be sufficient or Defeasance Securities the interest on and the principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee or such escrow agent at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal or Accreted Value of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by (i) an Accountant's Report of an Independent Certified Public Accountant or such other accountant as shall be acceptable to the Bond Insurer for the Bonds ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer for the Bonds), and (iii) an Opinion of Counsel to the effect that the Bonds are no longer "Outstanding" under the Indenture (each such Verification and Opinion of Counsel to be acceptable in form and substance, and addressed, to the Authority, the Trustee and the Bond Insurer for the Bonds, and in the event a forward purchase agreement is employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer for the Bonds and shall be accompanied by such Opinions of Counsel as may be required by the Bond Insurer for the Bonds, and the Bond Insurer for the Bonds shall be provided with final drafts of the above-referenced documentation no less than five (5) Business Days prior to the funding of the escrow); and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have agreed to mail pursuant to the Indenture a notice to the Holders of such Bonds and to DTC and the Information Services selected by it pursuant to the Indenture that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with the Indenture, and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal or Accreted Value of such Bonds. Bonds shall be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Unclaimed Money

Anything contained in the Indenture to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust for use in accordance with the Act, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Authority for the payment of such Bonds and the interest thereon; provided, that before the Trustee shall be required to make any such repayment the Authority shall mail pursuant to the Indenture a notice to the Holders of all Outstanding Bonds and to DTC and the Information Services selected by the Authority pursuant to the Indenture that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the Authority.

Liability of Authority Limited to Revenues and Certain Other Funds

Notwithstanding anything contained in the Indenture, the Authority shall not be required to advance any money derived from any source of funds other than the Revenues and the other funds provided therein for the payment of the interest on or the principal or Accreted Value of the Bonds or for the performance of any agreements or covenants contained therein; provided, that the Authority may advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority, and are payable from, and are secured as to the payment of the interest thereon and the principal or Accreted Value thereof, in accordance with their terms and the terms of the Indenture, solely from the Revenues and the other funds provided in the Indenture for their payment. The Bonds shall not constitute a charge against the general credit of the Authority or the general credit of the City or the Agency, and under no circumstances shall the Authority be obligated to pay the interest on or the principal or Accreted Value of the Bonds except from the Revenues and such other funds, and neither the State nor any public agency thereof nor the City shall be obligated to pay the interest on or the principal or Accreted Value of the Bonds, and neither the faith and credit nor the taxing power of the Authority, the State or any public agency thereof or the City shall be pledged to the payment of the interest on or the principal or Accreted Value of the Bonds, and neither the payment of the interest on or the principal or Accreted Value of the Bonds shall constitute a debt, liability or obligation of the State nor any public agency thereof nor the City.

Deposit and Investment of Money in Accounts and Funds

All money held by the Treasurer in any account or fund established under the Indenture shall be invested in Legal Investments that mature not later than the date on which it is estimated that such money will be required to be paid out under the Indenture, and all money held by the Trustee in any account or fund established under the Indenture shall be invested by the Trustee pursuant to a Written Request of the Authority received by the Trustee at least two (2) days before making any such investment in those Legal Investments specified in such Written Request of the Authority that mature not later than the date on which it is estimated that such money will be required to be paid out under the Indenture, and the Trustee may conclusively rely that any investment specified in any such Written Request of the Authority is a Legal Investment; provided, that in the absence of receipt of any such Written Request of the Authority, the Trustee shall, to the extent practicable, invest such money in securities defined in paragraph (7) of the definition of Legal Investments; and provided further, that for investment purposes the Trustee may commingle the money in the accounts and funds established under the Indenture (except the money in the Reserve Fund), but shall account for each separately. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor or manager in connection with the making or disposition of any investment by the Trustee under the Indenture and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance with the Indenture.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the Authority periodic cash transaction statements which include details for all investment transactions made by the Trustee under the Indenture.

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall (subject to the requirements of the Indenture be deposited in the Revenue Fund, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

Acquisition of Bonds by Authority

All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation as provided in the Indenture.

Maintenance of Accounts and Funds

Any account or fund required in the Indenture to be established and maintained by the Treasurer or the Trustee may be maintained by the Treasurer or the Trustee, as the case may be in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the Bonds and the rights of the Holders.

THE LOAN AGREEMENTS

Certain provisions of each Loan Agreement are briefly summarized below. Unless otherwise indicated, in the following summary of the Loan Agreements, the term "Loan" refers to the Merged Downtown Loan or the Oak Park Loan, as applicable, the term "Loan Agreement" refers to the Merged Downtown Loan Agreement or the Oak Park Loan Agreement, as applicable, the term "Redevelopment Plan" refers to the Merged Downtown Redevelopment Plan or the Oak Park Redevelopment Plan, as applicable, the term "Reserve Account" refers to the Merged Downtown Reserve Account or the Oak Park Reserve Account, as applicable, the term "Reserve Requirement" refers to the Merged Downtown Reserve Requirement or the Oak Park Reserve Requirement, as applicable, the term "Reserve Instrument" means the 2005 Merged Downtown Reserve Instrument or the 2005 Oak Park Reserve Instrument, as applicable.

Terms of Loan; Payment of Principal and Interest

The principal of the Loan allocable to the Series A Bonds and the Series B Bonds, respectively, shall be payable in installments on December 1 in each of the years and in the amounts, and interest on such Loan shall be payable in installments on June 1 and December 1 in each of the years and in the amounts as provided in the Loan Agreement. Principal of and interest on the Loan shall be payable by the Agency to the Trustee, as assignee of the Authority under the Indenture, in immediately available funds which constitute lawful money of the United States of America. Payment of such principal and interest shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the times, as set forth in the Loan Agreement.

Optional Prepayment of Loans

The Merged Downtown Loan and the Oak Park Loan shall not be subject to optional prepayment prior to December 1, 2015. The principal of the Merged Downtown Loan and the Oak Park Loan shall be subject to optional prepayment on or after December 1, 2015, in whole or in part on any date, by such principal installments or portions thereof as shall be determined by the Agency (which determination shall not be inconsistent with any requirement for the selection of the allocable Bonds under the Indenture), from any available source of funds, at a prepayment price equal to the amount of the principal installments so called for prepayment, and together with accrued interest thereon to the date of prepayment. In the event that a portion of the principal of the Loan shall have been prepaid by the Agency pursuant to the Loan Agreement, the amount of all future annual principal installments set forth in the Loan Agreement shall be reduced as determined by the Agency pursuant to the Loan Agreement. If the prepayment price described above exceeds the amount necessary to redeem an allocable amount of Bonds, as confirmed by an Independent Financial Consultant, such excess shall be refunded to the Agency, free and clear of the lien of the Loan Agreement, or such prepayment price shall be reduced accordingly.

Redevelopment Fund

The Redevelopment Fund is established under the Loan Agreement, which shall be held and maintained by the Agency as a fund separate and apart from other moneys of the

Agency; provided, however, that this fund may be one and the same as any other fund theretofore or thereafter created pursuant to any Parity Debt Instrument for the purposes described in the Loan Agreement. The moneys deposited in the Redevelopment Fund pursuant to the Loan Agreement shall be used solely in the manner provided by the Redevelopment Law and the Redevelopment Plan, and in accordance with the Tax Certificate. The Agency shall pay moneys from the Redevelopment Fund upon receipt of claims thereon and signed by at least one duly authorized officer or member of the Agency. The Agency shall be authorized to pay its Allocable Share of any Costs of Issuance not paid with moneys in the Cost of Issuance Fund from moneys in the Redevelopment Fund. The Agency warrants that no withdrawal shall be requested from the Redevelopment Fund for any purpose not authorized by law and shall be for payment or reimbursement for costs incurred with respect to the Redevelopment Project.

Low to Moderate Income Housing Fund

There is established and held by the Agency pursuant to Section 33334.3 of the Redevelopment Law a special trust fund designated as the "Low and Moderate Income Housing Fund". The moneys deposited in the Low and Moderate Income Housing Fund pursuant to the Loan Agreement shall be held in a segregated account and shall be used solely in the manner and for the purposes as provided by Sections 33334.2 and 33334.3 of the Redevelopment Law; provided, however, that this fund may be one and the same as any other fund theretofore or thereafter created pursuant to any Parity Debt Instrument for the purposes described in the Loan Agreement.

Reserve Account

The Reserve Account is established under the Loan Agreement, which shall be held by the Trustee under the Indenture within the Reserve Fund in trust for the benefit of the Holders of the Bonds allocable to the acquisition of the Loan Agreement. The Reserve Account is not pledged to pay debt service on the Bonds not allocable to the acquisition of the Loan Agreement, on any Parity Debt or any other indebtedness of the Agency. The Reserve Account shall be used solely to pay principal, Accreted Value interest and redemption premium, if any, on the Bonds allocable to the acquisition of the Loan Agreement (and not on any other indebtedness), and only to the extent necessary due to payment defaults on the Loan. The amount on deposit in the Reserve Account shall be maintained at the Reserve Requirement at all times prior to the payment of the Loan in full pursuant to the Loan Agreement, except to the extent required for the purposes set forth in the Loan Agreement.

If the Agency shall fail to deposit with the Trustee the full amount of interest and principal required to be deposited with respect to the Loan pursuant to the Loan Agreement on or before 1:00 p.m., Sacramento Time, on the Business Day preceding any Interest Payment Date, the Trustee shall immediately notify the Agency of such failure, such notice to be given by telephone, telefax or other form of telecommunication confirmed in writing, and, unless such failure is corrected by 3:00 p.m., Sacramento Time, on such date, the Trustee shall withdraw from the Reserve Account and deposit in the Interest Account and the Redemption Account, in such order, the difference between the amount required to be deposited with respect to the Loan and the amount, if any, actually deposited by the Agency. Any deposits in the Interest Account or the Redemption Account from the Reserve Account shall be used solely to pay principal, interest or premium on the Loan (and not on any other indebtedness). 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 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 applied to the payment of any obligations other than the Loan Agreement, and only to the extent provided above.

In the event that the amount on deposit in the Reserve Account on the Business Day following any Interest Payment Date (other than the final Interest Payment Date) exceeds the Reserve Requirement, the Trustee shall apply all amounts in excess of the Reserve Requirement as a credit against the next succeeding transfer required with respect to the Bonds pursuant to the Loan Agreement. At the Request of the Agency, all amounts in the Reserve Account shall either (a) be transferred by the Trustee, on or before the Business Day preceding the final Interest Payment Date, as a credit against the transfer required on such date with respect to the Bonds pursuant to the Loan Agreement, or (b) transferred, following the final Interest Payment Date, to the Agency to be deposited pro rata (based on the deposits made pursuant to the Loan Agreement and (d)) in the Redevelopment Fund and the Low and Moderate Income Housing Fund. Notwithstanding the foregoing provisions, however, no amounts shall be withdrawn from the Reserve Account and credited or transferred to the Agency during any period in which an Event of Default shall have occurred and be continuing under the Loan Agreement.

The Agency shall have the right at any time to release funds from the Reserve Account, or to satisfy the Reserve Requirement, in whole or in part, by tendering to the Trustee a Qualified Reserve Account Credit Instrument in an amount not less than the amount so to be released, provided that the amount on deposit in the Reserve Account after such substitution, taking into consideration all cash and all Qualified Reserve Account Credit Instruments on deposit therein, is equal to or greater than the Reserve Requirement. Upon tender of such a Qualified Reserve Account Credit Instrument to the Trustee together with an Opinion of Counsel to the effect such substitution will not, in and of itself, cause interest on the Bonds to be included in gross income for federal income tax purposes, the Trustee shall transfer the amount of cash in the Reserve Account, if any, replaced by such Qualified Reserve Account Credit Instrument, to the Agency free and clear of the lien of the Loan Agreement. Any funds so released shall be deposited pro rata (based on the deposits made pursuant to the Loan Agreement) in the Redevelopment Fund and the Low and Moderate Income Housing 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 Loan Agreement. The Reserve Requirement shall be satisfied initially by the Reserve Instrument held by the Trustee.

Except with respect to any Qualified Reserve Account Credit Instrument that expires on the final maturity date of the Bonds, 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 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 Trustee 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 Reserve Account.

If the Reserve Requirement shall at any time be maintained in the Reserve Account in the form of two or more Qualified Reserve Account Credit Instruments, the Trustee shall draw on such Instruments pro-rata to make any payment then required to made from the Reserve Account. 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 the Reserve Account, the Tax Revenues thereafter received by the Agency, to the extent remaining after making the other deposits (if any) then required to be made pursuant to the Loan Agreement, shall be transferred by the Agency to the Trustee to be used to reinstate the Qualified Reserve Account Credit Instrument.

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, subject to the following specific conditions which are made conditions precedent to the issuance and delivery of such Parity Debt issued under the 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) Except as provided under (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 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, and exclusive of any Appeals Adjustment and any outstanding Reserve Instrument Costs, shall be at least equal to: (a) with respect to Tax Revenues under the Merged Downtown Loan Agreement, 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 (b) with respect to Tax Revenues under the Oak Park Loan Agreement, one hundred thirty percent (130%), reducing to one hundred twenty-five percent (125%) at such time as no 1999 Bonds (as defined in this Official Statement) remain outstanding, 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.

(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: (a) with respect to Parity Debt issued under the Merged Downtown Loan Agreement, interest thereon shall be payable on May 1 and November 1 and principal thereof shall be payable on November 1 in any year in which principal is payable; and (b) with respect to Parity Debt issued under the Oak Park Loan Agreement, 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.

(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 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.

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 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 shall be equally secured by a first pledge of, security interest in and lien on all of the Tax Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Tax Revenues are allocated in their entirety to the payment of the principal of and interest on the Loan and all Parity Debt as provided in the Loan Agreement. Except for the Tax Revenues no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on the Loan.

The Special Fund is established under the Loan Agreement, which fund shall be held by the Agency. This fund may be one and the same as any other fund theretofore or thereafter created by the Agency under any Parity Debt Instrument for the purposes described in the Loan Agreement. The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee pursuant to the Loan Agreement; and (except as may be otherwise provided in any Parity Debt Instrument or in the Loan Agreement) any Tax Revenues received during such Bond Year in excess of such amounts shall be released from the pledge and lien under the Loan Agreement and may be used for any lawful purposes of the Agency. Prior to the payment in full of the principal of and interest and prepayment premium (if any) on the Loan and all Parity Debt and the payment in full of all other amounts payable under the Loan Agreement and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in the Loan Agreement and in any Parity Debt Instrument, and such moneys shall be used and applied as set forth in the Loan Agreement and in any Parity Debt Instrument.

The Agency shall withdraw from the Special Fund and transfer to the Trustee, the following amounts at the following times and in the following order of priority:

(a) <u>Interest and Principal Deposits</u>. No later than the Business Day preceding each Interest Payment Date commencing with the Interest Payment Date on June 1, 2006, the Agency shall withdraw from the Special Fund and transfer to the Trustee an amount equal to the aggregate amount of principal of and interest becoming due and payable on such Interest Payment Date pursuant to the Loan Agreement and pursuant to any Parity Debt Instrument.

(b) <u>Reserve Account Deposits</u>. In the event that the Trustee shall notify the Agency pursuant to the Loan Agreement that the amount on deposit in the Reserve Account is less than the Reserve Requirement, or that the amount on deposit in any reserve account for any Parity Debt is less than the minimum requirement thereof, the Agency shall immediately withdraw from the Special Fund and transfer to the Trustee for deposit in the Reserve Account or any such other reserve account, as appropriate, an amount of money necessary to maintain the Reserve Requirement in the Reserve Account and the minimum balance in any such other reserve account. If the amount available in the Special Fund is insufficient for such purpose, such deposits shall be made to the Reserve Account and such other reserve accounts on a pro rata basis according to the principal amount of indebtedness secured thereby. No such transfer and deposit need be made to the Reserve Account so long as there shall be on deposit therein a sum at least equal to the Reserve Requirement.

(c) Surplus. Except as may be otherwise provided in any Parity Debt Instrument, the Agency shall not be obligated to deposit in the Special Fund in any Bond Year an amount of Tax Revenues which, together with other available amounts in the Special Fund, exceeds the amounts required to be transferred to the Trustee or the City in such Bond Year pursuant to the Loan Agreement. If for any reason whatsoever any amounts shall remain on deposit in the Special Fund on any June 2 or December 2 after making all of the transfers theretofore required to be made pursuant to the preceding clauses (a) and (b) and pursuant to any Parity Debt Instrument, the Agency may, subject to the Loan Agreement, withdraw such amounts from the Special Fund, to be used for any lawful purpose of the Agency.

Investment of Moneys; Valuation of Investments

All moneys in the Redevelopment Fund, the Low Income and Moderate Income Housing Fund and the Special Fund shall be invested by the Agency solely in investments which are authorized under law, maturing not later than the respective dates on which such moneys are estimated by the Agency to be required for application to the Redevelopment Project or required to be deposited with the Trustee or the City pursuant to the Loan Agreement as applicable. All moneys in the Reserve Account shall be invested by the Trustee solely in Permitted Investments pursuant to the direction of the Agency given to the Trustee (and promptly confirmed in writing by the Agency) in advance of the making of such investments. At least one-half of the amount in the Reserve Account are to be invested in Permitted Investments with maturities of less than six (6) months; the remainder of such moneys are to be invested in Permitted Investments with maturities of not more than five (5) years. Obligations purchased as an investment of moneys in the Reserve Account shall be deemed to be part of the Reserve Account. The Reserve Account shall be marked to market valuation conducted on an annual basis by the Trustee. In making any such market valuation, the Trustee may utilize such computerized pricing services as are available to it.

Except as provided in the Loan Agreement, all interest, profits and other income received from the investment of moneys in any fund or account held under this Loan Agreement shall be deposited in such fund or account, provided that the Agency may, in its discretion, deposit investment earnings on moneys in the Redevelopment Fund into the Special Fund. Notwithstanding anything to the contrary contained in this paragraph, an amount of interest received with respect to any investment equal to the amount of accrued interest, if any, paid as part of the purchase price of such investment shall be credited to the fund from which such accrued interest was paid. Permitted Investments acquired as an investment of moneys in any fund or account held under the Loan Agreement shall be credited to such fund.

Limitation on Superior Debt

Under the Loan Agreement, the Agency covenants that, so long as the 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 which is superior to or on a parity with the lien established under the Loan Agreement for the security of the Loan, excepting only existing Parity Debt and Parity Debt issued pursuant to the Loan Agreement. Except for the provisions of the Loan Agreement with respect to the issuance of Subordinate Debt, nothing therein is intended or shall be construed in any way to prohibit or impose any limitations upon the issuance or incurrence by the Agency of loans, bonds, notes, advances or other indebtedness which are unsecured or which are secured by junior liens on the Tax Revenues.

Books and Accounts; Financial Statement

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, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues, the Special Fund, the Redevelopment Fund, the Low and Moderate Income Housing Fund and the Reserve Account. 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 City and the Holders of any Bonds then Outstanding, or their representatives authorized in writing.

Protection of Security and Rights

The Agency will preserve and protect the security of the Loan and the rights of the Trustee and the Holders of the Bonds with respect to the Loan. From and after the Closing Date, the Loan shall be incontestable by the Agency.

Disposition of Property in Project Area

The Agency will not authorize the disposition of any real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except for public ownership or use contemplated by the Redevelopment Plan in effect on the date of execution and delivery of the Loan Agreement, or property to be used for public streets or public off-street parking facilities or easements or rights of way for public utilities, or other similar uses) if such dispositions, together with all similar prior dispositions on or subsequent to the effective date of the Loan Agreement, shall comprise more than ten percent (10%) of the assessed value in the Project Area, based on the most recently equalized tax rolls of the County of Sacramento. If the Agency proposes to make any such disposition which, together with all similar dispositions on or subsequent to the effective date of the Loan Agreement, shall comprise more than ten percent (10%) of the assessed value in the Project Area, it shall appoint an Independent Redevelopment Consultant and direct such consultant to submit a report (the "Disposition Report") on the effect of such proposed disposition. If the Disposition 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 disposition, the Agency may make such proposed disposition. If the Disposition 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 disposition, the Agency shall either not make such proposed disposition, or shall require that such new owner or owners either:

(1) Pay to the Agency, so long as any of the Bonds allocable to the acquisition of the Loan Agreement are Outstanding, an amount equal to the amount that would have been received by the Agency as Tax Revenues if such property were assessed and taxed in the same manner as privately-owned non-exempt property, which payment shall be made within thirty (30) days after taxes for each year would become payable to the taxing agencies for non-exempt property and in any event prior to the delinquency date of such taxes established by law; or

(2) Pay to the Agency a single sum equal to the amount estimated by the Agency to be receivable from taxes on such property from the date of such payment to the last maturity date of all Outstanding Bonds allocable to the acquisition of the Loan Agreement, less a reasonable discount value.

All such payments to the Agency in lieu of taxes shall be treated as Tax Revenues and shall be deposited by the Agency as required by the Loan Agreement. For purposes of this section of the Loan Agreement, "materially reduced" means reduced to an extent that would result in an inability to satisfy the test regarding Parity Debt contained in the Loan Agreement and described above under "Parity Debt" in clause (b) thereof.

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 (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. 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 Tax Revenues available to the Agency for payment of the Loan. Nothing in the 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, amendment or supplement which by its term is subordinate to the payment of the Loan and all Parity Debt.

Tax Covenant

The Agency will at all times do and perform all acts and things permitted by law and by the applicable Loan Agreement which are necessary to assure that interest paid on the Series A Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being excluded from gross income for federal income tax purposes; and without limiting the generality of the foregoing, the Agency agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Series A Bonds.

Continuing Disclosure

The Agency covenants and agrees to comply with and carry out all of the provisions contained in the Continuing Disclosure Certificate. Notwithstanding any other provision of the Loan Agreement, failure of the Agency to comply with its obligations under the Loan Agreement shall not be an Event of Default thereunder. However, any Participating Underwriter (within the meaning of the Continuing Disclosure Certificate) 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 under the Loan Agreement.

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 the Plan Limit, as well as future cumulative annual payments on the Loan, any Parity Debt and any other obligation of the Agency payable from Tax Revenues. The Agency will not accept 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 Plan Limit to fall below the remaining cumulative debt service, except for the purpose of depositing such Tax Revenues in escrow for future Loan or Parity Debt payments or to prepay the Loan or Parity Debt.

Redevelopment of Project Area

The Agency shall ensure that all activities undertaken by the Agency with respect to the redevelopment of the Project Area are undertaken and accomplished in conformity with all applicable requirements of the Redevelopment Plan and the Redevelopment Law. Without limiting the generality of the foregoing, the Agency covenants in the Loan Agreement that it shall 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.

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 "Amendment Report") on the effect of such proposed amendment. The Agency may make such amendment if the Amendment 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. If the Amendment 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. For purposes of this section of the Loan Agreement, "materially reduced" means reduced to an extent that would result in an inability to satisfy the test regarding Parity Debt contained in the Loan Agreement and described above under "Parity Debt" in clause (b) thereof.

Subordinate Debt Payments

Before withdrawing any funds from the Special Fund for the purpose of making any payments or deposits with respect to Subordinate Debt in any Bond Year, the Agency shall prepare a projection of the Tax Revenues available in such Bond Year to make all of the transfers required in such Bond Year pursuant to the Loan Agreement. The Agency further covenants that it will not withdraw any funds from the Special Fund for the purpose of making any payments or deposits with respect to Subordinate Debt in such Bond Year, except to the extent such projected Tax Revenues are sufficient to make the transfers required under the Loan Agreement in such Bond Year.

Events of Default and Acceleration of Maturities

The following events shall constitute Events of Default under the Loan Agreement:

(a) Failure by the Agency to pay the principal of or interest or prepayment premium (if any) on the Loan or any Parity Debt when and as the same shall become due and payable.

(b) Failure by the Agency to observe and perform any of the covenants, agreements or conditions on its part contained in the Loan Agreement, other than as referred to in the preceding clause (a), for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Trustee, the Bond Insurer for the Bonds or the Authority; provided, however, that if in the reasonable opinion of the Agency the failure stated in such notice can be corrected, but not within such thirty (30) day period, the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Agency within such thirty (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.

(d) An event of default shall have occurred under any Parity Debt Instrument.

If an Event of Default has occurred and is continuing, the Trustee may, and, at the written direction of the Holders of a majority of the Bond Obligation of the Bonds Outstanding, the Trustee shall, (a) declare the principal of the 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, anything in the Loan Agreement to the contrary notwithstanding, 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. Immediately upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone, telecopier or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the 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 the 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 (including but not limited to attorneys fees), and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the 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, and in every such case, the Holders of a majority of the Bond Obligation of the Bonds Outstanding may, by written notice to the Trustee and the Agency, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

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 the Loan Agreement shall be applied by the Trustee in the following order:

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 Loan Agreement, 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 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 the 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 the Loan then due and unpaid, other than principal having come due and payable solely by reason of acceleration pursuant to the Loan Agreement, 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 the Loan then due and unpaid and having come due and payable solely by reason of acceleration pursuant to the Loan Agreement, 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 the 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 under the Loan Agreement, the principal of and interest and premium (if any) on the Loan to the Trustee as of the respective Interest Payment Dates, as therein provided, 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 Agreement.

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 Loan Agreement may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

If a suit, action or proceeding to enforce any right or exercise any remedy shall be abandoned or determined adversely to the Trustee, the Agency and the Trustee shall be restored to their former positions, rights and remedies as if such suit, action or proceeding had not been brought or taken.

Bond Insurer Remedies

For purposes of exercising remedies under the Loan Agreement, the Bond Insurer for the Bonds shall be deemed to be the Holder of all Outstanding Bonds allocable to the Loan Agreement with all rights with respect to remedies under the Loan Agreement attendant thereto, provided that it is not in default under the bond insurance policy for the Bonds or under the Reserve Instrument Instrument.

Discharge of Loan Agreement

If (a) the Agency shall pay or cause to be paid the principal of and interest and prepayment premiums (if any) on the Loan or any portion thereof, or (b) the Agency shall have made provision to pay and discharge the indebtedness on the 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 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 the 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 Defeasance Securities (as confirmed by a Verification Report), and nationally-recognized bond counsel shall have delivered a defeasance opinion in customary form, then the lien provided for in the Loan Agreement, including, without limitation, the pledge of the Tax Revenues, and all other rights granted thereby, shall thereupon cease, terminate and become void and be discharged and satisfied with respect to the Loan or applicable portion thereof, and the principal of, premium, if any, and interest on the Loan or any such portion thereof shall no longer be deemed to be outstanding and unpaid.

Any funds thereafter held by the Trustee under the Loan Agreement, which are not required for the purposes of the Loan Agreement, shall be paid over to the Agency.

Amendment

The Loan Agreement may be amended by the parties thereto but only if (a) such amendment will not impair the ability of the Agency to repay the Loan, (b) such amendment complies with the applicable provisions of the Indenture, and (c) the amendment is approved by the Bond Insurer, provided that under no circumstance shall this provision be construed as a requirement for Bond Insurer approval of additional Parity Debt.

APPENDIX B

FISCAL CONSULTANT'S REPORT

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FISCAL CONSULTANT REPORT

Redevelopment Agency of
the City of Sacramento

Merged Downtown Redevelopment Project
Oak Park Redevelopment Project

October 2005

Section A - Introduction

The Sacramento City Financing Authority (Authority) is considering the issuance of Tax Allocation Revenue Bonds (Bonds). The Bonds will be secured by two Loan Agreements (Loans) to be entered into with the Redevelopment Agency of the City of Sacramento (Agency). The Agency intends to pledge the tax increment revenues generated from the Merged Downtown Redevelopment Project Area (Merged Project Area) and the Oak Park Redevelopment Project Areas (Oak Park Project Area) to repayment of the applicable Loans.

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

A. **Introduction**: This section provides an overview of the Report and its purpose.
B. **General Information**: Provides information on each of the Project Areas, including a general description of the Redevelopment Plans and the financial and time limits of each Project Area. A brief description of the systems and procedures used by Sacramento County for the allocation of tax increment is also included in this section.
C. **Taxable Values and Historical Revenues**: Information in this section includes a description of the categories of taxable values, the Top Ten Assessees in each 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 each Project Area.
F. **Adjustments and Liens on Revenue**: This section provides information on and the estimated impact of adjustments and liens on the revenue stream.
G. **Other Issues**: This final section describes certain provisions of the Community Redevelopment Law (CRL) that could affect the tax increment revenues of the Project Areas.

The value and revenue estimates contained in this Report are based upon information and data 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 Merged Project Area

The Project Area consists of four formerly "independent" Redevelopment Projects that were merged for financial purposes in 1986. The Merged Project Area consists of Constituent Project Areas 2A, 3, 4 (including the amended portion referred to as 4A) and 8.

In March 2005, the City Council approved an amendment to the Redevelopment Plan that increased the tax increment limit and bond debt limit and extended certain time limits for the Project Area. The Agency established a new cumulative tax increment limit of $2.278 billion and a bond limit of $886 million for the Project Area. The tax increment limit is from the effective date of the merger, July 17, 1986. Through the 2004-05 fiscal year, the Agency has received approximately $280.6 million in tax increment revenues since the merger. The projections included in this Report indicate that the Agency will not reach the tax increment limit by the end of the term to receive tax increment.

The Agency intends to amend the Redevelopment Plan for the Merged Project Area pursuant to SB 1096. That bill required redevelopment agencies to shift funds to the Educational Revenue Augmentation Fund (ERAF) in 2004-05 and 2005-06. Under certain conditions, redevelopment agencies can amend their redevelopment plans to extend the plan effectiveness and tax increment receipt dates by one year for each year that an ERAF payment is made. The Agency has already extended the relevant time limits by one year for the ERAF payment made in 2004-05, and intends to extend the time limits by one additional year. The time limits for Plan Effectiveness and Debt Repayment shown below include the additional one year extension.

Time Limits – Merged Project

Project	Debt Establishment	Plan Effectiveness	Debt Repayment
2A	Deleted	1/1/2022	1/1/2032
3	Deleted	1/1/2022	1/1/2032
4	Deleted	1/1/2022	1/1/2032
4A	Deleted	1/1/2022	1/1/2032
8	Deleted	7/20/2025	7/20/2035

The Project Area is located in the central business district of the City and entails approximately 430 acres. The Project Area contains tourist, commercial office, residential, and retail land uses and is adjacent to the state Capitol and other state office buildings. The table below shows a land use breakdown by assessed value as of 2005-06.

LAND USE CATEGORY SUMMARY 2005-06			
	Parcels	Taxable Value	Percent of Total
Residential	258	$106,262,132	5.06%
Commercial	388	1,602,647,160	76.39%
Industrial	20	9,138,626	0.44%
Vacant Land	43	32,744,360	1.56%
Other	180	206,738,290	9.85%
Total Secured	889	1,957,530,568	93.30%
Unsecured / State Assessed		140,531,781	6.70%
Grand Total		**2,098,062,349**	**100.00%**

The Oak Park Project Area

The Oak Park Project Area was originally adopted on May 30, 1973, by Ordinance No. 3278. The Redevelopment Plan has been amended six times. As with the Merged Project Area, the Agency also intends to extend the Redevelopment Plan's effectiveness and tax increment receipt dates by one additional year pursuant to SB 1096. The time and financial limits for the Project Area, including the additional one year extension per SB 1096, are as follows:

TIME LIMITS – OAK PARK PROJECT	
Debt Establishment	5/29/2013
Plan Effectiveness	5/29/2016
Debt Repayment	5/29/2026
Cumulative Tax Increment	$172 million
Bond Debt	$ 59 million

The Oak Park Project is located south of the downtown of the City of Sacramento and includes approximately 1305 acres. The Project Area contains primarily residential land uses as well as some retail and medical office uses. The Agency has received approximately $32.3 million in tax increment through 2004-05 under the tax increment limit. The projections included in this Report indicate that the Agency will not reach the tax increment limit by the end of the term to receive tax increment. The table below shows a land use breakdown by assessed value as of 2005-06.

LAND USE CATEGORY SUMMARY 2005-06			
	Parcels	Taxable Value	Percent of Total
Residential	4,088	$351,945,756	76.36%
Commercial	222	53,379,918	11.58%
Industrial	12	23,715,292	5.15%
Vacant Land	405	14,597,753	3.17%
Other	195	6,614,779	1.44%
Total Secured	4,922	450,253,498	97.69%
Unsecured / State Assessed		10,643,869	2.31%
Grand Total		**460,897,367**	**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 one percent tax rate to the unsecured incremental value of a project area is based on the actual collections of unsecured revenues on a county-wide basis.

Subsequent sections of this Report include a discussion of the impact of the County's allocation practices on each Project Areas 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 it full cash value. Locally assessed property is appraised by the county assessor's office. The State Board of Equalization (SBE) values 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 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 annually 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. Absent new acquisitions, the full cash value of personal property tends to decline over time as a result of depreciation. Fixtures, while categorized as real property and subject to the restrictions of Proposition 13, are also subject to declining values through depreciation.

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, unitary property has been reported on a county-wide basis, with unitary revenues allocated to taxing entities and redevelopment projects pursuant to a formula contained in the Revenue & Taxation Code. State-assessed non unitary values and railroad values are reported at the local tax rate area level.

Project Area Value Trends

Table 1.1 shows the historical taxable values of the Merged Project Area over the past five years. Taxable values have grown from $1.7 billion in 2001-02 to almost $2.1 billion in 2005-06. The total percentage change was 24 percent over the five year period. The average annual percentage growth in values was 5.61 percent.

Secured taxable values over the five year period increased by more than $420 million. New development in the Project Area contributed almost half of the increase at $201 million. The two major new developments were the completion of the Sheraton Grand Hotel (which added $80 million) and the Embassy Suites Hotel (which added $48 million). Changes of ownership also added over $86 million in value. The allowable 2 percent inflation adjustment and other smaller changes of ownership and new investment account for the balance of growth over the past five years.

Unsecured values between 2001-02 and 2005-06 have been fairly stable, although there have been some variances between individual fiscal years. In 2001-02, unsecured values were reported at $144.5 million compared to the 2005-06 amount of $136 million. Most of the decrease was in personal property values, which depreciate over time.

Table 1.2 shows the historical taxable values of the Oak Park Project Area over the past five years. Taxable values have grown from $262.2 million in 2001-02 to $460.9 million in 2005-06. The total percentage change was 76 percent over the five year period. The average annual percentage growth in values was 15 percent.

Secured taxable value growth in the Oak Park Project Area has largely been driven by numerous small changes of ownership. In order to verify this, we reviewed all changes of ownership that occurred between 2004-05 and 2005-06. The review showed a total of 499 changes of ownership which increased secured value by over $62 million (of the total $82 million in secured value growth). The average value of the parcels that changed ownership went from $68,000 to $194,000.

A parcel verification was not performed as part of our analysis of taxable values.

Top Ten Assessees

The Top Ten Assessees in the Merged Project Area is summarized on Table 2.1. The total taxable value for the Top Ten Assessees represents 42.77 percent of the total value of the Project Area and 47.06 percent of the incremental value of the Project Area. One of the Top Ten Assessees, the Sacramento Hotel Corporation (Sheraton Grand) is appealing their assessment, as discussed further in Section D.

The Top Ten Assessees in the Oak Park Project Area is shown on Table 2.2. The total taxable value for the Top Ten Assessees represents 12.38 percent of the total value of the Project Area and 14.24 percent of incremental value of the Project Area. The Top Assessee, Rainbow Baking Company, is appealing their assessment.

Historical Tax Increment Revenues

Tables 3.1 and 3.2 provide information on the historical receipt of tax increment revenues in the Merged and Oak Park Project Areas respectively. The initial County levy is compared to the actual receipt of tax increment (exclusive of supplemental revenues) to determine collection trends.

As shown on Table 3.1, actual receipts of tax increment for the Merged Project Area have equaled between 99.89 percent and 104.08 percent of the levy in the past four fiscal years. On average, the Agency has received approximately 102.26 percent of the levy over the past four years. A part of the reason that receipts have exceeded the levy in certain fiscal years was the allocation of penalties and interest on delinquent unsecured property taxes. In addition, the County is allocating more unitary revenue to the Project Area than the initial levy amount.

The receipts to levy ratios for the Oak Park Project Area are shown on Table 3.2. The actual receipt of tax increment for the Project Area has equaled between 102.97 percent and 100.60 percent of the levy in the past four fiscal years. On average, the Agency has received approximately 102.00 percent of the levy over the past four years.

Supplemental property tax receipts are also shown on Tables 3.1 and 3.2. Supplemental taxes are a function of new construction or changes of ownership since the last property tax lien date. For the Merged Project Area, supplemental property taxes have ranged from $481,886 in 2001-02 to $801,014 in 2004-05. For the Oak Park Project Area, supplemental property taxes have ranged from $129,097 in 2001-02 to $533,690 in 2004-05. When supplemental property taxes are included, the Merged Project Area has averaged 105.77 percent of the levy and the Oak Park Project Area has averaged 113.21 percent of the levy.

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, including a reduction in the market value of property. Values can be reduced under Proposition 8 either based on a formal appeal or they can be set by the county assessor. 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.

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. The review revealed that there are open appeals in each Project Area. The table below summarizes the open appeals.

Open Appeals					
Assessee	Original Roll Value	Applicants Opinion of Value	Potential Value Reduction	Estimated Resolved Value	Estimated Valuation Reduction
Downtown Project					
FF Capital Towers	$32,897,211	$20,932,092	$11,965,119	$32,897,211	$0
Macy's West Inc.	19,549,934	16,185,826	3,364,108	19,549,934	0
Xerox Lease Equipment	2,130,044	1,525,387	604,657	2,130,044	0
Governors Square Apartments	32,059,681	22,030,000	10,029,681	32,059,681	0
FU Maggie L/Denise E Bou	2,241,717	1,709,000	532,717	2,241,717	0
CIM/Sacramento LLC	8,400,000	5	8,399,995	4,200,000	4,200,000
Sacramento Hotel Corporation	90,228,369	54,000,000	36,228,369	54,000,000	36,228,369
IMAX Theater at Esquire	901,699	320,000	581,699	901,699	0
Federated Western Property	11,260,200	10,587,344	672,856	11,260,200	0
Accenture	890,069	563,975	326,094	890,069	0
Total Downtown	**200,558,924**	**127,853,629**	**72,705,295**	**160,130,555**	**40,428,369**
Oak Park Project					
Regents of U C (Camellia Inn)	12,123,646	8,000,000	4,123,646	12,123,646	0
Rainbow Baking Co. of Sac	18,971,401	12,997,000	5,974,401	12,997,000	5,974,401
L&M Property Investment	850,000	550,000	300,000	850,000	0
Crimson Brandon T	235,000	203,010	31,990	235,000	0
Xerox Lease Equipment LL	160,017	102,207	57,810	160,017	0
Total Oak Park	**32,340,064**	**21,852,217**	**10,487,847**	**26,365,663**	**5,974,401**

As shown above, ten assessees in the Merged Project Area have requested reductions in their assessments that total $72.7 million. There have been very few successful appeals in the Merged Project Area between 1999 and 2003. A total of 80 appeals were filed during this time period, with only two applicants receiving reductions in their assessment. Those appeals averaged a 16 percent reduction in the original assessed value. Given the limited number of successful appeals, we have not used historical success factors to estimate the impact of the appeals. We have reviewed the appeals with the County Assessor's Office, but they were unable to provide any information on the appeals. We have made the following assumptions in regards to the appeals:

- The appeal from CIM Sacramento is on the land value for certain parcels that were acquired from the Agency at less than fair market value. We have assumed that CIM would receive a reduction based on 50 percent of the current tax roll value.
- The appeal from Sacramento Hotel Corporation is for the Sheraton Grand Hotel. It is our understanding from discussions with Agency staff that this appeal has validity, so we have assumed that the applicant would receive the requested reduction.
- We have assumed that all of the other appeals would be unsuccessful.

For the Oak Park Project Area, five assessees have filed appeals that are currently open. In total, they have requested reductions of $10.5 million. As with the Merged Project Area, there has been little appeal activity in the Oak Park Project Area. The one significant appeal that was granted in the last five years was to Rainbow Baking Company, which received a 39 percent reduction in their assessed value in 2003-04. The appealed value was reversed in 2004-05, and the applicant appealed again. We have assumed that Rainbow Baking would receive the requested reduction shown on the table above, but have not included any other reductions for the open appeals.

Appeals can potentially reduce the future taxable value of the Project Areas, and also result in refunds of property taxes paid in prior fiscal years. For purposes of the tax increment projections shown on Tables 5.1 through 5.3, we have reduced taxable values in 2006-07 for the potential impact of the appeals. We have not made any reductions for refunds, as described below.

Sacramento County allocates most 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 outside the Project Area could negatively affect future tax increment revenues in the Project Areas, such refunds have historically had only a minor impact on the collection of tax increment revenues in each Project Area. For major refunds, the County also reduces tax increment revenues based on the actual refunds that occur within that project area. For example, a multiple year refund that totaled over $2.0 million was recently made from another Agency project area. Given that none of the pending appeals would potentially have this large of an impact, we have not reduced the tax increment projections for the impact of refunds.

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 a project area based on a formula contained in the Revenue & Taxation Code. Generally, the Agency receives unitary revenues for its project areas 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. We have noted inconsistencies between the County's initial levy calculation for unitary revenues and the actual allocation of such revenues. The actual allocations have been higher than the levy amounts and have not reflected the growth or decline in countywide unitary values.

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 estimates shown on Tables 5.1 and 5.2. Supplemental property taxes typically increase the receipt of tax increment.

Current Year Revenues

An estimate of the current year (2005-06) tax increment revenues is shown on Tables 4.1 and 4.2. The values utilized are based on information from the records of Sacramento County. Tax increment generated from the application of the tax rate to incremental taxable value for 2005-2006 is estimated at $19.2 million for the Merged Project Area and $4.0 million for the Oak Park 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). We have used an estimated debt service tax rate for 2005-06 since the County has not yet released the actual rates. The debt service tax rate is estimated at $.0055 per $100 of assessed value. The tax rate is levied by the Regional Sanitation District and is only applied to the incremental land and improvement values in the Project Areas.

Unitary revenues are estimated to equal $2.4 million for the Merged Project Area and $81,000 for the Oak Park Project Area. We have used our own calculation of unitary revenues, due to the problems noted in the County’s allocation of such revenues. Our estimates are lower than the actual unitary revenue received in each Project Area for 2004-05.

Projected Revenues

A projection of tax increment revenues is shown on Table 5.1 (for the Merged Project Area), 5.2 (for Constituent Project 8) and 5.3 (for the Oak Park Project Area). We have included a specific projection table for Project 8 since its time limit to receive tax increment extends three years beyond that of the other Projects in the Merged Project Area. The 2005-06 value of real and other property for the Project Areas is based on information from the records of Sacramento County. Real property 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 on Tables 5.1 and 5.2. 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, and reflects the factor which assessors had been directed to use by the SBE in preparing the 2005-06 tax roll. 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 Tables 5.1 and 5.2.

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 Merged Project Area, and also for recent changes of ownership. Table 6.1 shows the new developments that have been included, which are further described below:

1. Changes of ownership: A total of $75.1 million has been added for changes of ownership. Two major ownership changes occurred. One was for the property owned by SRI Six USBP, which sold for $159 million, which reflects a $42.5 million increase. The other was for the Renaissance Tower, which sold for $79 million, which will increase value by $22.7 million.
2. Plaza Lofts / CIM: This mixed use project will include 225 residential units plus 22,100 square feet of retail space. Only the land value is shown on the 2005-06 tax roll, with the improvement value expected to be included on the 2006-07 and 2007-08 tax roll.
3. Marriott Residence Inn: This hotel recently broke ground and will include 250 rooms. Taxable value from the development has been added to the 2007-08 and 2008-09 tax roll.

For the Oak Park Project Area, we have increased taxable values for recent transfers of ownership. Those ownership changes are expected to increase value by $6.4 million in 2006-07.

Taxable values have also been reduced for the impact of assessment appeals and for properties that are currently included in the reported taxable values, but for which exemptions are typically granted. For 2006-07, we have reduced the value of real property for the Merged Project Area shown on Table 5.1 by $40.4 million for appeals and by $8.9 million for exempt property. For the Oak Park Project for 2006-07, we have reduced the value of real property shown on Table 5.2 by $6.0 million for appeals.

Section F – Adjustments and Liens on Tax Increment

The tax increment revenues of each Project Area are subject to certain adjustments and liens, as described in this section. The adjustments and liens must be paid prior to the payment of debt service on the Loans.

Adjustments to Revenue

The one adjustment shown on Tables 5.1 and 5.2 is for property tax administrative fees collected by Sacramento County. 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 Tables 5.1 and 5.2.

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. An amendment to the Redevelopment Plan triggered a minimum housing set-aside of 30 percent of total tax increment for the Merged Project Area staring in 2005-06. It is our understanding that the Agency has deposited a portion of prior bond issues to the Housing Fund for the Project Area. A portion of bond debt service can therefore be made from the housing set-aside revenues of the Project Area. For purposes of the projections on Table 5.1, we have shown the full housing set-aside amount.

For the Oak Park Project Area, we have also shown the full 20 percent housing set-aside deposit on Table 5.2. It is our understanding that the Agency has in the past, and will deposit a portion of the new Loan proceeds, into the Housing Fund. A portion of bond debt service can therefore be made from the housing set-aside revenues of the Project Area.

The Official Statement for the Loans will include separate tables showing debt service coverage for both the housing set-aside and discretionary tax increment.

Tax Sharing Payments

No tax sharing agreements currently exist in the Merged Project Area. However, the County is treating resolutions passed pursuant to former Section 33676 of the CRL as tax sharing agreements. The Section 33676 resolutions apply only to the Amended Area of Project Area 4. Because the Amended Area value for 2005-06 is below the base year value, and is projected to remain so during the term of the projections, no pass through payments are due from the area.

Pursuant to 1994 legislation, AB 1290, the Agency is required to make payments to the affected taxing entities for both Project Areas. These payments are required because the time period to incur debt was eliminated for the Merged Project Area and extended for the Oak Park Project Area. Payments of the pass through payments are only due on increases in tax increment revenues above levels that were received in 2003-04 for the Merged Project Area and 2002-03 for the Oak Park Project Area. These are referred to as the AB 1290 Base Year. The pass through payments are based on a three tier formula. All payments are made after the required 20 percent deposit to the housing set-aside fund. For purposes of the table below, we have reduced the percentage of tax increment that must be allocated to the taxing entities by the 20 percent housing set aside deposit (please note that the 30 percent housing deposit for the Downtown Project Area does not effect the amount of the AB 1290 payment).

Tier	Payment Required
Tier 1	20% of tax increment above the amount received in the AB 1290 Base Year during the remaining term the Agency receives tax increment.
Tier 2	Beginning in the 11th year after the AB 1290 Base Year, an additional payment equal to 16.8% of the tax increment attributable to growth above levels in the 10th year.
Tier 3	Beginning in the 31st year after the AB 1290 Base Year, an additional payment equal to 11.2% of the tax increment attributable to growth above levels in the 30th year.

Health and Safety Code Section 33607.5 authorizes the Agency to request that an affected taxing entity subordinate its right to receive AB 1290 payments to the payment of new loans, bonds or other indebtedness of the Agency. The Agency has requested that the taxing entities subordinate the payments to the 2005 Loans, and has provided substantial evidence that it will have sufficient funds available to pay debt service on the 2005 Loans and make the statutory payments to the affected taxing entities. The AB 1290 payments would only be subordinate to the 2005 Loans and not to any past parity debt of the Agency. Given this, we have reduced the Tax Revenues shown on Tables 5.1 through 5.3 by the amount of the AB 1290 payments.

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) Determine that planning and administrative costs charged to the Housing Fund are necessary for the production, preservation, or improvement of affordable housing; 5) Initiate development of housing on real property acquired from the low and moderate income housing fund; and 6) Adopt an implementation plan. No instances of non-compliance were noted in the audit.

Educational Revenue Augmentation Fund (ERAF)

Due to shortfalls in the state budget, legislation was approved that required redevelopment agencies statewide to shift $75 million of tax increment revenues to ERAF in 2002-03, $135 million in 2003-04 and $250 million for 2004-05 and 2005-06. The shift to ERAF offset the need for a similar amount of state aid to education. Half of the shift was calculated on the basis of the gross tax increment of a project area and the other half on net revenues after tax sharing payments. Pursuant to SB 1096, the ERAF obligation is subordinate to the Bonds, so we have not reduced the amount of tax increment shown on Tables 5.1 and 5.2 for such amounts. The ERAF contribution for each Project Area is shown in the table below:

Fiscal Year	Merged Project	Oak Park Project
2002-03	$619,222	$72,414
2003-04	$1,144,166	$130,625
2004-05	$1,880,962	$246,275
2005-06 (estimate)	$1,851,361	$275,422

Table 1.1
Redevelopment Agency of the City of Sacramento
Merged Downtown Redevelopment Project Area

HISTORICAL TAXABLE VALUE (1)

Fiscal Year	Locally-Assessed Secured Value	Unsecured Value	State-Assessed Value	Total Taxable Value	Percentage Change	Total Incremental Value (2)
2005-06	$1,957,530,568	$136,053,302	$4,478,479	$2,098,062,349	3%	$1,907,240,893
2004-05	1,899,241,351	130,133,475	5,282,345	2,034,657,171	6%	1,843,835,715
2003-04	1,787,121,832	119,926,654	5,780,672	1,912,829,158	6%	1,722,007,702
2002-03	1,662,872,385	138,318,571	5,777,173	1,806,968,129	7%	1,616,146,673
2001-02	1,536,549,769	144,454,061	5,325,466	1,686,329,296	N/A	1,495,507,840

Total Percentage Change	24.42%
Average Percentage Change	5.61%

(1) Excludes the taxable value of Project 4a - Amendment, which is below it's base year value.
(2) Taxable Value above base year value of $190,821,456.

Source: Sacramento County Assessors Office

Table 1.2
Redevelopment Agency of the City of Sacramento
Oak Park 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)
2005-06	$450,253,498	$10,643,869	$0	$460,897,367	21%	$400,576,579
2004-05	368,179,458	11,305,949	0	379,485,407	15%	319,164,619
2003-04	309,413,792	21,900,235	0	331,314,027	6%	270,993,239
2002-03	299,169,027	12,618,698	0	311,787,725	19%	251,466,937
2001-02	252,812,746	9,392,164	0	262,204,910	N/A	201,884,122

Total Percentage Change	75.78%
Average Percentage Change	15.14%

(1) Incremental value over base year value of $60,320,788.

Source: Sacramento County Assessors Office

Table 2.1
Redevelopment Agency of the City of Sacramento
Merged Downtown Redevelopment Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Project	Type of Use	2005-06 Secured Value (1)	2005-06 Unsecured Value (1)	Total	%of Total Value (2)	%of Incremental Value (3)
1) EOP 400 Capitol Mall LLC	Project 2	Wells Fargo - Office	$143,438,589	$0	$143,438,589	6.84%	7.52%
2) Downtown Plaza LLC	Project 2	Downtown Plaza	135,920,491	0	135,920,491	6.48%	7.13%
3) SRI Six USBP LLC (4)	Project 8	US Bank - Office	116,532,186	0	116,532,186	5.55%	6.11%
4) Sacramento Hotel Corporation (5)	Project 8	Sheraton Grand Hotel	90,228,369	0	90,228,369	4.30%	4.73%
5) VV USA City LP	Project 3	300 Capitol Mall - Office	76,896,346	0	76,896,346	3.67%	4.03%
6) California Hospital Association	Project 8	Esquire Plaza - Office	74,510,441	0	74,510,441	3.55%	3.91%
7) 1415 L State Partners LLC	Project 8	Meridian - Office	70,000,000	0	70,000,000	3.34%	3.67%
8) Rubicon NGP Sacramento California LLC	Project 8	Office	67,013,766	0	67,013,766	3.19%	3.51%
9) Capitol Regency LLC	Project 8	Hyatt Hotel	66,491,509	0	66,491,509	3.17%	3.49%
10) NNN 801 K Street 23 LLC (6)	Project 8	Renaissance Tower - Office	56,344,961	0	56,344,961	2.69%	2.95%
Total Valuation			**897,376,658**	**0**	**897,376,658**	**42.77%**	**47.05%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2005-06 Project Area taxable value of $2,098,062,349.
(3) Based on 2005-06 Project Area taxable value of $1,907,240,893.
(4) This property recently sold at a reported price of $159 million per the Sacramento Business Journal.
(5) This parcel is currently being appealed.
(6) This property recently sold at a reported price of $79 million per the Sacramento Business Journal.

Table 2.2
Redevelopment Agency of the City of Sacramento
Oak Park Project Area

TEN MAJOR PROPERTY TAX ASSESSEES

Assessee	Type of Use	2005-06 Secured Value (1)	2005-06 Unsecured Value (1)	Total	%of Value (2)	%of Inc. Value (3)
1) Rainbow Baking Company (4)	Industrial	$18,971,401	$0	$18,971,401	4.12%	4.74%
2) Regents of U C/Camellia Inn Suites	Commercial	12,366,118	1,595,764	13,961,882	3.03%	3.49%
3) Stockton/Broadway Partners LP	Commercial	4,381,728	0	4,381,728	0.95%	1.09%
4) Crestwood Medical Center Hospital	Commercial	3,863,549	0	3,863,549	0.84%	0.96%
5) Security Public Storage Sacramento	Industrial	3,255,550	0	3,255,550	0.71%	0.81%
6) Edmar Investments LLC/Walgreens	Commercial	2,810,651	0	2,810,651	0.61%	0.70%
7) Donald & Virginia Compton Family Trust	Commercial	4,026,290	0	4,026,290	0.87%	1.01%
8) St. Hope Development	Commercial	2,061,770	0	2,061,770	0.45%	0.51%
9) Campbell Taggart Baking Companies Inc.	Commercial	1,949,456	0	1,949,456	0.42%	0.49%
10) Fruitridge Printing/Lithograph	Unsecured	0	1,779,626	1,779,626	0.39%	0.44%
Total Valuation		**53,686,513**	**3,375,390**	**57,061,903**	**12.38%**	**14.24%**

(1) Based on ownership of locally-assessed secured property.
(2) Based on 2005-06 Project Area taxable value of $460,897,367.
(3) Based on 2005-06 incremental value of $400,576,579.
(4) This parcel is currently being appealed.

Table 3.1
Redevelopment Agency of the City of Sacramento
Merged Downtown Redevelopment Project Area

LEVY TO RECEIPTS SUMMARY (1)

Fiscal Year	Levy per County (2)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received	Property Tax Administration Fees	Net Tax Increment Receipts
2004-05	$20,455,087	$21,289,321	104.08%	$801,014	$22,090,335	107.99%	$310,044	$21,780,291
2003-04	19,396,314	20,100,770	103.63%	705,107	20,805,877	107.27%	327,656	20,478,221
2002-03	18,771,392	18,982,842	101.13%	698,083	19,680,925	104.85%	383,474	19,297,451
2001-02	17,885,435	17,865,245	99.89%	481,886	18,347,131	102.58%	331,683	18,015,448
Average Receipts to Levy %			**102.26%**			**105.77%**		

(1) Receipts per Agency records prior to reduction for property tax admin. fees.
(2) Intial levy reported by Sacramento County.

Table 3.2
Redevelopment Agency of the City of Sacramento
Oak Park Project

HISTORICAL RECEIPTS (1)

	Levy per County (2)	Tax Increment Receipts Less Supplementals	% of Levy Received	Supplementals	Total Tax Increment Receipts	% of Levy Received	Property Tax Administration Fees	Net Tax Increment Receipts
2004-05	$3,206,958	$3,302,211	102.97%	$533,690	$3,835,901	119.61%	$48,426	$3,787,475
2003-04	2,730,776	2,810,603	102.92%	206,649	3,017,252	110.49%	45,919	2,971,333
2002-03	2,555,655	2,579,001	100.91%	314,169	2,893,170	113.21%	51,925	2,841,245
2001-02	2,064,806	2,077,182	100.60%	129,097	2,206,279	106.85%	38,055	2,168,224
Average Receipts to Levy			**102.00%**			**113.21%**		

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

Table 4.1
Redevelopment Agency of the City of Sacramento
Merged Downtown Redevelopment Project Area

ESTIMATE OF INCREMENTAL TAX REVENUE
FOR FISCAL YEAR 2005-06

	(1) Taxable Value	Base (2) Year Value	Incremental Taxable Value
Secured			
Land	$448,741,903		
Improvements	1,504,794,685		
Personal Property	29,352,038		
Gross Secured	1,982,888,626		
Less: Exemptions	25,358,058		
Total Secured	1,957,530,568	169,060,848	1,788,469,720
SBE Total Value	4,478,479		
Unsecured			
Land	7,047,042		
Improvements	61,426,004		
Personal Property	70,026,225		
Gross Unsecured	138,499,271		
Less: Exemptions	2,445,969		
Total Unsecured	136,053,302	21,760,608	114,292,694
Total Secured and Unsecured	**$2,098,062,349**	**$190,821,456**	**$1,907,240,893**
Tax Increment Revenue (3)			19,167,000
Unitary Revenue (4)			2,400,000
Total Tax Increment Revenues			**21,567,000**
Adjustments to Revenue			
Less: Property Tax Administrative Charge (5)			330,000
Less: Housing Set-Aside Revenue			6,470,000
Less: Tax Sharing Payments (6)			244,905
Tax Revenue			**14,522,095**

(1) Based on taxable value information from the records of Sacramento County.
(2) Because the total assessed value of Project 4 Amendment Area is below the base year value, such values have been excluded.
(3) Calculated based on the application of the estimated tax rate for 2005-06.
(4) Based on estimatedl unitary revenue for 2005-06.
(5) Estimated at 1.53 percent of Total Tax Increment Revenues.
(6) Tax sharing payments per the provisions of AB 1290.

Table 4.2
Redevelopment Agency of the City of Sacramento
Oak Park Project Area

ESTIMATE OF INCREMENTAL TAX REVENUE
FOR FISCAL YEAR 2005-06

	2005-06 Taxable Value (1)	Base Year Taxable Value	Incremental Taxable Value
Local Secured			
Land	$125,662,129		
Improvements	541,121,913		
Personal Property	14,295,751		
Gross Secured	681,079,793		
Less: Exemptions	230,826,295		
Net Secured	450,253,498	57,450,020	
State-Assessed	0	0	
Total Secured	450,253,498	57,450,020	392,803,478
Unsecured			
Land	1,121,202		
Improvements	3,479,118		
Personal Property	6,456,034		
Gross Unsecured	11,056,354		
Less: Exemptions	412,485		
Net Unsecured	10,643,869	2,870,768	7,773,101
Total Secured & Unsecured	460,897,367	60,320,788	400,576,579
Tax Increment (2)			4,040,000
Unitary Revenue (3)			81,000
Total Tax Increment			**4,121,000**
Adjustments to Tax Revenue:			
Property Tax Administration Fees (4)			63,000
Liens on Tax Increment:			
Housing Set-Aside (5)			824,000
Tax Sharing Payments (6)			199,000
Tax Revenue			**3,035,000**

(1) Based on taxable value information from the records of Sacramento County.
(2) Calculated based on the application of the estimated tax rate for 2005-06.
(3) Reflects estimated unitary revenue for 2005-06.
(4) Estimated at 1.53 percent of Total Tax Increment Revenues.
(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 5.1
Redevelopment Agency of the City of Sacramento
Merged Downtown Redevelopment Project Area

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Other (3) Property	Total (4) Value	Incremental Value Over Base Value of $190,821	Tax (5) Increment	Unitary Property Tax (6) Revenue	Total Tax Revenue	Property Tax Administrative Fee (7)	Housing (8) Set-Aside	AB 1290 Tax Sharing	Tax Revenue
2005 - 2006	1,996,652	N/A	$101,411	$2,098,062	$1,907,241	$19,167	$2,400	$21,567	$330	$6,470	$245	$14,522
2006 - 2007	1,986,269	87,617	101,411	2,175,296	1,984,475	19,922	2,400	22,322	342	6,696	347	14,936
2007 - 2008	2,115,363	70,838	101,411	2,287,612	2,096,790	21,026	2,400	23,426	358	7,028	496	15,544
2008 - 2009	2,229,925	11,125	101,411	2,342,461	2,151,639	21,556	2,400	23,956	367	7,187	569	15,834
2009 - 2010	2,285,871	0	101,411	2,387,282	2,196,460	21,984	2,400	24,384	373	7,315	628	16,068
2010 - 2011	2,331,588	0	101,411	2,432,999	2,242,178	22,422	2,400	24,822	380	7,447	689	16,307
2011 - 2012	2,378,220	0	101,411	2,479,631	2,288,809	22,888	2,400	25,288	387	7,586	751	16,564
2012 - 2013	2,425,784	0	101,411	2,527,195	2,336,374	23,364	2,400	25,764	394	7,729	814	16,827
2013 - 2014	2,474,300	0	101,411	2,575,711	2,384,889	23,849	2,400	26,249	402	7,875	878	17,095
2014 - 2015	2,523,786	0	101,411	2,625,197	2,434,375	24,344	2,400	26,744	409	8,023	999	17,313
2015 - 2016	2,574,262	0	101,411	2,675,673	2,484,851	24,849	2,400	27,249	417	8,175	1,122	17,535
2016 - 2017	2,625,747	0	101,411	2,727,158	2,536,336	25,363	2,400	27,763	425	8,329	1,247	17,762
2017 - 2018	2,678,262	0	101,411	2,779,673	2,588,851	25,889	2,400	28,289	433	8,487	1,375	17,994
2018 - 2019	2,731,827	0	101,411	2,833,238	2,642,417	26,424	2,400	28,824	441	8,647	1,506	18,230
2019 - 2020	2,786,464	0	101,411	2,887,875	2,697,053	26,971	2,400	29,371	449	8,811	1,639	18,471
2020 - 2021	2,842,193	0	101,411	2,943,604	2,752,782	27,528	2,400	29,928	458	8,978	1,775	18,716
2021 - 2022	2,899,037	0	101,411	3,000,448	2,809,626	28,096	2,400	30,496	467	9,149	1,914	18,967
2022 - 2023	2,957,018	0	101,411	3,058,428	2,867,607	28,676	2,400	31,076	475	9,323	2,055	19,223
2023 - 2024	3,016,158	0	101,411	3,117,569	2,926,747	29,267	2,400	31,667	485	9,500	2,199	19,483
2024 - 2025	3,076,481	0	101,411	3,177,892	2,987,070	29,871	2,400	32,271	494	9,681	2,347	19,749
2025 - 2026	3,138,011	0	101,411	3,239,422	3,048,600	30,486	2,400	32,886	503	9,866	2,497	20,020
2026 - 2027	3,200,771	0	101,411	3,302,182	3,111,360	31,114	2,400	33,514	513	10,054	2,650	20,297
2027 - 2028	3,264,786	0	101,411	3,366,197	3,175,376	31,754	2,400	34,154	523	10,246	2,806	20,579
2028 - 2029	3,330,082	0	101,411	3,431,493	3,240,671	32,407	2,400	34,807	533	10,442	2,965	20,867
2029 - 2030	3,396,684	0	101,411	3,498,095	3,307,273	33,073	2,400	35,473	543	10,642	3,127	21,161
2030 - 2031	3,464,617	0	101,411	3,566,028	3,375,207	33,752	2,400	36,152	553	10,846	3,293	21,460
2031 - 2032	2,049,936	0	54,841	2,104,778	1,950,965	19,510	2,235	21,745	333	6,523	2,163	12,725
2032 - 2033	2,090,935	0	54,841	2,145,776	1,991,964	19,920	2,235	22,155	339	6,646	2,263	12,906
2033 - 2034	2,132,754	0	54,841	2,187,595	2,033,783	20,338	2,235	22,573	345	6,772	2,365	13,090
2034 - 2035	2,175,409	0	54,841	2,230,250	2,076,438	20,764	2,235	22,999	352	6,900	2,501	13,247

(1) Real Property increased by 2 percent per year beginning in 2005-06. The value for 2006-07 has been reduced for open appeals.
(2) See Table 6.1 "Schedule of New Development".
(3) Includes the value of secured and unsecured personal property and state assessed railroad and non-unitary property.
(4) Because the total assessed value of Project 4 Amendment Area is below base year value, such values have been excluded.
(5) Based on the application of Project Area tax rates to incremental taxable value.
(6) Unitary tax revenue is based on actual amount for 2004-05 and has been held constant.
(7) Reductions for property tax administrative fees charged by Sacramento County pursuant to SB 2557.
(8) Housing set-aside at 30 percent starting in 2005-06.

Table 5.2
Redevelopment Agency of the City of Sacramento
Project 8

PROJECTION OF INCREMENTAL TAX REVENUE
(000's Omitted)

Fiscal Year	Real (1) Property	New (2) Development	Other (3) Property	Total Value	Value Over Base Year Of $153,812	Tax (4) Increment	Unitary (5) Tax Revenue	Total Tax Revenue	Property Tax Administrative Fee (6)	Housing (7) Set-Aside	AB 1290 Tax Sharing	Tax Revenue
2005 - 2006	1,109,860	N/A	$54,841	$1,164,701	$1,010,889	$10,157	$2,235	$12,392	$190	$3,718	$233	$8,442
2006 - 2007	1,081,742	87,617	54,841	1,224,199	1,070,387	10,743	2,235	12,978	199	3,894	312	8,773
2007 - 2008	1,192,745	70,838	54,841	1,318,424	1,164,611	11,676	2,235	13,911	213	4,173	437	9,301
2008 - 2009	1,288,854	11,125	54,841	1,354,821	1,201,008	12,030	2,235	14,265	218	4,280	485	9,501
2009 - 2010	1,325,979	0	54,841	1,380,820	1,227,008	12,280	2,235	14,515	222	4,355	519	9,641
2010 - 2011	1,352,499	0	54,841	1,407,340	1,253,527	12,535	2,235	14,770	226	4,431	555	9,785
2011 - 2012	1,379,548	0	54,841	1,434,390	1,280,577	12,806	2,235	15,041	230	4,512	590	9,938
2012 - 2013	1,407,139	0	54,841	1,461,981	1,308,168	13,082	2,235	15,317	234	4,595	627	10,095
2013 - 2014	1,435,282	0	54,841	1,490,124	1,336,311	13,363	2,235	15,598	239	4,679	664	10,254
2014 - 2015	1,463,988	0	54,841	1,518,829	1,365,017	13,650	2,235	15,885	243	4,766	734	10,385
2015 - 2016	1,493,268	0	54,841	1,548,109	1,394,296	13,943	2,235	16,178	248	4,853	806	10,519
2016 - 2017	1,523,133	0	54,841	1,577,974	1,424,162	14,242	2,235	16,477	252	4,943	879	10,655
2017 - 2018	1,553,596	0	54,841	1,608,437	1,454,624	14,546	2,235	16,781	257	5,034	953	10,794
2018 - 2019	1,584,668	0	54,841	1,639,509	1,485,696	14,857	2,235	17,092	262	5,128	1,029	10,936
2019 - 2020	1,616,361	0	54,841	1,671,202	1,517,390	15,174	2,235	17,409	266	5,223	1,106	11,080
2020 - 2021	1,648,688	0	54,841	1,703,529	1,549,717	15,497	2,235	17,732	271	5,320	1,185	11,228
2021 - 2022	1,681,662	0	54,841	1,736,503	1,582,691	15,827	2,235	18,062	276	5,419	1,265	11,378
2022 - 2023	1,715,295	0	54,841	1,770,136	1,616,324	16,163	2,235	18,398	281	5,519	1,347	11,532
2023 - 2024	1,749,601	0	54,841	1,804,442	1,650,630	16,506	2,235	18,741	287	5,622	1,431	11,688
2024 - 2025	1,784,593	0	54,841	1,839,434	1,685,622	16,856	2,235	19,091	292	5,727	1,516	11,848
2025 - 2026	1,820,285	0	54,841	1,875,126	1,721,314	17,213	2,235	19,448	298	5,834	1,603	12,010
2026 - 2027	1,856,691	0	54,841	1,911,532	1,757,719	17,577	2,235	19,812	303	5,944	1,692	12,176
2027 - 2028	1,893,824	0	54,841	1,948,666	1,794,853	17,949	2,235	20,184	309	6,055	1,783	12,346
2028 - 2029	1,931,701	0	54,841	1,986,542	1,832,730	18,327	2,235	20,562	315	6,169	1,875	12,519
2029 - 2030	1,970,335	0	54,841	2,025,176	1,871,364	18,714	2,235	20,949	321	6,285	1,969	12,695
2030 - 2031	2,009,742	0	54,841	2,064,583	1,910,770	19,108	2,235	21,343	327	6,403	2,065	12,875
2031 - 2032	2,049,936	0	54,841	2,104,778	1,950,965	19,510	2,235	21,745	333	6,523	2,163	12,725
2032 - 2033	2,090,935	0	54,841	2,145,776	1,991,964	19,920	2,235	22,155	339	6,646	2,263	12,906
2033 - 2034	2,132,754	0	54,841	2,187,595	2,033,783	20,338	2,235	22,573	345	6,772	2,365	13,090
2034 - 2035	2,175,409	0	54,841	2,230,250	2,076,438	20,764	2,235	22,999	352	6,900	2,501	13,247

(1) Real Property increased by 2 percent per year beginning in 2005-06. The value for 2006-07 has been reduced for open appeals.
(2) See Table 6.1 "Schedule of New Development".
(3) Includes the value of secured and unsecured personal property and state assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to incremental taxable value.
(5) Unitary tax revenue is based on actual amount for 2004-05 and has been held constant.
(6) Reductions for property tax administrative fees charged by Sacramento County pursuant to SB 2557.
(7) Housing set-aside at 30 percent starting in 2005-06.

Table 5.3
Redevelopment Agency of the City of Sacramento
Oak Park 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 Of $60,321	Tax (4) Increment	Unitary (5) Property Tax Revenue	Total Tax Increment Revenue	Property Tax (6) Admin Fee	Housing Set-Aside	AB 1290 (8) Tax Sharing Payments	Tax Revenue
2005 - 2006	440,558	N/A	$440,558	$20,339	$460,897	$400,577	$4,040	$81	$4,121	$63	$824	$199	$3,035
2006 - 2007	443,275	6,379	449,654	20,339	469,993	409,673	4,125	81	4,206	64	841	212	3,089
2007 - 2008	458,647	0	458,647	20,339	478,987	418,666	4,208	81	4,289	65	858	224	3,142
2008 - 2009	467,820	0	467,820	20,339	488,160	427,839	4,293	81	4,374	67	875	236	3,196
2009 - 2010	477,177	0	477,177	20,339	497,516	437,195	4,379	81	4,460	68	892	248	3,252
2010 - 2011	486,720	0	486,720	20,339	507,059	446,739	4,467	81	4,548	69	910	261	3,308
2011 - 2012	496,455	0	496,455	20,339	516,794	456,473	4,565	81	4,646	71	929	274	3,372
2012 - 2013	506,384	0	506,384	20,339	526,723	466,402	4,664	81	4,745	72	949	287	3,436
2013 - 2014	516,511	0	516,511	20,339	536,851	476,530	4,765	81	4,846	74	969	312	3,491
2014 - 2015	526,842	0	526,842	20,339	547,181	486,860	4,869	81	4,950	76	990	338	3,546
2015 - 2016	537,378	0	537,378	20,339	557,718	497,397	4,974	81	5,055	77	1,011	364	3,603
2016 - 2017	548,126	0	548,126	20,339	568,465	508,144	5,081	81	5,162	79	1,032	390	3,661
2017 - 2018	559,088	0	559,088	20,339	579,428	519,107	5,191	81	5,272	80	1,054	417	3,720
2018 - 2019	570,270	0	570,270	20,339	590,610	530,289	5,303	81	5,384	82	1,077	445	3,780
2019 - 2020	581,676	0	581,676	20,339	602,015	541,694	5,417	81	5,498	84	1,100	473	3,842
2020 - 2021	593,309	0	593,309	20,339	613,648	553,328	5,533	81	5,614	86	1,123	501	3,904
2021 - 2022	605,175	0	605,175	20,339	625,515	565,194	5,652	81	5,733	88	1,147	530	3,968
2022 - 2023	617,279	0	617,279	20,339	637,618	577,297	5,773	81	5,854	89	1,171	560	4,034
2023 - 2024	629,624	0	629,624	20,339	649,964	589,643	5,896	81	5,977	91	1,195	591	4,100
2024 - 2025	642,217	0	642,217	20,339	662,556	602,235	6,022	81	6,103	93	1,221	622	4,168

(1) Prior Year Real Property increased by 2 percent per year.
The value for 2006-07 has been reduced by the estimated impact of appeals.
(2) Reflects transfers of ownership since January 1, 2005.
(3) Includes the value of secured and unsecured personal property, and state-assessed railroad and non-unitary property.
(4) Based on the application of Project Area tax rates to the total incremental taxable value.
(5) Reflects actual unitary for 2004-05. 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) Tax sharing payments pursuant to AB 1290.

Table 6.1
Redevelopment Agency of the City of Sacramento
Merged Downtown Redevelopment Project Area

SCHEDULE OF NEW DEVELOPMENT
(000's Omitted)

Development Description	Total Value	1 2006 2007	2 2007 2008	3 2008 2009
Project 8				
Changes of Ownership	75,129	75,129		
Plaza Lofts	49,950	12,488	37,463	
Marriott Residence Inn	44,500		33,375	11,125
Total Value	169,579	87,617	70,838	11,125
Escalated Value-- Project 8		87,617	70,838	11,125
TOTAL VALUE ADDED	**$169,579**	**$87,617**	**$70,838**	**$11,125**

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APPENDIX C

CITY AND COUNTY OF SACRAMENTO GENERAL INFORMATION

Introduction

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. Although the City is approximately 75 air miles northeast of San Francisco, its temperature range is more extreme than that of most Northern California coastal cities, ranging from a daily average of 45 degrees Fahrenheit in January to 75 degrees Fahrenheit in July. Average elevation of the City is 30 feet above sea level.

The City was incorporated in 1849, although it had been settled in the 1830s. In 1854, Sacramento became the location of the Capitol of the State. Today, State government employees and governmental-related activities contribute substantially to the City's economy.

Population

The following chart indicates the change in population of the City, the County and the State of California during the past five calendar years.

CITY OF SACRAMENTO
2000-2005 Population Estimates

Calendar Year	City of Sacramento	County of Sacramento	State of California
2001	414,674	1,252,652	34,441,561
2002	426,595	1,287,426	35,088,671
2003	435,510	1,317,973	35,691,442
2004	444,395	1,346,205	36,271,091
2005	452,959	1,369,855	36,810,358

Source: State of California, Department of Finance.

Industry and Employment

As the seat of State government, the City has traditionally had a large public sector workforce. In recent years, the employment base in Sacramento and the surrounding area has diversified as the relatively low cost of living and supply of skilled labor have drawn a number of technology, financial services and healthcare employers.

Labor force and industry employment data have been gathered for the Sacramento-Arden Arcade-Roseville Metropolitan Statistical Area, which consists of El Dorado, Placer, Sacramento and Yolo counties. This information is shown in the following table for the years 2000 through 2004. These figures may not necessarily accurately reflect employment trends in the City.

SACRAMENTO METROPOLITAN STATISTICAL AREA
Annual Average Labor Force Employment and Unemployment and Industry Employment[(1)]

	2000	2001	2002	2003	2004
Civilian Labor Force	805,600	832,800	863,800	871,600	1,000,800
Employment	773,000	798,800	818,500	827,300	950,600
Unemployment	32,600	34,000	45,300	44,300	50,200
Unemployment Rate	4.0%	4.1%	5.2%	5.1%	5.0%
Industry Employment					
Government	210,700	218,100	226,800	226,200	221,100
Trade, Transportation and Utilities	138,100	140,600	140,600	143,100	146,200
Publishing, Information and Telecommunications	18,500	22,300	23,100	21,900	20,900
Business and Professional Services	105,400	99,300	96,100	95,800	97,500
Educational and Health Services	70,300	75,900	78,000	81,000	84,500
Leisure and Hospitality	70,100	72,200	75,200	77,300	79,400
Other Services	26,700	27,700	28,200	28,000	28,400
Finance, Insurance, Real Estate	52,000	52,500	55,200	59,400	60,100
Manufacturing	51,600	49,800	47,000	46,300	47,100
Construction	52,900	59,500	61,300	66,500	70,400
Natural Resources and Mining	900	900	800	700	700
Total Nonagricultural Industries	797,200	818,800	832,300	846,200	856,300
Total Farm	4,000	4,000	3,400	7,500	7,400
Total All Industries[(2)]	801,200	822,800	835,700	853,700	863,700

[(1)] Data not seasonally adjusted. Employment data is based on place of residence, includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
[(2)] Totals may not add due to rounding.
Source: State of California Employment Development Department

The following table lists the largest employers in the Sacramento area, including employees outside of the City. Major private employers in the area include those in healthcare, electronics, retail, and package delivery services. Major public sector employers include the State of California and the County of Sacramento.

SACRAMENTO COUNTY
MAJOR EMPLOYERS
AS OF JANUARY, 2005

Company	Location	Industry
Aerojet Fine Chemicals LLC	Rancho Cordova	Electronic Equipment & Supplies Manufacturers
America River College	Sacramento	Schools-Business & Vocational
Apple Computer Inc	Elk Grove	Computers-Electronic-Manufacturers
California State University	Sacramento	Colleges & Universities
Child Abuse Prevention Office	Sacramento	Government-Individual/Family Social Services
Corrections Department	Sacramento	State Government-Correctional Institutions
Department of Health Services	Sacramento	State Government-Education Programs
Disabled American Veterans	Sacramento	Veterans & Military Organizations
Education Department	Sacramento	State Government-Education Programs
Employment Development Department	Sacramento	Government-Job Training/Voc Rehab Services
Gen Corp Inc	Rancho Cordova	Aerospace Industries
Intel Corporation	Folsom	Semiconductor Devices (Manufacturers)
Kaiser Foundation Hospitals	Sacramento	Hospitals
Mercy San Juan Medical Center	Carmichael	Hospitals
Sacramento City College	Sacramento	Schools-Business & Vocational
Sacramento County Airport	Sacramento	Airports
Sacramento County Sheriff Dept	Sacramento	Sheriff
Securitas Security Svc USA Inc	Sacramento	Security Guard & Patrol Service
SMUD Customer Svc Center	Sacramento	Air Conditioning Contractors & Systems
Social Services Department	Sacramento	State Government-Social/Human Resources
Sutter Memorial Hospital	Sacramento	Hospitals
U C Davis Medical Center	Sacramento	Physicians & Surgeons
University of CA Surgery Clinic	Sacramento	Physicians & Surgeons
Water Resource Department	Sacramento	State Government-Environmental Programs
Wild Zone	Sacramento	Novelties-Retail

Source: State of California Employment Development Department.

Median 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 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 total effective buying income for the City, the County of Sacramento, the State of California and the United States for the period 2000 through 2004.

EFFECTIVE BUYING INCOME
As of January 1, 2000 through 2004

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2000	City of Sacramento	$6,851,758	$35,757
	Sacramento County	22,895,128	40,970
	California	652,190,282	44,464
	United States	5,230,824,904	49,252
2001(1)	City of Sacramento	N/A	N/A
	Sacramento County	N/A	N/A
	California	N/A	N/A
	United States	N/A	N/A
2002	City of Sacramento	6,604,013	34,715
	Sacramento County	22,127,827	40,690
	California	650,521,407	43,532
	United States	5,303,481,498	38,365
2003	City of Sacramento	6,596,088	33,949
	Sacramento County	22,645,845	39,879
	California	647,879,427	42,484
	United States	5,340,682,818	38,035
2004	City of Sacramento	7,082,308	34,324
	Sacramento County	23,979,765	40,448
	California	674,721,020	42,924
	United States	5,466,880,008	38,201

(1) In 2002, Claritas Inc., the publisher of Sales and Marketing Management, altered the methodology used in order to produce current year estimates. Therefore, 2001 estimates are not available.

Source: Sales & Marketing Management Survey of Buying Power.

Building Permit Activity

The following table shows the number and value of new building permits issued in the City during calendar years 2000 through 2004.

CITY OF SACRAMENTO
New Building Permit Valuation
For Calendar Years 2000 through 2004
(Valuations in Thousands)

	2000	2001	2002	2003	2004
Residential Valuation (in 000s)					
Single Units	$290,919	$399,498	$479,628	$483,081	$429,520
Multi-Dwelling Units	54,748	61,143	96,733	198,918	112,839
Total	$345,667	$460,641	$576,361	$681,999	$542,359
New Housing Units					
Single Units	2059	2745	3227	3605	3108
Multi-Dwelling Units	803	881	1328	2368	1214
Total	2862	3626	4555	5973	4322

Sources: Construction Industry Research Board.

Sales Taxes

The following table shows taxable transactions in the City by type of business during calendar years 1999 through 2003. As indicated below, total retail sales for the City in 2003 increased by approximately 13.3% over the total retail sales in 1999.

CITY OF SACRAMENTO
Taxable Transactions by Type of Business
For Calendar Years 1999 through 2003[1]
($ in thousands)

Business	1999	2000	2001	2002	2003
Apparel Stores	$152,414	$ 167,352	$ 165,051	$ 184,332	$ 197,884
General Merchandise Stores	599,235	617,303	620,208	603,027	613,304
Food Stores	227,300	240,227	248,401	244,110	262,784
Eating & Drinking Places	406,778	438,164	460,409	476,009	508,416
Home Furn. & Appliances	105,430	119,200	114,345	118,964	119,887
Bldg. Mat. & Farm Implmts.	292,725	328,469	375,303	386,656	413,908
Auto Dealers. & Auto Supplies	439,714	476,485	500,189	499,827	509,352
Service Stations	183,304	233,059	233,932	206,977	271,453
Other Retail Stores	601,665	642,159	642,037	659,864	744,086
Retail Stores Total	3,008,565	3,262,418	3,359,875	3,379,766	3,641,074
All Other Outlets	1,575,630	1,687,758	1,652,508	1,619,829	1,646,630
TOTAL ALL OUTLETS	$4,584,195	$4,950,176	$5,012,283	$4,999,595	$5,287,704

[1] Most recent State Board of Equalization data available.

Source: State Board of Equalization.

Education

Public school education in the County is available through seven elementary, two high school and seven unified school districts, with the largest, Sacramento City Unified School District, covering the entire area of the City and portions of adjacent areas. There are approximately 83 private schools in Sacramento County and 70 industrial, technical trade schools.

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 Los Rios Community College District maintains three campuses in Sacramento County: American River College, located in the northeastern area of the City of Sacramento; Sacramento City College located in the City of Sacramento, and Consumnes River College, located in the southern area of the City.

California State University, Sacramento, offers four-year program in business administration, liberal arts, engineering, education and nursing, and masters degree programs in various fields. Other higher education facilities located in Sacramento are McGeorge School of Law branch of the University of the Pacific; the Medical Center of the University of California, Davis; National University, Lincoln Law School; Golden Gate University; the University of Southern California (for public administration); and the University of Northern California (law).

Transportation

Sacramento's strategic location and broad transportation network have contributed to the City's economic growth. The City 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. 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. State 99 parallels Interstate 5 through central California and passes through Sacramento.

The Union Pacific railroad, a transcontinental line, has junctions in Sacramento and is connected to the Burlington Northern and Santa Fe via the Central California Traction Company. Passenger rail service is provided by AMTRAK. Bus lines offering intercity as well as local service include Greyhound and the Sacramento Regional Transit District. The Sacramento Regional Transit District also provides light rail service within the City. The Port of Sacramento, located 79 nautical miles northeast of San Francisco, provides direct ocean freight service to all major United States and world ports. Via a deep water channel, ships can reach Sacramento from San Francisco in less than eight hours. The major rail links serving Sacramento connect with the Port, and Interstate 80 and Interstate 5 are immediately adjacent to it.

Trucking services are offered through facilities of interstate common carriers operating terminals in the area and by contract carriers of general commodities. Greyhound Bus Lines also provides passenger and package service stations located in Sacramento.

Sacramento International Airport is about 12 miles northwest of downtown Sacramento. The airport is served by nine major 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 there are two other County operated general airports and numerous private airports.

APPENDIX D

AUDITED FINANCIAL STATEMENTS OF THE AGENCY
FOR FISCAL YEAR ENDED DECEMBER 31, 2004

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Financial Section

MACIAS GINI & COMPANY LLP

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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, 2004, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2004, 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.

As discussed in Note I to the financial statements, effective January 1, 2004, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2005 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) and Schedule of Funding Progress on pages 3 through 15 and page 69, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. 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. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied 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 20, 2005

Management's Discussion and Analysis

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, 2004. 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 2004 year by $296,051 (net assets). Of this amount, $285,787 is restricted to specific purposes (restricted net assets), and $216,472 is invested in capital assets, net of related debt. The negative unrestricted net assets of ($206,208) are mainly the result of redevelopment debt that does not produce capital assets.

- The Agency's total net assets increased by $16,973 during the year. Governmental activities increased by $4,699. This was due to increased tax increment, operating and capital grant revenues, and investment earnings. The tax increment revenue increased due to the increase in housing values. The operating and capital grant revenues increased due to an increase in project expenses and investment earnings increased due to increased tax increment revenues and higher interest rates. Business-type activities increased by $12,274 due mainly to increases in the housing choice voucher program.

- As of December 31, 2004, the Agency's governmental funds reported combined fund balances of $225,611, a decrease of $6,157 for the year. Approximately nine percent of the combined fund balances, $20,838 is available to meet the Agency's current and future needs (unreserved fund balance).

- The long-term debt of the Agency decreased by $16,304 in comparison with the prior year. The decrease is due to scheduled principal payments in the amount of $19,076, which is offset by an increase in the California Infrastructure and Economic Development (CIEDB) bank loan in the amount of $2,772.

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 (HUD), 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 the fair presentation in accordance with generally accepted accounting principles. Included within this grouping are: Riverview Plaza Associates, Sacramento Housing Development Corporation, Shasta Hotel Investors Partnership, Norwood Avenue Housing Corporation, Norwood Avenue Housing Partnership, Phoenix Park I, L.P. and Phoenix Park II, L.P.

The government-wide financial statements can be found on pages 16 - 17 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 94 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, City Low/Mod Merged Downtown Capital Projects fund and the County Mather/McClellan Merged 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 nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 18 - 23 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, and 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 funds, City and County Housing Choice Voucher funds and the Phoenix Park fund 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 24 - 26 of this report.

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 27 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 - 68 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 70 – 143 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.

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 $296,051 at the close of the most recent fiscal year.

(dollar amounts expressed in thousands)

Net Assets

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Current and other assets	$ 331,128	$ 322,834	$ 23,335	$ 413	$ 354,463	$ 323,247
Capital assets	52,146	56,368	169,553	186,298	221,699	242,666
Total assets	383,274	379,202	192,888	186,711	576,162	565,913
Long-term liabilities	246,325	256,600	727	6,772	247,052	263,372
Other liabilities	31,426	21,778	1,633	1,685	33,059	23,463
Total liabilities	277,751	278,378	2,360	8,457	280,111	286,835
Net assets:						
Invested in capital assets, net of related debt	47,646	56,118	168,826	173,326	216,472	229,444
Restricted	284,011	284,663	1,776	2,842	285,787	287,505
Unrestricted	(226,134)	(239,957)	19,926	2,086	(206,208)	(237,871)
Total net assets	$ 105,523	$ 100,824	$ 190,528	$ 178,254	$ 296,051	$ 279,078

$216,472 of the Agency's net assets 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 decreased by $12,972 in the current year. The business-type activities decreased by $4,500 mainly as a result of the sale of Phoenix Park capital assets of $12,448 to the Norwood Avenue Housing Corporation, Phoenix Park I L.P. and Phoenix Park II L.P. This amount was offset by debt associated with the capital assets. The governmental activities decreased by $8,472 due to transfers of capital assets to the Phoenix Park project ($11,157); transfers to the City Public Housing fund ($1,163) and sales and deletions ($1,843). These transfers were offset by capital asset purchases and construction in progress ($9,941) and debt associated with the capital assets ($4,500).

An additional portion of the Agency's net assets of $285,787 represents resources that are subject to external restrictions on how they may be used. Restricted net assets decreased by $1,718 during the current year. The amount restricted for debt service decreased by $1,216, restricted for housing decreased by $3,544, restricted for community development increased by $3,076, and restricted for other decreased by $34. The decrease in debt service is mainly the result of the City Section 108 funds transferring out $1,335 to the debt service fund for repayment of the note and the decrease in housing is mainly the result of increased housing related expenses and the increase in community development is a result of increased tax increment revenues, which restrict funding for low and moderate income housing and community redevelopment projects.

The ($206,208) unrestricted net assets for governmental and business-type activities 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 net asset. The redevelopment debt will be repaid from future tax increment revenue. Issuing debt also increased the Agency's cash and long-term liabilities.

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

Changes in Net Assets

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Revenues:						
Program revenues:						
Charges for services	$ 1,311	$ 1,389	$ 11,709	$ 9,080	$ 13,020	$ 10,469
Operating grants and contributions	30,289	25,703	110,090	98,169	140,379	123,872
Capital grants and contributions	9,251	3,706	-	-	9,251	3,706
General revenues:						
Tax increment	40,676	35,314	-	-	40,676	35,314
Investment earnings	5,918	5,710	83	132	6,001	5,842
Gain on sale of capital assets	3,437	177	6,833	49	10,270	226
Miscellaneous	3,305	2,450	836	676	4,141	3,126
Total revenues	94,187	74,449	129,551	108,106	223,738	182,555
Expenses:						
Housing operations	5,836	5,591	-	-	5,836	5,591
Community development	53,774	38,535	-	-	53,774	38,535
Community social services	4,408	2,648	-	-	4,408	2,648
Interest expense	12,233	11,606	-	-	12,233	11,606
Local housing	-	-	4,599	9,826	4,599	9,826
Public housing	-	-	21,687	22,086	21,687	22,086
Housing choice vouchers	-	-	104,228	88,693	104,228	88,693
Total expenses	76,251	58,380	130,514	120,605	206,765	178,985
Increase (decrease) in net assets before transfers	17,936	16,069	(963)	(12,499)	16,973	3,570
Transfers	(13,237)	(8,110)	13,237	8,110	-	-
Increase (decrease) in net assets	4,699	7,959	12,274	(4,389)	16,973	3,570
Net assets - beginning	100,824	92,865	178,254	182,643	279,078	275,508
Net assets - ending	$ 105,523	$ 100,824	$ 190,528	$ 178,254	$ 296,051	$ 279,078

Governmental Activities. Governmental activities increased the Agency's net assets by $4,699. The key elements of this increase are as follows:

- Operating grants and contributions increased by $4,586 due largely to an increase in the CDBG, HOME and CalHOME expenses. These are multi-year entitlement programs and revenues are drawn based on expenses.

- Capital grants and contributions increased by $5,545 due to an increase in projects in the Capital Fund and City Development Funds for Modernization programs. The grant is for multiple years and revenue is drawn based on amount expended for projects.

- Tax increment revenues increased by $5,362, with the largest increase ($2,230) from the Mather/McClellan redevelopment area.

- Investment earnings increased by $208 due to increased tax increment revenues and higher interest rates.

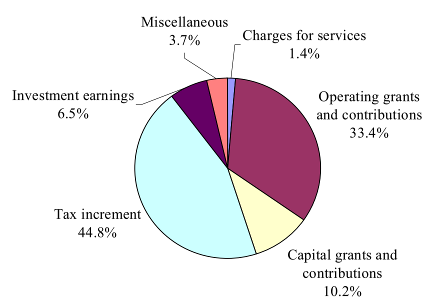
- Miscellaneous income increased by $855 mainly due to bad debt recovery and non-refundable deposits.

- The increase in revenue was offset by an increase of $17,871 in expenses. The majority of this increase is attributed greater construction activities in the County Mather/McClellan Merged redevelopment area and in the CDBG and HOME funds.

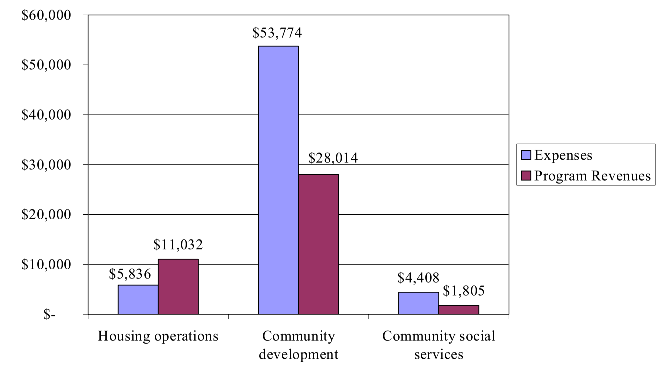
- The transfers out increased by $5,127 due to the governmental funds purchasing property for the Phoenix Park project and contributing it to the Phoenix Park enterprise fund. During 2004 the majority of the property was sold to the Norwood Avenue Housing Corporation, Phoenix Park I L.P. and Phoenix Park II L.P.

The following graphs show the breakdown of revenue by source and a comparison of expenses and program revenues for governmental activities. The community development expenses in excess of current year revenues are paid by prior year revenues.

Revenues by Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities



Business-type activities. Business-type activities increased the Agency's net assets by $12,274. The key elements of this increase are as follows:

- Charges for services increased by $2,629 due mainly to an increase in the number of incoming portable voucher housing assistance payments. In 2003 the Agency had absorbed the majority of portable vouchers into the Agency annual contribution contract; however, due to being over leased in 2004, the Agency was unable to absorb the vouchers and was forced to pay the incoming voucher HAP and bill the sending PHA the last of the HAP.

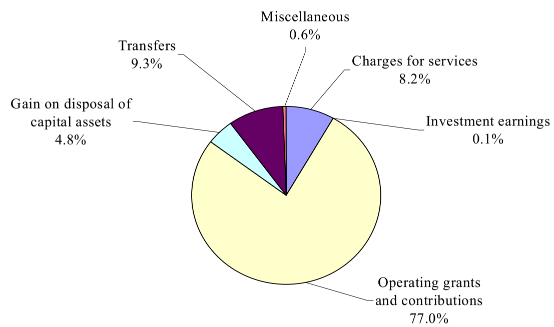
- Operating grants and contributions increase by $11,921 due mainly to higher housing choice voucher payments ($11,012) and an increase in city and county Public Housing revenues ($978).

- Gain on sale of capital assets of $6,833 was due to the sale of Phoenix Park properties being sold to the Norwood Avenue Housing Corporation, Phoenix Park I, L.P. and Phoenix Park II, L.P. at a gain.

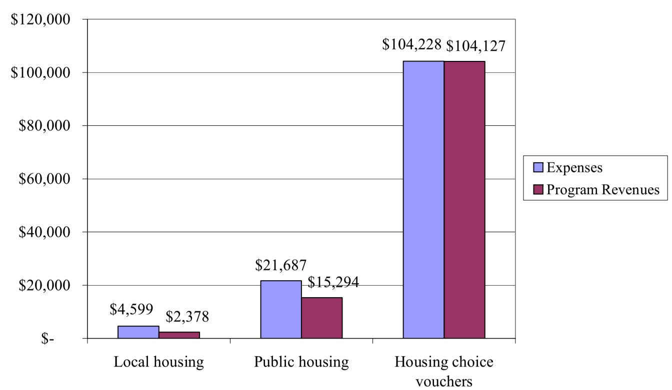
- The above increase in revenue was offset by an increase of $9,909 in expenses. The majority of this increase in expenses is attributed to higher housing choice voucher payments of $15,535. This amount is offset by the decrease in Local and Public housing expenses of $5,626.

The following graphs show the breakdown of revenue by source and a comparison of expenses and program revenues for business-type activities. The variance in the revenues and expenses in Public housing ($6,393) in the second graph is mainly due to depreciation expense ($5,173). Expenses shown in excess of current year revenues are paid by prior year revenues.

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 Projects 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 $225,611, a decrease of $6,157 in comparison with the prior year. The major funds listed below are responsible for $6,498 of the decrease in the combined fund balances and the nonmajor funds are responsible for a $341 increase.

The City Merged Downtown debt service fund has a total fund balance of $3,275, of which $744 is reserved for the payment of debt service and $2,531 is unreserved. The net increase in fund balance during the current year in the debt service fund was $3,194. This increase is the result of higher tax increment and investment earnings.

The City Merged Downtown capital projects fund has a total fund balance of $47,298, of which $33,950 is reserved for capital projects, $5,494 is reserved to liquidate contracts and purchase orders of the prior period, $6,816 is reserved for non-current assets, and $1,038 is unreserved. The net decrease in fund balance during the current year in the capital projects fund was $7,188. This decrease is the result of expenditures for redevelopment projects and a transfer to other funds.

The City Low/Mod Merged Downtown capital projects fund has a total fund balance of $25,759, of which $7,303 is reserved for capital projects, $4,670 is reserved to liquidate contracts and purchase orders of the prior period, $13,044 is reserved for noncurrent assets, and $742 is unreserved. The net decrease in fund balance during the current year in the fund was $419. This decrease is the result of expenditures for redevelopment projects.

The County Mather/McClellen Merged capital projects fund has a total fund balance of $19,590, of which $14,910 is reserved for capital projects, $4,641 is reserved to liquidate contracts and purchase orders of the prior period, and $39 is unreserved. The net decrease in fund balance during the current year was $2,085. This decrease is the result of expenditures for redevelopment projects.

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.

(dollar amounts expressed in thousands)

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, 2004, amounted to $221,699 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, property and equipment, and construction in progress.

In February 2004 the Housing Authority sold 260 condo units and one common lot for the Phoenix Park I project to Phoenix Park I, L.P. as well as a sale of land to the Norwood Avenue Housing Corporation.

In October 2004 the Housing Authority sold 204 condo units and one common lot for the Phoenix Park II project to Phoenix Park II, L.P. as well as a sale of land to the Norwood Avenue Housing Corporation.

Additionally, the Agency closed escrow 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 in the process of completing site acquisitions for the next phases of the project.

While the Agency is actively engaged in the process of 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 2004 resulted in a net decrease of 8.64% percent.

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) Percent of Change
	2004	2003	2004	2003	2004	2003	
Land	$ 30,454	$ 34,040	$ 15,099	$ 16,310	$ 45,553	$ 50,350	-9.53%
Building and improvements	7,874	8,285	153,705	166,635	161,579	174,920	-7.63%
Property and equipment	287	324	749	938	1,036	1,262	-17.91%
Construction in progress	13,531	13,719	-	2,415	13,531	16,134	-16.13%
Total	$ 52,146	$ 56,368	$ 169,553	$ 186,298	$ 221,699	$ 242,666	-8.64%

Long-term Debt. At the end of December 31, 2004, the Agency had long-term debt outstanding of $243,397. This is a net decrease of $16,304 from the prior year total of $259,701.

Governmental activities notes payable decreased due to scheduled principal payments in the amount of $13,031, which was offset by an increase in the California Infrastructure and Economic Development Bank note for financing a public development facility in the Mather/McClellan redevelopment area ($2,772). This loan principal increases as the funds are spent. The total loan when fully expended will be $10,000. During the current year the Agency made the final payment on a Community Development Block Grant Section 108 note.

Business-type activities notes payable decreased by $6,045 mainly due to the payoff of the Bank of America note for the purpose of acquisition of properties in the Phoenix Park project ($6,000). The remaining $45 decrease was due to scheduled principal payments, which reduced the year-end balances. There were no new notes issued in 2004.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Notes payable	$ 57,186	$ 58,092	$ 727	$ 6,772	$ 57,913	$ 64,864
Bonds payable	185,484	194,837	-	-	185,484	194,837
Total	$ 242,670	$ 252,929	$ 727	$ 6,772	$ 243,397	$ 259,701

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 55 - 56 and 57 - 64 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Agency has both housing authority and redevelopment agency functions. As such, its revenues and expenditures are dependent on external factors such as the availability of federal funding and the assessment of property values.

2005 BUDGET SUMMARY

The total budget (operating plus capital) has grown 13 percent, from $196,329 in 2004 to $222,092 for 2005. Even with this growth, the revenues do not fully support operating costs for our housing choice voucher and conventional public housing programs. For 2005, the governing boards have approved a transitional budget using one-time funds as we pursue an aggressive strategy to achieve a sustainable budget over the next several years.

The budget attempts to maintain existing staffing levels based on the belief that a stable trained staff will enable us to operate efficiently and effectively. The approved budget reduces the number of positions authorized by 2.7 positions. The decrease is the result of assorted minor reductions in various divisions as positions become vacant and workloads change and it also includes a reduction of two positions for SHRA employees assigned to the County. In addition, 11 vacant positions are unfunded but retained in case funding trends reverse.

The total operating budget increased approximately $11.8 million, or 7 percent, over the prior year. The components of this increase are further defined below.

Employee services costs increased by $1,157, or 5 percent, from last year. Approximately half of the increase is due to increased California Public Employees Retirement System (CalPERS) retirement costs. The remaining increase is the result of a 2.3 percent cost of living adjustment as required by union agreements. The increase is minimized with the unfunding of 11 vacant positions noted above.

The budget for services and supplies has been decreased by $750, or 5 percent.

The Housing Assistance Payments (HAPs) total $94.9 million, an increase of more than $8.8 million, or 10 percent over last year's budgeted amounts. This increase is due to an increase in vouchers moving into Sacramento, more authorized vouchers and higher rental housing rates.

Costs related to debt service have increased by more than $660, or 2.5 percent.

Redevelopment expenses have increased more than $1.6 million, or 16 percent. Much of this increase is due to the higher Education Revenue Augmentation Fund (ERAF) payments to help address the state budget deficit for the 2004-05 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest. 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, 2004
(amounts expressed in thousands)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and investments	$ 196,544	$ 3,316	$ 199,860	$ 1,713
Receivables (net)	14,624	2,991	17,615	520
Due from component units	-	511	511	-
Due from primary government	-	-	-	244
Internal balances	2,970	(2,970)	-	-
Inventories	-	214	214	-
Deferred charges and prepaid items	2,857	7	2,864	15
Restricted cash and investments	10,647	1,141	11,788	23,785
Other long-term assets	-	-	-	392
Notes receivable (net)	100,380	125	100,505	-
Advances to component units	15,555	18,000	33,555	-
Advances to primary government	-	-	-	1,000
Capital assets				
Land and construction in progress	43,985	15,099	59,084	45,935
Depreciable buildings and improvements, and property and equipment, net	8,161	154,454	162,615	19,264
Total assets	395,723	192,888	588,611	92,868
LIABILITIES				
Securities lending obligations	25,482	-	25,482	-
Accounts payable and accrued liabilities	8,904	411	9,315	4,406
Interest payable	1,500	-	1,500	-
Deferred revenue	5,399	7	5,406	134
Deposit and trust liability	1,590	971	2,561	102
Due to component units	-	244	244	-
Due to primary government	-	-	-	511
Advances from component units	1,000	-	1,000	-
Advances from primary government	-	-	-	33,555
Long-term liabilities:				
Due within one year	15,624	47	15,671	10
Due in more than one year	230,701	680	231,381	46,289
Total liabilities	290,200	2,360	292,560	85,007
NET ASSETS				
Invested in capital assets, net of related debt	47,646	168,826	216,472	15,218
Restricted for:				
Debt service	9,881	-	9,881	-
Housing	56,477	1,776	58,253	-
Community development	217,594	-	217,594	-
Other	59	-	59	1,038
Unrestricted	(226,134)	19,926	(206,208)	(8,395)
Total net assets	$ 105,523	$ 190,528	$ 296,051	$ 7,861

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, 2004
(amounts expressed in thousands)

		Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government:					
Governmental activities:					
Housing operations	$ 5,836	$ 1,222	$ 559	$ 9,251	$ 5,196
Community development	53,774	89	27,925	-	(25,760)
Community social services	4,408	-	1,805	-	(2,603)
Interest expense	12,233	-	-	-	(12,233)
Total governmental activities	76,251	1,311	30,289	9,251	(35,400)
Business-type activities:					
Local housing	4,599	958	1,420	-	(2,221)
Public housing	21,687	7,224	8,070	-	(6,393)
Housing choice vouchers	104,228	3,527	100,600	-	(101)
Total business-type activities	130,514	11,709	110,090	-	(8,715)
Total primary government	$ 206,765	$ 13,020	$ 140,379	$ 9,251	$ (44,115)
Component units:					
Local housing	$ 4,768	$ 2,011	$ 1,155	$ 9,042	$ 7,440

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Net (expense) revenue	$ (35,400)	$ (8,715)	$ (44,115)	$ 7,440
General revenues:				
Tax increment	40,676	-	40,676	-
Investment earnings	5,918	83	6,001	86
Gain on disposal of capital assets	3,437	6,833	10,270	-
Miscellaneous	3,305	836	4,141	179
Transfers, net	(13,237)	13,237	-	-
Total general revenues and transfers	40,099	20,989	61,088	265
Change in net assets	4,699	12,274	16,973	7,705
Net assets - beginning	100,824	178,254	279,078	156
Net assets - ending	$ 105,523	$ 190,528	$ 296,051	$ 7,861

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

Sacramento Housing and Redevelopment Agency
Balance Sheet
Governmental Funds
December 31, 2004
(amounts expressed in thousands)

	City CDBG	County CDBG	City HOME	County HOME	City Merged Downtown Debt Service
Assets					
Cash and investments	$ 2,443	$ 2,635	$ 3,541	$ 6,574	$ -
Accounts receivable (net)	73	81	53	79	-
Property taxes receivable	-	-	-	-	2,743
Due from other funds	338	-	-	-	-
Due from other governments	1,161	1,489	42	350	-
Notes receivable (net)	4,182	4,161	16,111	18,136	-
Advances to other funds	250	215	-	-	-
Advances to component units	3,095	-	-	-	-
Restricted cash and investments	-	-	-	-	744
Total assets	$ 11,542	$ 8,581	$ 19,747	$ 25,139	$ 3,487
Liabilities and Fund Balances					
Liabilities:					
Securities lending obligations	$ -	$ -	$ -	$ -	$ -
Accounts payable	1,174	1,414	-	104	-
Accrued liabilities	27	1	4	-	-
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	-	212
Due to other governments	-	-	-	-	-
Deferred revenue	10,269	7,125	19,743	25,035	-
Deposit and trust liability	-	6	-	-	-
Advances from other funds	72	35	-	-	-
Total liabilities	11,542	8,581	19,747	25,139	212
Fund balances:					
Reserved for:					
Capital projects	-	-	-	-	-
Encumbrances	-	-	-	-	-
Debt service	-	-	-	-	744
Noncurrent assets	-	-	-	-	-
Unreserved, reported in:					
Special revenue funds	-	-	-	-	-
Debt service funds	-	-	-	-	2,531
Capital projects funds	-	-	-	-	-
Total fund balances	-	-	-	-	3,275
Total liabilities and fund balances	$ 11,542	$ 8,581	$ 19,747	$ 25,139	$ 3,487

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

Sacramento Housing and Redevelopment Agency
Balance Sheet
Governmental Funds
December 31, 2004
(amounts expressed in thousands)

	City Merged Downtown Capital Projects	City Low/ Mod Merged Downtown Capital Projects	County Mather/ McClellan Merged Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 51,225	$ 12,576	$ 19,598	$ 72,132	$ 170,724
Accounts receivable (net)	-	42	-	404	732
Property taxes receivable	-	-	-	4,521	7,264
Due from other funds	217	527	-	4,593	5,675
Due from other governments	-	-	-	3,479	6,521
Notes receivable (net)	1,187	11,443	-	45,160	100,380
Advances to other funds	2,628	-	-	1,684	4,777
Advances to component units	3,001	1,601	-	7,858	15,555
Restricted cash and investments	-	-	-	9,398	10,142
Total assets	$ 58,258	$ 26,189	$ 19,598	$ 149,229	$ 321,770
Liabilities and Fund Balances					
Liabilities:					
Securities lending obligations	$ 9,841	$ -	$ -	$ -	$ 9,841
Accounts payable	758	-	3	1,388	4,841
Accrued liabilities	15	-	5	50	102
Contracts payable	-	-	-	141	141
Due to other funds	-	84	-	2,609	2,905
Due to other governments	106	-	-	1,429	1,535
Deferred revenue	92	328	-	7,193	69,785
Deposit and trust liability	148	18	-	1,418	1,590
Advances from other funds	-	-	-	5,312	5,419
Total liabilities	10,960	430	8	19,540	96,159
Fund balances:					
Reserved for:					
Capital projects	33,950	7,303	14,910	50,461	106,624
Encumbrances	5,494	4,670	4,641	5,381	20,186
Debt service	-	-	-	9,137	9,881
Noncurrent assets	6,816	13,044	-	48,222	68,082
Unreserved, reported in:					
Special revenue funds	-	-	-	7,133	7,133
Debt service funds	-	-	-	4,732	7,263
Capital projects funds	1,038	742	39	4,623	6,442
					-
Total fund balances	47,298	25,759	19,590	129,689	225,611
Total liabilities and fund balances	$ 58,258	$ 26,189	$ 19,598	$ 149,229	$ 321,770

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, 2004
(amounts expressed in thousands)

Total fund balances of governmental funds (pages 18-19)		$ 225,611
Amounts reported for governmental activities in the statement of net assets are different because:		
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		64,386
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	$ 53,963	
Less: accumulated depreciation	(1,948)	
		52,015
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.		5,565
Costs of issuance related to bonds and notes payable are reported as current period expenditures in the funds:		
Deferred bond issuance costs		2,810
Certain current liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Interest payable		(1,500)
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, net	$ (185,517)	
Notes payable, net	(57,847)	
		(243,364)
Net assets of governmental activities (page 17)		$ 105,523

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

Sacramento Housing and Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	City CDBG	County CDBG	City HOME	County HOME	City Merged Downtown Debt Service
Revenues:					
Intergovernmental	$ 6,382	$ 7,496	$ 1,845	$ 3,916	$ -
Property taxes	-	-	-	-	16,879
Charges for services	5	52	-	-	-
Investment earnings	369	77	331	327	804
Miscellaneous	345	76	813	37	-
Total revenues	7,101	7,701	2,989	4,280	17,683
Expenditures:					
Current:					
Housing operations	-	-	-	-	-
Community development	5,990	7,036	2,989	4,280	-
Community social services	610	663	-	-	-
Capital outlay	225	-	-	-	-
Debt service:					
Principal retirement	-	-	-	-	6,997
Interest	5	2	-	-	5,040
Related charges	-	-	-	-	1,485
Total expenditures	6,830	7,701	2,989	4,280	13,522
Excess (deficiency) of revenues over (under) expenditures	271	-	-	-	4,161
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(271)	-	-	-	(967)
Total other financing sources (uses)	(271)	-	-	-	(967)
Net change in fund balances	-	-	-	-	3,194
Fund balances, beginning	-	-	-	-	81
Fund balances, ending	$ -	$ -	$ -	$ -	$ 3,275

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

Sacramento Housing and Redevelopment Agency
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	City Merged Downtown Capital Projects	City Low/ Mod Merged Downtown Capital Projects	County Mather/ McClellan Merged Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Intergovernmental	$ -	$ -	$ -	$ 14,512	$ 34,151
Property taxes	-	-	-	23,797	40,676
Charges for services	18	-	-	1,236	1,311
Investment earnings	135	43	48	3,178	5,312
Miscellaneous	71	364	11	1,576	3,293
Total revenues	224	407	59	44,299	84,743
Expenditures:					
Current:					
Housing operations	12	-	-	4,891	4,903
Community development	2,672	826	6,446	18,849	49,088
Community social services	67	-	-	3,068	4,408
Capital outlay	3,658	-	-	6,346	10,229
Debt service:					
Principal retirement	-	-	-	6,034	13,031
Interest	-	-	-	6,898	11,945
Related charges	-	-	-	2,952	4,437
Total expenditures	6,409	826	6,446	49,038	98,041
Excess (deficiency) of revenues over (under) expenditures	(6,185)	(419)	(6,387)	(4,739)	(13,298)
Other financing sources (uses):					
Long-term debt issued	-	-	-	2,772	2,772
Sale of capital assets	-	-	-	5,286	5,286
Transfers in	-	-	4,302	10,068	14,370
Transfers out	(1,003)	-	-	(13,046)	(15,287)
Total other financing sources (uses)	(1,003)	-	4,302	5,080	7,141
Net change in fund balances	(7,188)	(419)	(2,085)	341	(6,157)
Fund balances, beginning	54,486	26,178	21,675	129,348	231,768
Fund balances, ending	$ 47,298	$ 25,759	$ 19,590	$ 129,689	$ 225,611

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, 2004
(amounts expressed in thousands)

Net change in fund balances - total governmental funds (pages 21-22)		$ (6,157)
Amounts reported for governmental activities in the statement of activities are different because:		
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 and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Capital outlay	$ 10,229	
Depreciation expense	(283)	
		9,946
The net effect of various transactions involving capital assets (i.e., sales and disposals) is to decrease net assets.		(1,825)
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 because there has been no use of current financial resources.		(11,170)
The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment on long-term debt 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	$ (2,772)	
Principal repayments on long-term debt:		
Notes payable	3,678	
Tax allocation bonds payable	9,353	
		10,259
Governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized throughout the period during which the related debt is outstanding in the statement of activities:		
Amortization of bond issuance costs	(174)	
Amortization of bond premium	164	
Amortization of bond discount	(20)	
		(30)
Interest expense reported in the statement of activities does not require the use of current financial resources, and therefore, is not reported as expenditures in governmental funds.		(114)
Earned deferred revenue and other resources not available to liquidate liabilities of the current period are not recognized in the funds.		5,389
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.		(1,599)
Change in net assets of governmental activities (page 17)		$ 4,699

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, 2004
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds							
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Phoenix Park	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Assets								
Current assets:								
Cash and investments	$ 1,715	$ 773	$ 26	$ -	$ -	$ 802	$ 3,316	$ 25,820
Accounts receivable (net)	112	56	-	-	169	14	351	30
Due from component units	-	-	-	-	204	307	511	-
Due from other governments	-	-	1,447	1,191	-	2	2,640	77
Deferred charges and prepaid items	-	-	-	-	-	7	7	47
Inventories	214	-	-	-	-	-	214	-
Total current assets	2,041	829	1,473	1,191	373	1,132	7,039	25,974
Noncurrent assets:								
Restricted cash and investments	454	254	75	124	69	165	1,141	505
Notes receivable	-	-	-	-	30	95	125	-
Advances to other funds	-	-	-	-	-	-	-	842
Advances to component units	-	-	-	-	18,000	-	18,000	-
	454	254	75	124	18,099	260	19,266	1,347
Capital assets:								
Land	8,878	5,249	-	-	276	696	15,099	-
Buildings and improvements	110,809	87,312	-	-	2,669	10,846	211,636	-
Property and equipment	2,444	1,619	-	-	-	-	4,063	1,028
Less accumulated depreciation	(33,439)	(22,498)	-	-	(254)	(5,054)	(61,245)	(897)
Total capital assets (net of accumulated depreciation)	88,692	71,682	-	-	2,691	6,488	169,553	131
Total noncurrent assets	89,146	71,936	75	124	20,790	6,748	188,819	1,478
Total assets	91,187	72,765	1,548	1,315	21,163	7,880	195,858	27,452
Liabilities								
Current liabilities:								
Securities lending obligations	-	-	-	-	-	-	-	15,641
Accounts payable	80	8	-	2	91	23	204	1,066
Accrued liabilities	83	12	1	45	65	1	207	1,219
Compensated absences	-	-	-	-	-	-	-	1,822
Due to other funds	-	-	1,339	1,144	124	163	2,770	-
Due to component units	-	-	-	-	244	-	244	-
Deferred revenue	-	-	-	-	-	7	7	-
Current portion of long-term debt	-	-	-	-	-	47	47	-
Current liabilities payable from restricted assets:								
Deposit and trust liability	450	254	79	124	14	50	971	-
Total current liabilities	613	274	1,419	1,315	538	291	4,450	19,748
Noncurrent liabilities:								
Compensated absences	-	-	-	-	-	-	-	1,139
Mortgage notes payable	-	-	-	-	-	680	680	-
Advances from other funds	-	-	-	-	-	200	200	-
Advances from component unit	-	-	-	-	-	-	-	1,000
Total noncurrent liabilities	-	-	-	-	-	880	880	2,139
Total liabilities	613	274	1,419	1,315	538	1,171	5,330	21,887
Net Assets								
Invested in capital assets, net of related debt	88,692	71,682	-	-	2,691	5,761	168,826	131
Restricted for housing operations	741	920	-	-	-	115	1,776	-
Restricted for community development	-	-	-	-	-	-	-	505
Unrestricted	1,141	(111)	129	-	17,934	833	19,926	4,929
Total net assets	$ 90,574	$ 72,491	$ 129	$ -	$ 20,625	$ 6,709	$ 190,528	$ 5,565

Sacramento Housing and Redevelopment Agency
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds							
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Phoenix Park	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Operating revenues:								
Charges for services	$ 4,711	$ 2,513	$ 3,527	$ -	$ 190	$ 768	$ 11,709	$ 7,191
Miscellaneous	259	111	16	14	5	431	836	12
Total operating revenues	4,970	2,624	3,543	14	195	1,199	12,545	7,203
Operating expenses:								
Employee services	3,968	2,129	1,961	1,818	254	314	10,444	5,264
Administrative services	1,054	547	608	608	-	219	3,036	-
Services and supplies	4,754	2,268	1,208	1,207	2,503	406	12,346	2,629
Utilities	1,252	640	-	-	120	174	2,186	-
Claims and judgments	-	-	-	-	-	-	-	161
Depreciation	2,812	2,260	-	-	249	274	5,595	36
Housing assistance payments	-	-	49,820	46,998	-	-	96,818	-
Total operating expenses	13,840	7,844	53,597	50,631	3,126	1,387	130,425	8,090
Operating loss	(8,870)	(5,220)	(50,054)	(50,617)	(2,931)	(188)	(117,880)	(887)
Nonoperating revenues (expenses):								
Intergovernmental	5,407	2,663	50,174	50,426	814	606	110,090	-
Investment earnings	18	15	-	-	40	10	83	462
Interest expense	(2)	(1)	-	-	(23)	(63)	(89)	-
Gain (loss) on disposal of capital assets	3	-	-	-	6,830	-	6,833	(24)
Total nonoperating revenues (expenses)	5,426	2,677	50,174	50,426	7,661	553	116,917	438
Income (loss) before contributions and transfers	(3,444)	(2,543)	120	(191)	4,730	365	(963)	(449)
Capital contributions	1,163	-	-	-	11,157	-	12,320	-
Transfers in	581	159	20	191	546	29	1,526	-
Transfers out	-	-	(20)	-	-	(589)	(609)	(1,150)
Change in net assets	(1,700)	(2,384)	120	-	16,433	(195)	12,274	(1,599)
Total net assets, beginning	92,274	74,875	9	-	4,192	6,904	178,254	7,164
Total net assets, ending	$ 90,574	$ 72,491	$ 129	$ -	$ 20,625	$ 6,709	$ 190,528	$ 5,565

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, 2004
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds							
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Phoenix Park	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Cash flows from operating activities:								
Cash receipts from tenants	$ 4,911	$ 2,618	$ 3,543	$ 14	$ 319	$ 1,196	$ 12,601	$ -
Cash receipts from interfund services provided	-	-	-	-	-	-	-	7,195
Cash received from (refunded to) tenants	(28)	(9)	(14)	25	(48)	4	(70)	-
Cash paid to suppliers for goods and services	(5,884)	(2,903)	(1,208)	(1,160)	(2,948)	(567)	(14,670)	(2,609)
Cash paid to employees for services	(5,022)	(2,676)	(2,569)	(2,426)	(254)	(533)	(13,480)	(4,631)
Cash paid for housing assistance payments on behalf of tenants	-	-	(49,820)	(46,998)	-	-	(96,818)	-
Cash paid for claims and judgements	-	-	-	-	-	-	-	(161)
Net cash provided by (used in) operating activities	(6,023)	(2,970)	(50,068)	(50,545)	(2,931)	100	(112,437)	(206)
Cash flows from noncapital financing activities:								
Transfers in	581	159	20	191	546	29	1,526	-
Transfers out	-	-	(20)	-	-	(589)	(609)	-
Intergovernmental revenue received	5,407	2,663	52,380	58,568	814	605	120,437	-
Decrease in due from other funds	-	-	-	-	-	158	158	-
Increase in advances to component unit	-	-	-	-	-	(56)	(56)	-
Decrease in advance to other funds	-	-	-	-	-	-	-	136
Increase (decrease) in loans from other funds	-	-	(2,300)	(8,187)	94	247	(10,146)	441
Increase in due from other governments	-	-	-	-	-	-	-	(25)
Decrease in due from component units	-	-	-	-	(14)	-	(14)	8
Securities lending obligations	-	-	-	-	-	-	-	15,641
Net cash provided by noncapital financing activities	5,988	2,822	50,080	50,572	1,440	394	111,296	16,201
Cash flows from capital and related financing activities:								
Purchase of capital assets	-	-	-	-	-	(6)	(6)	(37)
Proceeds from the sale of capital assets	94	29	-	-	-	-	123	-
Payments on long-term liabilities	-	-	-	-	-	(44)	(44)	-
Interest paid	(2)	(1)	-	-	(23)	(63)	(89)	-
Net cash provided by (used in) capital and related financing activities	92	28	-	-	(23)	(113)	(16)	(37)
Cash flows from investing activities:								
Interest received	18	15	-	-	40	10	83	462
Net increase (decrease) in cash and cash equivalents	75	(105)	12	27	(1,474)	391	(1,074)	16,420
Cash and cash equivalents, beginning	2,094	1,132	89	97	1,543	576	5,531	9,905
Cash and cash equivalents, ending	$ 2,169	$ 1,027	$ 101	$ 124	$ 69	$ 967	$ 4,457	$ 26,325
Reconciliation of cash and cash equivalents to the statement of net assets:								
Cash and investments	$ 1,715	$ 773	$ 26	$ -	$ -	$ 802	$ 3,316	$ 25,820
Restricted cash and investments	454	254	75	124	69	$ 165	1,141	505
Total	$ 2,169	$ 1,027	$ 101	$ 124	$ 69	$ 967	$ 4,457	$ 26,325

Sacramento Housing and Redevelopment Agency
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Business-type Activities-Enterprise Funds							
	City Public Housing	County Public Housing	City Housing Choice Vouchers	County Housing Choice Vouchers	Phoenix Park	Other Enterprise Funds	Total	Governmental Activities-Internal Service Funds
Reconciliation of operating loss to net cash provided by (used in) operating activities:								
Operating loss	$ (8,870)	$ (5,220)	$ (50,054)	$ (50,617)	$ (2,931)	$ (188)	$(117,880)	$ (887)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:								
Depreciation/amortization	2,812	2,260	-	-	249	274	5,595	36
Decrease (increase) in accounts receivable	(59)	(6)	-	-	124	(5)	54	(8)
Decrease in inventories	48	-	-	-	-	-	48	-
Decrease (increase) in deferred charges and prepaid items	-	-	-	-	-	(1)	(1)	48
Increase (decrease) in accounts payable	2	(7)	(1)	2	(430)	11	(423)	415
Increase in accrued liabilities	72	12	1	45	65	1	196	62
Increase in due from component unit	-	-	-	-	(204)	-	(204)	-
Increase in due to other funds	-	-	-	-	-	2	2	-
Increase in due to component unit	-	-	-	-	244	-	244	-
Increase in deferred revenue	-	-	-	-	-	2	2	-
(Decrease) increase in deposit and trust liability	(28)	(9)	(14)	25	(48)	4	(70)	-
Increase in compensated absences	-	-	-	-	-	-	-	128
Total adjustments	2,847	2,250	(14)	72	-	288	5,443	681
Net cash provided by (used in) operating activities	$ (6,023)	$ (2,970)	$ (50,068)	$ (50,545)	$ (2,931)	$ 100	$(112,437)	$ (206)
Noncash investing, capital and financing activities:								
Contributions of capital assets	$ 1,163	$ -	$ -	$ -	$ 11,157	$ -	$ 12,320	$ 1,150
Noncash advance to component units	-	-	-	-	18,000	-	18,000	-
Capital assets transferred to component units	-	-	-	-	23,356	-	23,356	-
Assumption of debt by component unit	-	-	-	-	6,000	-	6,000	-
	$ 1,163	$ -	$ -	$ -	$ 58,513	$ -	$ 59,676	$ 1,150

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, 2004
(amounts expressed in thousands)

	Neighborhood Housing Services
Assets	
Cash and investments	$ 10
Liabilities	
Deposit and trust liability	$ 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, 2004
(amounts expressed in thousands)

	Riverview Plaza Associates	Sacramento Housing Development Corporation	Shasta Hotel Investors Partnership	Norwood Avenue Housing Corporation	Norwood Avenue Housing Partnership	Phoenix Park I, L.P.
Assets						
Current assets:						
Cash and investments	$ 397	$ -	$ 3	$ 252	$ 248	$ 405
Accounts receivable (net)	-	-	9	113	57	88
Due from primary government	-	-	-	-	-	-
Deferred charges and prepaid items	-	-	10	-	5	-
Total current assets	397	-	22	365	310	493
Noncurrent assets:						
Restricted cash and investments	247	-	158	-	225	469
Other long-term assets	-	-	-	-	-	392
Advances to primary government	-	1,000	-	-	-	-
	247	1,000	158	-	225	861
Capital assets:						
Land	-	-	-	2,552	176	-
Buildings and improvements	13,725	-	4,345	-	3,473	6,198
Property and equipment	318	-	9	-	-	-
Construction in progress	-	-	-	-	-	29,207
Less accumulated depreciation	(5,808)	-	(1,666)	-	(1,297)	(33)
Total capital assets (net of accumulated depreciation)	8,235	-	2,688	2,552	2,352	35,372
Total noncurrent assets	8,482	1,000	2,846	2,552	2,577	36,233
Total assets	8,879	1,000	2,868	2,917	2,887	36,726
Liabilities						
Current liabilities:						
Accounts payable	-	-	23	-	7	1,256
Accrued liabilities	2	-	1	-	-	1,770
Due to primary government	307	-	-	-	-	204
Deferred revenue	8	-	7	-	119	-
Current portion of notes payable	-	-	-	-	10	-
Current liabilities payable from restricted assets:						
Deposit and trust liability	47	-	15	-	15	5
Total current liabilities	364	-	46	-	151	3,235
Noncurrent liabilities:						
Notes payable	933	-	2,000	-	1,816	15,180
Advances from primary government	8,658	101	-	2,552	791	12,138
Other long - term obligations	448	-	830	-	504	659
Total noncurrent liabilities	10,039	101	2,830	2,552	3,111	27,977
Total liabilities	10,403	101	2,876	2,552	3,262	31,212
Net Assets						
Invested in capital assets, net of related debt	2,903	-	688	-	121	8,054
Restricted for other	200	-	142	-	210	464
Unrestricted	(4,627)	899	(838)	365	(706)	(3,004)
Total net assets	$ (1,524)	$ 899	$ (8)	$ 365	$ (375)	$ 5,514

Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Component Units
December 31, 2004
(amounts expressed in thousands)

	Phoenix Park II, L.P.	Total
Assets		
Current assets:		
Cash and investments	$ 408	$ 1,713
Accounts receivable (net)	253	520
Due from primary government	244	244
Deferred charges and prepaid items	-	15
Total current assets	905	2,492
Noncurrent assets:		
Restricted cash and investments	22,686	23,785
Other long-term assets	-	392
Advances to primary government	-	1,000
	22,686	25,177
Capital assets:		
Land	-	2,728
Buildings and improvements	-	27,741
Property and equipment	-	327
Construction in progress	14,000	43,207
Less accumulated depreciation	-	(8,804)
Total capital assets (net of accumulated depreciation)	14,000	65,199
Total noncurrent assets	36,686	90,376
Total assets	37,591	92,868
Liabilities		
Current liabilities:		
Accounts payable	1,301	2,587
Accrued liabilities	46	1,819
Due to primary government	-	511
Deferred revenue	-	134
Current portion of notes payable	-	10
Current liabilities payable from restricted assets:		
Deposit and trust liability	20	102
Total current liabilities	1,367	5,163
Noncurrent liabilities:		
Notes payable	23,470	43,399
Advances from primary government	9,315	33,555
Other long - term obligations	449	2,890
Total noncurrent liabilities	33,234	79,844
Total liabilities	34,601	85,007
Net Assets		
Invested in capital assets, net of related debt	3,452	15,218
Restricted for other	22	1,038
Unrestricted	(484)	(8,395)
Total net assets	$ 2,990	$ 7,861

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Riverview Plaza Associates	Sacramento Housing Development Corporation	Shasta Hotel Investors Partnership	Norwood Avenue Housing Corporation	Norwood Avenue Housing Partnership	Phoenix Park I, L.P.
Operating revenues:						
Charges for services	$ 538	$ -	$ 369	$ 113	$ 197	$ 130
Miscellaneous	755	-	43	-	16	37
Total operating revenues	1,293	-	412	113	213	167
Operating expenses:						
Employee services	193	-	-	-	-	-
Administrative services	-	-	200	-	61	192
Services and supplies	690	-	222	28	111	737
Utilities	73	-	51	-	19	152
Depreciation	343	-	158	-	116	33
Total operating expenses	1,299	-	631	28	307	1,114
Operating income (loss)	(6)	-	(219)	85	(94)	(947)
Nonoperating revenues (expenses):						
Intergovernmental	-	-	-	280	-	120
Investment earnings	1	-	1	-	6	-
Interest expense	(689)	-	(60)	-	(104)	-
Total nonoperating revenues (expenses)	(688)	-	(59)	280	(98)	120
Income (loss) before contributions and transfers	(694)	-	(278)	365	(192)	(827)
Capital contributions	-	-	-	-	-	6,341
Change in net assets	(694)	-	(278)	365	(192)	5,514
Total net assets, beginning	(830)	899	270	-	(183)	-
Total net assets, ending	$ (1,524)	$ 899	$ (8)	$ 365	$ (375)	$ 5,514

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

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Component Units
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Phoenix Park II, L.P.	Total
Operating revenues:		
Charges for services	$ 664	$ 2,011
Miscellaneous	83	934
Total operating revenues	747	2,945
Operating expenses:		
Employee services	123	316
Administrative services	-	453
Services and supplies	290	2,078
Utilities	123	418
Depreciation	-	650
Total operating expenses	536	3,915
Operating income (loss)	211	(970)
Nonoperating revenues (expenses):		
Intergovernmental	-	400
Investment earnings	78	86
Interest expense	-	(853)
Total nonoperating revenues (expenses)	78	(367)
Income (loss) before contributions and transfers	289	(1,337)
Capital contributions	2,701	9,042
Change in net assets	2,990	7,705
Total net assets, beginning	-	156
Total net assets, ending	$ 2,990	$ 7,861

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

Notes to the Basic Financial Statements

I. 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 historically contributed funds to cover obligations of the RPA, to the extent that RPA revenues are inadequate. During the year ended December 31, 2004, the Agency contributed $755 to RPA.

Norwood Avenue Housing Corporation (Corporation) - a nonprofit corporation with a governing board comprised of three Agency staff appointed by the Executive Director of the Agency and two community representatives. It is a component unit because through contractual arrangements, the Agency bears some responsibility for financial and operational matters of the entity, as well as having the ability to impose its will on the Corporation.

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 three Agency staff appointed by the Executive Director of the Agency and two community representatives, as managing 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.

Phoenix Park I L.P. (Partnership) - A California limited partnership created for the purpose of providing low- income housing to the poor and distressed by developing, financing, constructing, rehabilitating, owning, maintaining and operating a rental housing project. The Partnership's operations began on February 1, 2004. The project consists of 178 units located in Sacramento, California. The Partnership has a Managing General Partner, Norwood Avenue Housing Corporation, a California nonprofit public benefit corporation; MMA Special Limited Partner, Inc., a Florida corporation, as Special Limited Partner; and MMA Financial Warehousing, LLC, a Maryland limited liability company, as Investor Limited Partner. The Partnership meets the criteria for inclusion as a component unit within the Agency's reporting entity. Through contractual arrangements, the Agency is responsible for all financial matters, including oversight responsibility for independent contractual management of operations.

Phoenix Park II L.P. (Partnership) - A California limited partnership created for the purpose of providing low- income housing to the poor and distressed by developing, financing, constructing, rehabilitating, owning, maintaining, and operating a rental housing project. The Partnership's operations began on October 1, 2004. The project consists of 182 units located in Sacramento, California. The Partnership has a Managing General Partner, Norwood Avenue Housing Corporation, a California nonprofit public benefit corporation; and MMA Financial Institutional Tax Credits XXVIII, LP, as an Investor Limited Partner. The Partnership meets the criteria for inclusion as a component unit within the Agency's reporting entity. Through contractual arrangements, the Agency is responsible for all financial matters, including oversight responsibility for independent contractual management of operations.

B. Implementation of Governmental Accounting Standards Board (GASB) Statement

Effective January 1, 2004 the Agency implemented the following new GASB Statement:

GASB Statement No. 40, Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3). This statement establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) interest rate risk and foreign currency risk. This statement also establishes and modifies disclosure requirements for deposit risks: custodial credit risk and foreign currency risk.

C. 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 Agency and its component units. 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 Agency is reported separately from certain legally separate component units for which the Agency 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. 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. Tax increment revenues 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 and enterprise funds are reported as separate columns in the fund financial statements.

D. 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 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, investment earnings, 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 (CDBG) 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 the 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 County Mather/McClellan Merged Capital Projects fund accounts for the financing and construction activities of capital improvements in the County Mather/McClellan Merged 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.

The Phoenix Park fund accounts for the financing and activities related to the acquisition, reconstruction and reconfiguration of low-income rental units.

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 among and between Agency departments and to other governmental 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 nonprofit 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 GASB. 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.

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 principal 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.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The City Treasurer and the County Treasurer each manage portions of the Agency's cash and investments, except those that must be legally segregated. The share of each fund in the pooled cash accounts is separately accounted for and investment earnings is apportioned monthly to funds that are legally required to receive interest based on the relationship of a fund's average 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 County Treasurer manages investments of the Agency and the County Treasury Oversight Committee is responsible for the regulatory oversight of its pool. During the year ended December 31, 2003 the newly formed Sacramento County Public Financing Authority issued bonds and loaned the proceeds to the Redevelopment Agencies of the City and County of Sacramento. The Agency invested the proceeds loaned to the Redevelopment Agency of the County of Sacramento, with the County Treasurer. These proceeds were for the County Mather/McClellan Merged redevelopment project area. The County invests funds pursuant to Sections 53601 et seq. and 53635 et seq. of the California Government Code.

The City Treasurer manages investments of the Agency (except for funds held at the County Treasurer or with fiscal agents) and is responsible for the regulatory oversight of its pool. The Agency formally requested that the City invest the Agency's funds in compliance with Section 53601 of the California Government Code and the City Council adopted a revised investment policy.

Investment 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 and the County Treasurer. The fair value of investments is determined monthly. The value of the pooled shares in the City and County 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.

Investment earnings on bond proceeds are recorded in the tax increment low/mod special revenue funds or in the debt service funds depending on the type of bond.

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 noncurrent 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 to other funds, as reported in the fund financial statements, are offset by a reservation of fund balance for noncurrent assets in the 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 the 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 after 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.

Budget problems at the State level have resulted in less tax increment funding available to the Agency. The 2003-04 State of California budget included the Education Revenue Augmentation Fund (ERAF), which shifted money from redevelopment agencies to increase funding for schools. For the Agency, ERAF charges amounted to $1,632 for the 2004 year.

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, 2004 was $1,854.

Amounts reported as due from other governments represent receivables from federal, state, and local governments for various programs including $546 due from the City of Sacramento and $866 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 enterprise funds. Inventories are recorded as expenses when consumed rather than when purchased.

Prepaid items represent costs for goods and/or services, which will benefit periods beyond December 31, 2004.

(dollar amounts expressed in thousands)

4. Restricted Cash and Investments

Certain proceeds of debt issuances, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets and 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 statement of net assets equals $35,573 of which $33,521 represents cash and investments restricted by debt covenants, $1,139 is for replacement and $913 is for tenant security deposits and insurance impounds.

5. Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and property and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements and the proprietary funds 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, construction in progress, buildings and improvements, and property and equipment with an initial, individual 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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.

In the government-wide and proprietary fund financial statements, accrued vacation and sick pay are charged as an expense in the period earned. Compensated absences are generally liquidated by the Agency's Internal Service Funds. 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. Bond 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 the 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.

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 $100, provided that funds 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 the County Credit Check fund. 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. A budget was not adopted for the County Credit Check fund since no budget activity was expected. 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, 2004, the County Mather Transitional Housing Special Revenue fund had $15 of expenditures in excess of budgeted appropriations at the fund level. This was due to unanticipated operating expenditures.

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, $1,038 are categorized as *other* in the Component Unit funds, which represents operating and replacement reserves and $59 in the Governmental Activities, which represents funds legally required to be set aside for the Shasta Hotel Investors Partnership.

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

Sacramento Housing and Redevelopment Agency
Notes to the Basic Financial Statements *(Continued)*
December 31, 2004
(dollar amounts expressed in thousands)

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	$106,624	Special revenue funds	$ 7,133
Encumbrances	20,186	Debt service funds	7,263
Debt service	9,881	Capital projects funds	6,442
Noncurrent assets	68,082	Total unreserved fund balance	20,838
Total reserved fund balance	$204,773	Total fund balance	$225,611

D. Deficit Fund Equity

The following governmental funds have deficit fund balances:

Special Revenue:	
Tax Increment Low and Moderate Income Housing:	
City/County Low/Mod Auburn Boulevard	$176
City Low/Mod Army Depot	7
Debt Service:	
City Richards Boulevard	696
County Walnut Grove	260
Debt Service(continued):	
City/County Auburn Boulevard	$295
City Army Depot	436
City 65th Street/Folsom Boulevard County	250
City CDBG	214
County Florin Road	215

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.

(dollar amounts expressed in thousands)

III. Detailed Notes on All Funds

A. Cash and Investments

At December 31, 2004, total Agency cash and investments at fair value were as follows:

	Government-wide Statement of Net Assets			
	Primary Government	Component Units	Fiduciary Fund Statement of Net Assets	Total
Cash and investments	$ 199,860	$ 1,713	$ 10	$ 201,583
Restricted cash and investments	11,788	23,785	-	35,573
Total cash and investments	$ 211,648	$ 25,498	$ 10	$ 237,156

At December 31, 2004, the Agency's cash and investments consist of the following:

Cash on hand	$ 9,490
Investments	237,348
Outstanding checks	(9,682)
Total cash and investments	$ 237,156

The table below identifies the investment types that are authorized for the Agency, including its discretely presented component units, by California Government Code 53601. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the Agency, rather than the general provisions of the Agency's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer	Minimum Rating
Local Agency Bonds	5 years	None	None	
U.S. Treasury Obligations	5 years	None	None	
U.S. Agency Securities	5 years	None	None	
Bankers Acceptance	180 days	40%	30%	
Commercial Paper	270 days	25%	10%	A1/P1
Negotiable Certificates of Deposit	5 years	30%	None	
Repurchase Agreements	1 year	None	None	
Reverse Repurchase Agreements	92 days	20%	None	
Medium Term Notes (Corporate & Depository debt securities)	5 years	30%	None	A
Mutual Funds (that invest in allowable securities)	N/A	20%	10%	
Money Market Mutual Funds	N/A	20%	10%	
Collateralized Bank Deposits	5 years	None	None	
Mortgage Pass-through Securities	5 years	20%	None	AA
Time Deposits	5 years	None	None	
County Pooled Investment	N/A	None	None	
Local Agency Investment Fund	N/A	None	None	

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the City manages the Agency's exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Agency's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits and securities lending transactions: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by depository regulated under stated law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Furthermore, the California Government Code limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio. At December 31, 2004, the carrying amount of the Agency's deposits is $7,801 and the bank balance is $5,751. Of the bank balance, $306 is covered by federal depository insurance, $5,431 is collateralized with securities held by the pledging financial institution, in accordance with the State of California Government Code and held in the Agency's name and $14 is uninsured and uncollateralized. Those amounts which are uninsured and uncollateralized are held with state and federal agencies. At December 31, 2004, the carrying amount of the Agency's discretely presented component units deposits is $1,699 and the bank balance is $3,660. Of the bank balance, $775 is covered by federal depository insurance, $2,856 is collateralized with securities held by the pledging financial institution and $29 is uninsured and uncollateralized. Those amounts which are uninsured and uncollateralized are held with state and federal agencies.

Concentration of Credit Risk

Nearly 20%, or $39,591, of the Agency's investments at year-end are in U.S. Treasury Notes or U.S. Agency Securities. There is no limitation on amounts invested in these types of issues. Of the $35,601, or 18%, of the portfolio invested in commercial paper, corporate bonds, repurchase agreements or guaranteed investment contracts, no investment in a single issuer exceeded 5%. Investments in any one issuer (other than U.S. Treasury Notes, mutual funds and external investment pools) that represent 5% or more of the total investments of the Agency is as follows:

Federal Home Loan Bank	$16,110

Investments in any one issuer that represented 5% or more of the total investments by reporting unit (governmental activities, business-type activities, discretely presented component units, major fund and nonmajor funds in the aggregate) is as follows:

$22,654 in restricted cash and investments reported in the Phoenix Park II, L.P. component unit fund is held in an unrated guaranteed investment contract issued by Pallas Capital Corporation. These funds represent the bond proceeds related to the $23,470 in variable rate demand bonds.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the Agency's policy to purchase investments with the minimum ratings required by the California Government Code. As of December 31, 2004, the Agency's (primary government) investments and credit ratings are as follows:

	Credit Rating (S & P/ Moody's)	*Maturity* Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Fair Value
Cash in bank							$ 7,801
Investments held by fiscal agents:							
U.S. Treasury Notes	AAA	1,432	-	-	-	-	1,432
Money Market Mutual Funds	Not Rated	469	-	-	-	-	469
Guaranteed Investment Contract	Not Rated	-	-	-	-	3,136	3,136
Corporate Bonds	AAA	-	-	-	-	1,261	1,261
Total investments held by fiscal agents							6,298
Securities Lending:							
Securities pooled with City Treasurer on loan	Not Available	-	-	-	12,210	-	12,210
Securities on Loan:							
U.S. Treasury Notes	AAA	-	4,461	4,982	3,125	-	12,568
Federal Home Loan Bank	AAA	-	-	-	204	-	204
Total securities lending							24,982
County Investment Pool	Not Rated	-	-	35,715	-	-	35,715
City Investment Pool	Not Rated	-	-	-	46,231	-	46,231
LAIF	Not Rated	-	-	18,098	-	-	18,098
Money Market Mutual Funds	Not Rated	-	-	-	-	-	142
Repurchase Agreement	A1/P1	2,000	-	-	-	-	2,000
Commercial Paper	A1/P1	10,862	4,989	-	-	-	15,851
Commercial Paper	AAA/Aaa	-	-	5,012	-	-	5,012
Commercial Paper	A+/Aa3	-	-	5,006	-	-	5,006
U.S. Treasury Notes	AAA	-	-	6,510	1,876	-	8,386
Federal National Mortgage Association	AAA	1,095	-	-	-	-	1,095
Federal Home Loan Bank	AAA/Aaa	-	5,000	1,000	9,906	-	15,906
Corporate Bonds	AAA	-	-	1,000	1,999	-	2,999
Corporate Bonds	B+/B2	-	-	-	237	99	336
Securities purchased with securities lending collateral	Not Available	25,482	-	-	-	-	25,482
Less outstanding checks							(9,682)
Total cash and investments – primary government and fiduciary fund							$ 211,658

Sacramento Housing and Redevelopment Agency
Notes to the Basic Financial Statements *(Continued)*
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(dollar amounts expressed in thousands)

As of December 31, 2004, the investments and credit ratings of the discretely presented component units of the Agency are as follows:

	Credit Rating	*Maturity* Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Over 5 Years	Fair Value
Cash in bank		-	-	-	-	-	$ 1,699
Investments held by fiscal agents:							
Guaranteed Investment Contract	Not Rated	-	-	-	22,654	-	22,654
City Investment Pool	Not Rated	-	-	-	1,145	-	1,145
Total cash and investments – component units							$ 25,498

Investment in State Investment Pool

The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code. All investments with LAIF are secured by the full faith and credit of the State of California. The Local Investment Advisory Board (LIAB) has oversight responsibility for LAIF. The LIAB consists of five members as designated by State Statute. A total of $53,559,902 is invested by public agencies in the LAIF as of December 31, 2004. Included in LAIF's investment portfolio are certain derivative securities or similar products in the form of structured notes, totaling $137,315, and asset-backed securities totaling 1,230,579.

Securities Lending

The City engages in securities lending transactions using Agency investments, whereby the City has authorized its custodial bank to loan its securities to approved counterparties for collateral (cash or securities). Such loans are short-term and the City retains the right to sell, without penalty, the original securities in which it has invested. The City's arrangement with the bank requires the bank to indemnify the City for failure of any counterparty to return the securities loaned. The Agency's investment policy permits securities loans up to 20% of the fair value of the Agency's portfolio.

Borrowers delivered collateral equal to 102% of the market value of the loaned securities. All loans are marked to market daily and if the value of the collateral falls below the minimum margin in aggregate for a borrower, the borrower must either increase the collateral or terminate the loans. There have been no losses as a result of a default. As of December 31, 2004, the average number of days that the loans were outstanding was 1 day and the weighted maturity of the collateral investments was 16.7 days. The cash collateral that was received by the City from the borrowers was invested in Commercial Paper, U.S. Treasury Notes and U.S. Agency Securities.

The securities loaned that are specifically identifiable to the Agency include U.S. Treasury Notes and U.S. Agency Securities totaling $12,568 and $204, respectively. The City has also loaned, on behalf of the Agency, $12,210 of the Agency's investment in the City's pool. The types of collateral accepted are cash, U.S. Government Securities and letters of credit. The City cannot pledge or sell collateral securities without a borrower default. At year-end, the Agency has no credit risk exposure to borrowers because the amounts the City owes the borrowers, on behalf of the Agency, exceeds the amounts the borrowers owe to the City. The Agency has allocated the securities lending obligations to the funds that would ultimately have the risk of loss on the collateral assets.

(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 receivable	Property taxes receivable	Due from other governments	Total receivables	Gross notes receivable	Allowance for loan losses	Net notes receivable
City CDBG	$ 73	$ -	$1,161	$ 1,234	$ 4,256	$ (74)	$ 4,182
County CDBG	81	-	1,489	1,570	4,196	(35)	4,161
City HOME	53	-	42	95	17,004	(893)	16,111
County HOME	79	-	350	429	18,156	(20)	18,136
City Merged Downtown Debt Service	-	2,743	-	2,743	-	-	-
City Merged Downtown Capital Projects	-	-	-	-	1,399	(212)	1,187
City Low/Mod Merged Downtown Capital Projects	42	-	-	42	11,485	(42)	11,443
Nonmajor funds	404	4,521	3,479	8,404	45,738	(578)	45,160
Internal Service	30	-	77	107	-	-	-
Total	$762	$7,264	$6,598	$14,624	$102,234	$(1,854)	$100,380

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	$124	$ (12)	$112	$ -	$ 112
County Public Housing Authority	63	(7)	56	-	56
City Housing Choice Vouchers	-	-	-	1,447	1,447
County Housing Choice Vouchers	-	-	-	1,191	1,191
Phoenix Park	169	-	169	-	169
Nonmajor Funds	14	-	14	2	16
Total	$370	$ (19)	$351	$2,640	$2,991

C. Payables

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

	Accounts payable	Accrued liabilities	Contracts	Due to other governments	Net total payables
City CDBG	$ 1,174	$ 27	$ -	$ -	$ 1,201
County CDBG	1,414	1	-	-	1,415
City HOME	-	4	-	-	4
County HOME	104	-	-	-	104
City Merged Downtown Capital Projects	758	15	-	106	879
County Mather/McClellan Merged Capital Projects	3	5	-	-	8
Nonmajor Funds	1,388	50	141	1,429	3,008
Internal Service	1,066	1,219	-	-	2,285
Total	$5,907	$1,321	$141	$1,535	$8,904

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

	Accounts payable	Accrued liabilities	Net total payables
City Public Housing	$ 80	$83	$ 163
County Public Housing	8	12	20
City Housing Choice Vouchers	-	1	1
County Housing Choice Vouchers	2	45	47
Phoenix Park	91	65	156
Nonmajor Funds	23	1	24
Total	$204	$207	$411

(dollar amounts expressed in thousands)

D. Interfund Transactions

The composition of interfund balances as of December 31, 2004, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
City CDBG	Phoenix Park Enterprise	$ 124
	Nonmajor Governmental	214
City Merged Downtown Capital Projects	City Merged Downtown Debt Service	212
	Nonmajor Governmental	5
City Low/Mod Merged Downtown Capital Projects	Nonmajor Governmental	527
Nonmajor Governmental	City Low/Mod Merged Downtown Capital Projects	84
	City Housing Choice Vouchers Enterprise	1,339
	County Housing Choice Vouchers Enterprise	1,144
	Nonmajor Governmental	1,863
	Nonmajor Enterprise	163
		$5,675

The due to/from other funds amounts represent negative cash reclassifications.

Advances from/to other funds:

Receivable Fund	Payable Fund	Amount
Internal Service	City CDBG	$ 72
	County CDBG	35
	Nonmajor Governmental	735
City CDBG	Nonmajor Governmental	250
County CDBG	Nonmajor Governmental	215
City Merged Downtown Capital Projects	Nonmajor Governmental	2,628
Nonmajor Governmental	Nonmajor Governmental	1,484
	Nonmajor Enterprise	200
		$5,619

	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.	$72
$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.	35
$375 advance from the Self Insurance internal service fund to the City/County Franklin Blvd. debt service fund, authorized and issued in December 1991. 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.	407
$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.	328
$500 advance from the City Merged Downtown capital projects fund to the Local Housing Revenue special revenue 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
$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.	278
$1,100 advance from the Mortgage Revenue Bond special revenue fund to the City Army Depot debt service fund, authorized and issued in December 2001 at $300. The note was restructured in 2004, adding $800 to the principal amount. Interest is 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.	805

(dollar amounts expressed in thousands)

	Amount
$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. The note was restructured in 2003, adding $301 to the principal amount, with no annual payment until December 2005, with no interest, due in annual installments of $113 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.	901
$253 advance from the City Merged Downtown capital projects fund to the City Richards Blvd. debt service fund, authorized and issued in 2003, with no interest, no annual payment until December 2005, due in annual installments of $32 through December 2012, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for the Sports and Entertainment District project.	253
$85 was advanced from the 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.	69
$200 advance from the Mortgage Revenue Bond special revenue fund to the City/County Low/Mod Auburn Blvd. special revenue fund, authorized and issued in December 2003, with interest accruing at 6% and payable in annual payments of $12 until December 2005, when principal and interest are due in annual installments of $23 through December 2017, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for the Lerwich Road project.	193
$307 advance from the Mortgage Revenue Bond special revenue fund to the City Low/Mod Army Depot special revenue fund, authorized and issued in 2003, with annual payments beginning December 2004, with interest accruing at 6%, due in annual installments of $42 through December 2013, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for low and moderate income housing.	139
$1,008 advance from the City Merged Downtown capital projects fund to the City Richards Blvd. capital projects fund, authorized and issued in December 2003, with no annual payment until 2004, with 6% interest, due in annual installments as follows: $95 in 2004, $104 in 2005, and $984 in 2006, to be repaid with tax increment, for the purpose of refinancing debt due in 2003.	974
$215 advance from the County CDBG special revenue fund to the County Florin Road debt service fund, authorized and issued in October 2004, with no annual payment until December 2019, with interest accruing at 2%, due in annual installments of $24 through December 2019, to be repaid with tax increment, for the purpose of incurring debt in the redevelopment area and to provide funds for projects.	215

	Amount
$200 advance from the City Housing Trust capital projects fund to the Greenfair enterprise fund, authorized and issued in September 2004, with no interest, no annual payment until December 2006, due in annual installments of $50 through December 2009, to be repaid with sales proceeds of units. This is for the Greenfair funding..	$ 200
.	
	$5,619

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Phoenix Park Enterprise Fund	Component Unit-Phoenix Park I, L.P.	$204
Component Unit-Phoenix Park II, L.P.	Phoenix Park Enterprise Fund	244
Nonmajor Enterprise Funds	Component Unit-Riverview Plaza Associates	307
		$755

Advances to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary Government-City CDBG	Component Unit-Riverview Plaza Associates	$ 2,905
	Component Unit-Norwood Avenue Housing Partnership	190
Primary Government-City Merged Downtown Capital Projects	Component Unit-Sacramento Housing Development Corporation	101
	Component Unit-Phoenix Park I, L.P.	2,900
Primary Government-City Low/Mod Merged Downtown Capital Projects	Component Unit-Norwood Avenue Housing Partnership	601
	Component Unit-Riverview Plaza Associates	1,000
Primary Government-Phoenix Park Enterprise Fund	Component Unit-Phoenix Park I, L.P.	6,133
	Component Unit-Phoenix Park II, L.P.	9,315
	Component Unit-Norwood Avenue Housing Corporation	2,552
Primary Government-Nonmajor Governmental Fund	Component Unit-Riverview Plaza Associates	4,753
	Component Unit-Phoenix Park I, L.P.	3,105
Component Unit-Sacramento Housing Development Corporation	Internal Service Funds	1,000
		$ 34,555

(dollar amounts expressed in thousands)

	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 Associates 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. $2,753 in accrued interest has been added to the advance amount of $2,000.	4,753
$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. $1,507 in accrued interest has been added to the advance amount of $1,398.	2,905
$215 advance from the City Low/Mod Merged Downtown capital projects fund to the Norwood Avenue Housing Partnership 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. $386 in accrued interest has been added to the advance amount of $215.	601
$465 advance from the City CDBG special revenue fund to the Norwood Avenue Housing Partnership component unit fund. The note is non-interest bearing and is deferred until the principal due date of September 16, 2021. The note is secured by deed of trust.	190
$8,270 advance from the City Low/Mod Merged Downtown special revenue fund ($958), the City Merged Downtown capital projects fund ($3,000), the Riverview Plaza Reserve special revenue fund ($1,742), the City Low/Mod Franklin Blvd. capital projects fund ($500), and the Phoenix Park enterprise fund ($2,070), to the Phoenix Park I, L.P. component unit fund. The note bears interest equal to the prime rate estimated at 3.5% on the first $3,362 and 6% on the remaining $4,908. Principal payments are deferred until 2059. Interest payments are to be made monthly only to the extent that residual receipts income is available, as defined in the Partnership Agreement. The note is secured by a deed of trust.	8,075

	Amount
$4,063 advance from the Phoenix Park enterprise fund to the Phoenix Park I, L.P. component unit fund. The note bears interest of 3% on the first $1,644 and 4.94% on the remaining. Principal payments are deferred until 2059. Interest payments are to be made monthly only to the extent that residual receipts income is available, as defined in the Partnership Agreement. The note is secured by a deed of trust.	$4,063
$4,730 advance from the Phoenix Park enterprise fund, to the Phoenix Park II, L.P. component unit fund. The note bears interest equal to the prime rate estimated at 3.5% on the first $2,638, which was paid off in 2004, and 6% on the remaining $2,092. Principal payments are deferred until 2059. Interest payments are to be made monthly only to the extent that residual receipts income is available, as defined in the Partnership Agreement. The note is secured by a deed of trust.	4,730
$4,585 advance from the Phoenix Park enterprise fund to the Phoenix Park II, L.P. component unit fund. The note bears interest of 3% on the first $856 accruing from March 15, 2003 and continuing through the term of the loan. The remaining $3,729 bears interest of 3% accruing from the date of the origination of the construction financing. Principal payments are deferred until 2059. Interest payments are to be made monthly only to the extent that residual receipts income is available, as defined in the Partnership Agreement. The note is secured by a deed of trust.	4,585
$1,430 advance from the Phoenix Park enterprise fund to the Norwood Avenue Housing Corporation component unit fund at 0% interest. Payments shall be made annually in an amount equal to the annual aggregate Phoenix Park I, L.P. ground lease payments, if any, that are received by the borrower payable on or before March 1 of each year from and after the payment start date. The unpaid balance of the note is due and payable in 2059, including without limitation all unpaid principal, interest, fees and charges. The note is secured by a deed of trust.	1,430
$1,122 advance from the Phoenix Park enterprise fund to the Norwood Avenue Housing Corporation component unit fund at 0% interest. Payments shall be made on or before the sixtieth (60^{th}) day following borrower's receipt of each of the Phoenix Park II, L.P. ground lease payments in an amount equal to the Phoenix Park II, L.P. ground lease payments that are received by borrower from and after the payment start date. The unpaid balance of the note is due and payable in 2059, including without limitation all unpaid principal, interest, fees and charges. The note is secured by a deed of trust.	1,122
	$34,555

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, 2004:

Transfers in:	Transfers out:	Amount
County Mather/McClellan Merged Capital Projects Funds	Nonmajor Governmental Funds	$ 4,302
Nonmajor Governmental Funds	City CDBG Fund	271
	City Merged Downtown Debt Service Fund	967
	City Merged Downtown Capital Projects Fund	1,003
	Nonmajor Governmental Funds	7,827
City Public Housing Authority Enterprise Fund	Nonmajor Enterprise Funds	581
	Internal Service Funds	1,150
County Public Housing Authority Enterprise Fund	Nonmajor Governmental Funds	159
City Housing Choice Vouchers Enterprise Fund	Nonmajor Governmental Funds	20
County Housing Choice Vouchers Enterprise	Nonmajor Governmental Funds	171
Fund	City Housing Choice Vouchers Enterprise Fund	20
Phoenix Park Enterprise Fund	Nonmajor Governmental Funds	546
Nonmajor Enterprise Funds	Nonmajor Governmental Funds	21
	Nonmajor Enterprise Funds	8
		$17,046

Transfer of capital assets of $1,150 was shown in the City Public Housing enterprise fund statement of revenues, expenses and changes in fund net assets as a capital contribution but shown as a transfer out in the Internal Support internal service fund statement of revenues, expenses and changes in fund net assets.

Sacramento Housing and Redevelopment Agency
Notes to the Financial Statements *(Continued)*
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E. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

Governmental activities:	January 1, 2004	Increases	Decreases	Transfers In/Out	December 31, 2004
Capital assets, not being depreciated:					
Land	$28,841	$ 4,614	$(1,691)	$ (1,310)	$30,454
Construction in progress	18,918	5,439	-	(10,826)	13,531
Total capital assets, not being depreciated	47,759	10,053	(1,691)	(12,136)	43,985
Capital assets, being depreciated:					
Buildings and improvements	9,877	143	(150)	(267)	9,603
Property and equipment	1,679	64	(321)	(19)	1,403
Total capital assets being depreciated	11,556	207	(471)	(286)	11,006
Less accumulated depreciation for:					
Buildings and improvements	(1,592)	(251)	18	96	(1,729)
Property and equipment	(1,355)	(68)	301	6	(1,116)
Total accumulated depreciation	(2,947)	(319)	319	102	(2,845)
Total capital assets, being depreciated, net	8,609	(112)	(152)	(184)	8,161
Governmental activities capital assets, net	$56,368	$ 9,941	$(1,843)	$(12,320)	$52,146
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 16,310	$ 6	$ (2,527)	$ 1,310	$ 15,099
Construction in progress	2,415	-	(13,241)	10,826	-
Total capital assets, not being depreciated	18,725	6	(15,768)	12,136	15,099
Capital assets, being depreciated:					
Buildings and improvements	219,423	-	(8,054)	267	211,636
Property and equipment	4,180	-	(136)	19	4,063
Total capital assets, being depreciated	223,603	-	(8,190)	286	215,699
Less accumulated depreciation for:					
Buildings and improvements	(52,788)	(5,509)	462	(96)	(57,931)
Property and equipment	(3,242)	(86)	20	(6)	(3,314)
Total accumulated depreciation	(56,030)	(5,595)	482	(102)	(61,245)
Total capital assets, being depreciated, net	167,573	(5,595)	(7,708)	184	154,454
Business-type activities capital assets, net	$186,298	$(5,589)	$(23,476)	$12,320	$169,553

(dollar amounts expressed in thousands)

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

Governmental activities:	
Housing	$ 34
Community Development	249
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	36
Total depreciation expense - governmental activities	$ 319
Business-type activities:	
Public Housing	$5,072
Local Housing	523
Total depreciation expense-business-type activities	$5,595

Component unit capital asset activity for the year ended December 31, 2004, was as follows:

Component unit activities:	January 1, 2004	Increases	Decreases	Transfers In/Out	December 31, 2004
Capital assets, not being depreciated:					
Land	$176	$ 2,552	$ -	$ -	$ 2,728
Construction in progress	-	43,207	-	-	43,207
Total capital assets, not being depreciated	176	45,759	-	-	45,935
Capital assets, being depreciated:					
Buildings and improvements	21,543	6,198	-	-	27,741
Property and equipment	326	1	-	-	327
Total capital assets, being depreciated	21,869	6,199	-	-	28,068
Less accumulated depreciation for:					
Buildings and improvements	(8,154)	(650)	-	-	(8,804)
Total capital assets, being depreciated, net	13,715	5,549	-	-	19,264
Component unit activities capital assets, net	$13,891	$51,308	$ -	$ -	$65,199

Depreciation expense was charged to functions/programs as follows:

Component unit activities:	
Local Housing	$650

Phoenix Park I, L.P. and Phoenix Park II, L.P. incurred total interest costs of $659 and $449, respectively, for the period from inception through December 31, 2004, which has been capitalized.

F. Long-Term Debt

Long-term debt payable at December 31, 2004 for the Agency and component units is comprised of the following individual issues:

Governmental activities:	Interest Rates	Balance Dec. 31, 2004
Notes Payable:		
City B-93-MC-06-0003A	5.85% - 6.98%	$ 1,200
City B-97-MC-06-0003	5.28% - 5.46%	1,820
City B-97-MC-06-0003	5.70% - 6.67%	2,870
County B-00-UC-06-0005	3.30% - 4.16%	460
County B-01-UC-06-0005	4.20% - 5.00%	250
Boating and Waterways	4.50%	1,049
CHFA	3.00%	2,000
CHFA- Phoenix Park	3.00%	1,000
CHFA- Phoenix Park	3.00%	1,500
County of Sacramento-Auburn Boulevard	3.00%	150
1999 Del Paso Master Lease	4.00% - 5.80%	2,175
1999 Oak Park Master Lease	4.00% - 5.80%	1,590
1999 North Sacramento Master Lease	4.00% - 5.88%	4,800
1999 Richards Boulevard Master Lease	4.10% - 5.88%	5,605
2002 Downtown Master Lease	3.00% - 5.00%	23,970
2002 Stockton Boulevard Master Lease	3.00% - 5.00%	3,155
Mather/McClellan CIEDB	3.52%	3,592
Total notes payable		57,186
Bonds Payable:		
1993 Downtown TARBS	4.05% - 6.70%	16,273
1998 Downtown TABS - Refunding	3.50% - 5.25%	49,320
1998 Downtown TAB	5.90% - 6.38%	10,330
2000 Downtown TABS - Refunding	4.25% - 4.75%	8,280
2002 Downtown TAB	3.00% - 5.25%	23,280
1999 Del Paso CIRBS	4.00% - 5.80%	8,770
1999 Oak Park CIRBS	4.00% - 5.80%	15,405
2003 Alkali Flat TAB	2.50% - 5.30%	7,410
2003 Del Paso TAB	2.00% - 5.00%	6,066
2003 Mather TAB	2.00% - 6.25%	5,648
2003 Mather TAB	2.00% - 6.25%	23,186
2003 McClellan TAB	2.00% - 6.25%	2,537
2003 McClellan TAB	2.00% - 6.25%	3,879
2003 North Sacramento TAB	2.50% - 5.30%	5,100
Total bonds payable		185,484
Sub-total governmental activities		242,670
Business-type activities:		
Mortgage Notes:		
San Jose/Broadway	8.38%	593
Larchmont/Wildflower	7.75%	134
Total business-type activities mortgage notes		727
Component unit activities:		
Bonds and Notes Payable:		
Riverview - October 1988	3.00%	933
Norwood - May 1992	3.00%	1,522
Norwood - Saving Association Mortgage Company	8.25%	304
Shasta Partnership (HCD)	3.00%	2,000

(dollar amounts expressed in thousands)

Component unit activities (continued):	Interest Rates	Balance Dec. 31, 2004
Bonds and Notes Payable:		
Phoenix Park I, L.P. – Citibank	2.25%	$14,180
Phoenix Park I, L.P. – Union Safe Deposit Bank	- -	1,000
Phoenix Park II, L.P. – Demand Bonds	variable	23,470
Total component unit activities bonds and notes payable		43,409
Sub-total long-term debt		286,806
Other Debt:		
Component unit activities - Accrued interest due in future years	- -	1,782
Total long-term debt		$288,588

GOVERNMENTAL ACTIVITIES:

Notes Payable:

	Amount
$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 semiannually 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.	$1,200
$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 semiannually 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.	1,820
$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 semiannually 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.	2,870
$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.	460
$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
$1,380 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.	1,049

	Amount
$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.	1,000
$1,500 California Housing Finance Agency Note Payable authorized and issued January 2003. 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 January 2013.	1,500
$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.	150
$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.	2,175
$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.	1,590
$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.	4,800
$5,920 Master Lease Agreement authorized and issued December 1999, due in annual installments of $100 to $405 through December 2029 with interest payable semiannually at 4.1% to 5.875% for the purpose of financing redevelopment projects.	5,605
$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 semiannually at 3% to 5% for the purpose of financing redevelopment projects.	23,970
$3,265 Master Lease Agreement authorized and issued July 2002, due in annual installments of $55 to $200 through December 2032 with interest payable semiannually at 3% to 5% for the purpose of financing redevelopment projects.	3,155
$10,000 California Infrastructure and Economic Development bank loan authorized and issued January 2002, due in annual installments of $193 to $604 through December 2033 with interest payable semiannually at 3.52% for the purpose of financing a public development facility.	3,592
	57,186
Less current portion	(3,672)
Total notes payable	$53,514

(dollar amounts expressed in thousands)

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.	$16,273
$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.	49,320
$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.	10,330
$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.	8,280
$26,815 Tax Allocation Bonds authorized and issued July 2002, due in annual installments of $1,595 to $2,010 through December 2017 with interest payable semiannually at 3.0% to 5.25%, for the purpose of financing redevelopment projects.	23,280
$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.	8,770
$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.	15,405
$7,705 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $295 to $595 through December 2022 with interest payable semiannually at 2.5% to 5.3% for the purpose of financing redevelopment projects.	7,410
$6,066 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $382 to $825 through December 2030 with interest payable semiannually at 2.0% to 5% for the purpose of financing redevelopment projects.	6,066
$5,758 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $83 to $397 through December 2033 with interest payable semiannually at 2.0% to 6.25% for the purpose of financing redevelopment projects.	5,648
$23,669 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $450 to $1,852 through December 2033 with interest payable semiannually at 2.0% to 6.25% for the purpose of financing redevelopment projects.	23,186
$2,587 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $37 to $178 through December 2033 with interest payable semiannually at 2.0% to 6.25% for the purpose of financing redevelopment projects.	2,537

	Amount
$3,961 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $74 to $314 through December 2033 with interest payable semiannually at 2.0% to 6.25% for the purpose of financing redevelopment projects.	$ 3,879
$5,175 Tax Allocation Bonds authorized and issued December 2003, due in annual installments of $60 to $645 through December 2033 with interest payable semiannually at 2.0% to 5.3% for the purpose of financing redevelopment projects.	5,100
	185,484
Less current portion	(10,130)
Total bonds payable	$175,354

BUSINESS-TYPE ACTIVITIES:

Mortgage Notes Payable:

$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.	$ 593
$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.	134
	727
Less current portion	(47)
Long-term mortgage notes payable	$ 680

COMPONENT UNITS:

Bonds and 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 3.0%, 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 3.0%, 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.	304
$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 3.0%, for the purpose of financing the construction of a multiple single room occupancy unit. This note is collateralized by land and building.	2,000

(dollar amounts expressed in thousands)

	Amount
$14,180 Phoenix Park I, L.P. Construction Note Payable to Citibank. The note bears variable interest at 2.25% plus one month LIBOR rate during the rehabilitation phase. Interest only payments are made on a monthly basis. The entire principal balance on the construction note, including any accrued interest, is immediately due and payable on the conversion date, as defined in the promissory note agreement. On the conversion date, the construction note shall become a permanent loan, less the conversion paydown amount. The note is secured by a deed of trust.	$14,180
$1,000 Phoenix Park I, L.P. Note Payable to Union Safe Deposit Bank (Bank). The note is non-interest bearing and is forgivable at the sole discretion of the Bank 57 years after February 1, 2004 provided that the Partnership complies with all of its obligation under the Affordable Housing Program (AHP) Agreement. There are no scheduled payments of interest and principal. The note is secured by a deed of trust.	1,000
$23,470 Variable Rate Demand Bonds authorized and issued in June and October 2004, maturing on October 1, 2036, subject to the prior redemption of the bonds on demand by the bondholders, and are fully secured by a letter of credit. Interest rate is determined on a weekly basis, payments of which are due on a monthly basis. The bonds were issued for the rehabilitation and construction of the Phoenix Park II, L.P. affordable housing complex.	23,470
	43,409
Less current portion	(10)
Long-term bonds and notes payable	$43,399

Other Long-Term Obligations:

Accrued interest on $933 Riverview Plaza Associates mortgage notes payable from available surplus cash. Due in full in September 2016.	$ 448
Accrued interest on $1,522 Norwood Avenue Housing Partnership mortgage notes payable from available surplus cash. Due in full January 2044.	504
Accrued interest on $2,000 Shasta Partnership mortgage notes payable from available surplus cash. Due in full January 2044. Included in this amount is a deferred lease payable amount of $67 and deferred partnership management fees of $99.	830
Accrued interest on $12,138 Phoenix Park I advance payable from available surplus cash. Due in full in 2059.	659
Accrued interest on $9,315 Phoenix Park II advance payable from available surplus cash. Due in full in 2059.	449
Total other long-term obligations	$ 2,890

The following is a summary of changes in long-term liabilities for the fiscal year ended December 31, 2004:

	January 1, 2004	Additions	Retirements	December 31, 2004	Amounts Due Within One Year
Governmental activities:					
Notes payable	$ 58,092	$2,772	$ (3,678)	$ 57,186	$ 3,672
Tax allocation bonds payable	194,837	-	(9,353)	185,484	10,130
Compensated absences	2,833	2,421	(2,293)	2,961	1,822
Sub-total	255,762	5,193	(15,324)	245,631	$15,624
Plus original issue premium	1,433	-	(164)	1,269	
Less original issue discount	(595)	-	20	(575)	
Total governmental activities -long-term liabilities	$256,600	$5,193	$(15,468)	$246,325	

	January 1, 2004	Additions	Retirements	December 31, 2004	Amounts Due Within One Year
Business-type activities:					
Mortgage notes payable	$6,772	$ -	$(6,045)	$ 727	$ 47
Component unit activities:					
Bonds and notes payable	$4,766	$ 38,650	$ (7)	$ 43,409	$ 10
Other long-term obligations	1,631	1,259	-	2,890	-
Total component unit activities -long-term liabilities	$6,397	$39,909	$ (7)	$46,299	$ 10

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
2005	$ 3,672	$ 2,775	$ 10,130	$ 8,710
2006	2,560	2,598	10,655	8,356
2007	2,711	2,505	11,035	7,973
2008	2,804	2,400	11,451	7,556
2009	4,793	2,798	11,914	7,098
2010-2014	18,185	10,259	61,276	34,298
2015-2019	13,611	4,977	30,547	38,225
2020-2024	4,125	1,987	14,989	9,940
2025-2029	4,150	881	11,407	7,508
2030-2033	575	58	12,080	2,166
Sub-total	57,186	31,238	185,484	131,830
Plus original issue premium	661	-	608	-
Less original issue discount	-	-	(575)	-
Totals	$57,847	$31,238	$185,517	$131,830

(dollar amounts expressed in thousands)

Annual debt service requirements of business-type activities to maturity are as follows:

Year ending December 31,	Mortgage Notes Payable Principal	Interest
2005	$ 47	$ 60
2006	52	57
2007	56	52
2008	61	48
2009	40	45
2010-2014	185	163
2015-2019	280	67
2020-2021	6	-
Total	$ 727	$492

Annual debt service requirements of component unit activities to maturity are as follows:

Year ending December 31,	Bonds and Notes Payable		Other Long-term Obligations	
	Principal	Interest	Principal	Interest
2005	$ 10	$ 13	$ -	$ -
2006	14,191	12	-	659
2007	11	12	-	-
2008	12	11	-	-
2009	12	11	-	-
2010-2014	69	46	-	-
2015-2019	1,018	813	-	448
2020-2024	94	9	-	-
2025-2029	-	-	-	-
2030-2034	-	-	-	-
2035-2039	23,470	-	-	449
2040-2044	2,000	3,000	-	-
2045-2049	1,522	2,278	-	1,334
2050-2054	-	-	-	-
2055-2059	-	-	-	-
2060-2061	1,000	-	-	-
Total	$43,409	$6,205	$ -	$2,890

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 2004 and did not incur a liability.

Demand Bonds

Included in long-term debt is $23,470 of variable rate demand multifamily housing revenue bonds maturing on October 1, 2036, which are backed by the income, revenues and receipts pledged by Phoenix Park II, LP. The interest rate on the bonds may be converted to a term interest rate for a period of one-year or any multiple of one year as set forth in the indenture. The bonds were issued by the Agency pursuant to a resolution adopted by the City Council on June 8, 2004. The proceeds of the bonds were loaned to Phoenix Park II, L.P. to finance the acquisition, rehabilitation and development of a 182-unit residential housing development known as Phoenix Park II Apartments (project), together with on-site improvements located in the City of Sacramento. Bondholders have the option to demand the purchase of their bonds upon not less than seven days notice given to the trustee, at a price equal to one-hundred percent of the principal amount plus accrued and unpaid interest to the date of purchase.

The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on three days' notice and delivery to the Agency's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

Under an irrevocable letter of credit issued by Citibank West FSB, the trustee is entitled to draw an amount sufficient to pay (a) the principal or purchase price of the bonds and (b) up to 35 days' interest on the bonds computed at an assumed maximum rate of 12% per annum on the principal. The letter of credit is valid through October 1, 2007.

The Agency is required to pay to Citibank an annual commitment fee for the letter of credit. The Agency has paid an origination fee of $178 to Citibank. In addition, the remarketing agent receives an annual fee.

In accordance with the official statement and the bond trust indenture, the bonds are not general obligations of the Agency, but are limited obligations payable solely from the income, revenues and receipts from the project. The faith and credit of the Agency are not pledged to the payment of the principal of or interest on the bonds. The bonds are the sole obligation of the Phoenix Park II, L.P. and are thus shown as a liability of the component unit.

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, $100; auto liability, $3; and employment practice liability, $100.

The Agency is one of seven public housing authorities of the California Housing Authority Risk Management Agency (CHARMA), formed as a means of providing general liability (including errors and omissions), property, automotive and employment practice liability coverage. CHARMA purchases excess insurance on a collective basis and provides 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 liability coverage is obtained from a national housing authority insurance pool and 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.

(dollar amounts expressed in thousands)

The Agency obtains property coverage from CHARMA. The Agency covers the first $100 per claim and CHARMA covers up to $100 per claim. A commercial insurance carrier provides coverage above CHARMA's self-insured retention level of $100 to the maximum value of all CHARMA insured properties.

For automotive insurance, the Agency obtains coverage from CHARMA. The Agency covers the first $3 and CHARMA provides coverage up to $100. CHARMA obtains excess automotive liability coverage from a national housing authority insurance group up to $5,000. Employee injuries and automotive body coverage is provided up to $100.

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. In 2002, as a result of increased claim costs for program years 1997-2001, CHWCA implemented a supplemental assessment to its members. The Agency's allocation of the supplemental premium was $91. In 2003, with worsening claim loss projections CHWCA re-evaluated its financial situation from its inception and determined that another supplemental assessment of premiums was necessary. CHWCA recalled the 2002 supplemental assessment and prior year dividend distribution in the 2003 re-evaluation. As a result, the Agency was assessed $267, payable over three years. The first payment was made January 2004 and the final payment was made in December 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 is $618 consisting of $25 for Automotive Liability, $260 for General Liability, $100 for Property Damage Liability, and $233 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. Changes in insurance funds claims liability during the years ended December 31, 2004 and 2003 were as follows:

	Claims Liability January 1	Current Year Claims and Changes in Estimates	Current Year Claims Payments	Claims Liability December 31
2003	$614	$160	($128)	$646
2004	646	133	(161)	618

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 35% 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 year ended December 31, 2004 was 6.511%. 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.

3. Annual Pension Cost

For the fiscal year ended December 31, 2004, the Agency's annual pension cost of $520 was equal to the Agency's required and actual contributions. The required contribution for fiscal year 2004 was determined as part of the June 30, 2002 and 2001 actuarial valuations using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases of 3.25% to 14.45% 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 3.00% 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
12/31/02	- -	- -	- -
12/31/03	- -	- -	- -
12/31/04	$520	100%	- -

C. Post-retirement Health Benefits

The Agency provides allowances for health 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 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 the participant's health and dental benefits under these plans up to the allotted benefit allowance. 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, 2004, the Agency expended $851 for post-retirement health and dental care insurance benefits. Approximately 180 retirees and/or families were covered.

(dollar amounts expressed in thousands)

In preparation of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions,* the Agency commissioned an actuarial valuation of current post retirement medical benefits in 2004. The valuation is critical for the Agency to develop strategies to identify resources to fund the projected costs and/or to identify methods to reduce the potential obligations. The study indicated that the discounted actuarial liability could range from $22,724 to $26,302 depending on a discount rate of 3% or 2% respectively. In addition, the study indicated that annual required contribution rates would range from $1,940 to $3,904 depending on the discount rate of 3% or 2% and amortization period ranging from 30 to 10 years, respectively.

D. Related Party Transaction

During the year ended December 31, 2004 the Agency transferred to its component units, Norwood Avenue Housing Corporation, Phoenix Park I, L.P., and Phoenix Park II, L.P., capital assets with a book value of $25,908. In return, the component units assumed debt previously reported by the Agency of $6,000, which was subsequently retired, and owe the Agency $24,005 in long-term loans.

E. Commitments and Contingencies

1. Mortgage Insured Bonds

The City and the County of Sacramento, between 1980 and 2004, issued single family and multifamily mortgage bonds totaling $136,866. 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 the Agency's legal counsel do not anticipate any material effect to the December 31, 2004 financial statements if there was an unfavorable outcome to the Agency as a result of the litigation. Therefore, in accordance with Financial Accounting Standards Board Statement No. 5, no loss has been accrued.

3. Contractual Obligations

The Agency had outstanding unencumbered contractual obligations, primarily for housing project site improvements and structural rehabilitation, at December 31, 2004, as follows:

Special Revenue Funds	$ 8,600
Capital Project Funds	2,938
	$11,538

4. Contingent Liabilities

The Agency receives 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 2004-05 State of California budget included the Education Revenue Augmentation Fund (ERAF), which took money from redevelopment agencies to decrease the State's funding for schools. For the Agency, ERAF charges will amount to $2,902 for the 2005 year. ERAF charges will be imposed also for the 2005-06 State budget at a similar level.

Schedules of Funding Progress

	A	B	C	D	E	F
Actuarial Valuation Date	Actuarial Asset Value	Entry Age Actuarial Accrued Liability	Unfunded (overfunded) Actuarial Accrued Liability [(B) – (A)]	Funded Ratio [(A)/(B)]	Covered Payroll	Unfunded (overfunded) Actuarial Liability as Percentage of Covered Payroll {[(B)-(A)]/(E)}
6/30/01	$70,450	$54,827	$ (15,624)	128.5%	$13,685	(114.2%)
6/30/02	66,477	60,800	(5,676)	109.3%	15,147	(37.5%)
6/30/03	67,720	69,610	1,890	97.3%	15,875	11.9%

Nonmajor Governmental Funds

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2004
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Assets				
Cash and investments	$ 8,182	$ 6,315	$ 57,635	$ 72,132
Accounts receivable (net)	72	59	273	404
Property taxes receivable	1,484	3,037	-	4,521
Due from other funds	2,582	-	2,011	4,593
Due from other governments	519	-	2,960	3,479
Notes receivable (net)	7,370	842	36,948	45,160
Advances to other funds	1,415	69	200	1,684
Advances to component units	7,403	-	455	7,858
Restricted cash and investments	2,693	5,961	744	9,398
Total assets	$ 31,720	$ 16,283	$ 101,226	$ 149,229
Liabilities				
Accounts payable	$ 26	$ 861	$ 501	$ 1,388
Accrued liabilities	27	-	23	50
Contracts payable	-	-	141	141
Due to other funds	723	214	1,672	2,609
Due to other governments	1,317	111	1	1,429
Deferred revenue	6,967	56	170	7,193
Deposit and trust liability	1,357	-	61	1,418
Advances from other funds	901	3,437	974	5,312
Total liabilities	11,318	4,679	3,543	19,540
Fund Balances				
Reserved for capital projects	997	-	49,464	50,461
Reserved for encumbrances	132	-	5,249	5,381
Reserved for debt service	2,432	5,961	744	9,137
Reserved for noncurrent assets	9,708	911	37,603	48,222
Unreserved, undesignated	7,133	4,732	4,623	16,488
Total fund balances	20,402	11,604	97,683	129,689
Total liabilities and fund balances	$ 31,720	$ 16,283	$ 101,226	$ 149,229

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
Intergovernmental	$ 3,019	$ -	$ 11,493	$ 14,512
Property taxes	8,334	15,463	-	23,797
Charges for services	1,236	-	-	1,236
Investment earnings	945	1,232	1,001	3,178
Miscellaneous	553	1	1,022	1,576
Total revenues	14,087	16,696	13,516	44,299
Expenditures:				
Current:				
Housing operations	1,725	-	3,166	4,891
Community development	9,371	-	9,478	18,849
Community social services	3,068	-	-	3,068
Capital outlay	139	-	6,207	6,346
Debt service:				
Principal retirement	2,469	3,415	150	6,034
Interest	2,703	4,135	60	6,898
Related charges	-	2,952	-	2,952
Total expenditures	19,475	10,502	19,061	49,038
Excess (deficiency) of revenues over (under) expenditures	(5,388)	6,194	(5,545)	(4,739)
Other financing sources (uses):				
Long-term debt issued	-	2,772	-	2,772
Sale of capital assets	4,630	-	656	5,286
Transfers in	1,289	1,745	7,034	10,068
Transfers out	(1,948)	(9,157)	(1,941)	(13,046)
Total other financing sources (uses)	3,971	(4,640)	5,749	5,080
Net change in fund balances	(1,417)	1,554	204	341
Fund balances, beginning	21,819	10,050	97,479	129,348
Fund balances, ending	$ 20,402	$ 11,604	$ 97,683	$ 129,689

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.

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	Housing	Community Development	Tax Increment	Local Tax	Total
Assets					
Cash and investments	$ 6,134	$ 542	$ 1,249	$ 257	$ 8,182
Accounts receivable (net)	49	23	-	-	72
Property taxes receivable	-	-	1,484	-	1,484
Due from other funds	2,507	75	-	-	2,582
Due from other governments	108	411	-	-	519
Notes receivable (net)	4,929	2,441	-	-	7,370
Advances to other funds	1,415	-	-	-	1,415
Advances to component units	6,445	-	958	-	7,403
Restricted cash and investments	261	109	2,323	-	2,693
Total assets	$ 21,848	$ 3,601	$ 6,014	$ 257	$ 31,720
Liabilities					
Accounts payable	$ 21	$ 5	$ -	$ -	$ 26
Accrued liabilities	11	2	14	-	27
Due to other funds	116	80	527	-	723
Due to other governments	-	139	1,170	8	1,317
Deferred revenue	4,753	2,214	-	-	6,967
Deposit and trust liability	1,352	5	-	-	1,357
Advances from other funds	500	69	332	-	901
Total liabilities	6,753	2,514	2,043	8	11,318
Fund Balances					
Reserved for capital projects	856	141	-	-	997
Reserved for encumbrances	98	8	26	-	132
Reserved for debt service	-	109	2,323	-	2,432
Reserved for noncurrent assets	8,036	714	958	-	9,708
Unreserved, undesignated	6,105	115	664	249	7,133
Total fund balances	15,095	1,087	3,971	249	20,402
Total liabilities and fund balances	$ 21,848	$ 3,601	$ 6,014	$ 257	$ 31,720

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, 2004
(amounts expressed in thousands)

	Housing	Community Development	Tax Increment	Local Tax	Total
Revenues:					
Intergovernmental	$ 559	$ 1,928	$ -	$ 532	$ 3,019
Property taxes	-	-	8,334	-	8,334
Charges for services	1,222	14	-	-	1,236
Investment earnings	261	5	664	15	945
Miscellaneous	515	38	-	-	553
Total revenues	2,557	1,985	8,998	547	14,087
Expenditures:					
Current:					
Housing operations	1,725	-	-	-	1,725
Community development	736	6,311	2,323	1	9,371
Community social services	13	-	1,529	1,526	3,068
Capital outlay	-	139	-	-	139
Debt service:					
Principal retirement	-	-	2,469	-	2,469
Interest	-	3	2,700	-	2,703
Total expenditures	2,474	6,453	9,021	1,527	19,475
Excess (deficiency) of revenues over (under) expenditures	83	(4,468)	(23)	(980)	(5,388)
Other financing sources (uses):					
Sale of capital assets	521	4,109	-	-	4,630
Transfers in	209	-	1,080	-	1,289
Transfers out	(776)	-	(1,172)	-	(1,948)
Total other financing sources (uses)	(46)	4,109	(92)	-	3,971
Net change in fund balances	37	(359)	(115)	(980)	(1,417)
Fund balances, beginning	15,058	1,446	4,086	1,229	21,819
Fund balances, ending	$ 15,095	$ 1,087	$ 3,971	$ 249	$ 20,402

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.
- **Local Housing Revenue** accounts for the receipt and use of rebates derived from various energy conservation programs and accounts for activities relating to the Ping Yuen Center.
- **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.
- **Foundation Uniting Needs and Dollars (FUND), Inc.** accounts for the fundraising activities of the Agency.
- **County Credit Check** accounts for funds used to provide credit checks for prospective low income tenants in the County of Sacramento.

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Housing Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	General Housing Reserve	Revenue Bond Program	Local Housing Revenue	City Drug Elimination	County Drug Elimination
Assets					
Cash and investments	$ 495	$ 3,994	$ 798	$ -	$ -
Accounts receivable (net)	-	45	-	4	-
Due from other funds	1,363	1,144	-	-	-
Due from other governments	-	-	-	-	-
Notes receivable (net)	-	450	2,995	-	-
Advances to other funds	-	1,415	-	-	-
Advances to component units	-	-	-	-	-
Restricted cash and investments	-	261	-	-	-
Total assets	$ 1,858	$ 7,309	$ 3,793	$ 4	$ -
Liabilities					
Accounts payable	$ -	$ 1	$ -	$ -	$ -
Accrued liabilities	-	3	-	-	-
Due to other funds	-	-	13	4	-
Deferred revenue	-	-	-	-	-
Deposit and trust liability	175	1,177	-	-	-
Advances from other funds	-	-	500	-	-
Total liabilities	175	1,181	513	4	-
Fund Balances					
Reserved for capital projects	-	378	478	-	-
Reserved for encumbrances	-	98	-	-	-
Reserved for noncurrent assets	-	1,865	2,995	-	-
Unreserved, undesignated	1,683	3,787	(193)	-	-
Total fund balances	1,683	6,128	3,280	-	-
Total liabilities and fund balances	$ 1,858	$ 7,309	$ 3,793	$ 4	$ -

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Housing Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	Senior Tenant Services	County Mather Transitional Housing	City Public Housing Homeownership	County Public Housing Homeownership	Riverview Plaza Reserve
Assets					
Cash and investments	$ -	$ -	$ 560	$ 202	$ 67
Accounts receivable (net)	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	108	-	-	-
Notes receivable (net)	-	-	498	153	833
Advances to other funds	-	-	-	-	-
Advances to component units	-	-	-	-	6,445
Restricted cash and investments	-	-	-	-	-
Total assets	$ -	$ 108	$ 1,058	$ 355	$ 7,345
Liabilities					
Accounts payable	$ -	$ 1	$ 16	$ 3	$ -
Accrued liabilities	-	8	-	-	-
Due to other funds	-	99	-	-	-
Deferred revenue	-	-	-	-	4,753
Deposit and trust liability	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	-	108	16	3	4,753
Fund Balances					
Reserved for capital projects	-	-	-	-	-
Reserved for encumbrances	-	-	-	-	-
Reserved for noncurrent assets	-	-	498	153	2,525
Unreserved, undesignated	-	-	544	199	67
Total fund balances	-	-	1,042	352	2,592
Total liabilities and fund balances	$ -	$ 108	$ 1,058	$ 355	$ 7,345

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Housing Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	FUND, Inc.	County Credit Check	Total
Assets			
Cash and investments	$ 18	$ -	$ 6,134
Accounts receivable (net)	-	-	49
Due from other funds	-	-	2,507
Due from other governments	-	-	108
Notes receivable (net)	-	-	4,929
Advances to other funds	-	-	1,415
Advances to component units	-	-	6,445
Restricted cash and investments	-	-	261
Total assets	$ 18	$ -	$ 21,848
Liabilities			
Accounts payable	$ -	$ -	$ 21
Accrued liabilities	-	-	11
Due to other funds	-	-	116
Deferred revenue	-	-	4,753
Deposit and trust liability	-	-	1,352
Advances from other funds	-	-	500
Total liabilities	-	-	6,753
Fund Balances			
Reserved for capital projects	-	-	856
Reserved for encumbrances	-	-	98
Reserved for noncurrent assets	-	-	8,036
Unreserved, undesignated	18	-	6,105
Total fund balances	18	-	15,095
Total liabilities and fund balances	$ 18	$ -	$ 21,848

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, 2004
(amounts expressed in thousands)

	General Housing Reserve	Revenue Bond Program	Local Housing Revenue	City Drug Elimination	County Drug Elimination
Revenues:					
Intergovernmental	$ -	$ -	$ -	$ 141	$ 23
Charges for services	-	1,222	-	-	-
Investment earnings	29	200	17	-	-
Miscellaneous	-	10	450	-	-
Total revenues	29	1,432	467	141	23
Expenditures:					
Current:					
Housing operations	98	-	1	141	23
Community development	-	735	1	-	-
Community social services	-	-	-	-	-
Total expenditures	98	735	2	141	23
Excess (deficiency) of revenues over (under) expenditures	(69)	697	465	-	-
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(12)	-	-	-	-
Total other financing sources (uses)	(12)	-	-	-	-
Net change in fund balances	(81)	697	465	-	-
Fund balances, beginning	1,764	5,431	2,815	-	-
Fund balances, ending	$ 1,683	$ 6,128	$ 3,280	$ -	$ -

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, 2004
(amounts expressed in thousands)

	Senior Tenant Services	County Mather Transitional Housing	City Public Housing Homeownership	County Public Housing Homeownership	Riverview Plaza Reserve
Revenues:					
Intergovernmental	$ -	$ 395	$ -	$ -	$ -
Charges for services	-	-	-	-	-
Investment earnings	-	-	11	4	-
Miscellaneous	-	-	35	10	-
Total revenues	-	395	46	14	-
Expenditures:					
Current:					
Housing operations	-	410	648	268	124
Community development	-	-	-	-	-
Community social services	-	-	-	-	-
Total expenditures	-	410	648	268	124
Excess (deficiency) of revenues over (under) expenditures	-	(15)	(602)	(254)	(124)
Other financing sources (uses):					
Sale of capital assets	-	-	379	142	-
Transfers in	-	-	-	-	197
Transfers out	(197)	-	-	-	(567)
Total other financing sources (uses)	(197)	-	379	142	(370)
Net change in fund balances	(197)	(15)	(223)	(112)	(494)
Fund balances, beginning	197	15	1,265	464	3,086
Fund balances, ending	$ -	$ -	$ 1,042	$ 352	$ 2,592

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, 2004
(amounts expressed in thousands)

	FUND, Inc.	County Credit Check	Total
Revenues:			
Intergovernmental	$ -	$ -	$ 559
Charges for services	-	-	1,222
Investment earnings	-	-	261
Miscellaneous	10	-	515
Total revenues	10	-	2,557
Expenditures:			
Current:			
Housing operations	-	12	1,725
Community development	-	-	736
Community social services	13	-	13
Total expenditures	13	12	2,474
Excess (deficiency) of revenues over (under) expenditures	(3)	(12)	83
Other financing sources (uses):			
Sale of capital assets	-	-	521
Transfers in	-	12	209
Transfers out	-	-	(776)
Total other financing sources (uses)	-	12	(46)
Net change in fund balances	(3)	-	37
Fund balances, beginning	21	-	15,058
Fund balances, ending	$ 18	$ -	$ 15,095

Sacramento Housing and Redevelopment Agency
General Housing Reserve Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	$ 79	$ 79	$ 29	$ (50)
Expenditures:				
Current:				
Housing operations	379	379	98	281
Deficiency of revenues under expenditures	(300)	(300)	(69)	231
Other financing sources (uses):				
Transfers out	-	-	(12)	12
Net change in fund balance	(300)	(300)	(81)	243
Fund balance, beginning	1,764	1,764	1,764	-
Fund balance, ending	$ 1,464	$ 1,464	$ 1,683	$ 243

Sacramento Housing and Redevelopment Agency
Local Housing Revenue Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Investment earnings	$ 7	$ 7	$ 17	$ 10
Miscellaneous	-	225	450	225
Total revenues	7	232	467	235
Expenditures:				
Current:				
Housing operations	1,744	1,744	1	1,743
Community development	318	478	1	477
Total expenditures	2,062	2,222	2	2,220
Net change in fund balance	(2,055)	(1,990)	465	2,455
Fund balance, beginning	2,815	2,815	2,815	-
Fund balance, ending	$ 760	$ 825	$ 3,280	$ 2,455

Sacramento Housing and Redevelopment Agency
County Mather Transitional Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	$ 395	$ 395	$ 395	$ -
Expenditures:				
Current:				
Housing operations	395	395	410	(15)
Net change in fund balance	-	-	(15)	(15)
Fund balance, beginning	15	15	15	-
Fund balance, ending	$ 15	$ 15	$ -	$ (15)

Sacramento Housing and Redevelopment Agency
City Public Housing Homeownership Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Investment earnings	$ 17	$ 17	$ 11	$ (6)
Miscellaneous	-	-	35	35
Total revenues	17	17	46	29
Expenditures:				
Current:				
Housing operations	816	813	648	165
Deficiency of revenues under expenditures	(799)	(796)	(602)	194
Other financing sources (uses):				
Sale of capital assets	390	390	379	(11)
Net change in fund balance	(409)	(406)	(223)	183
Fund balance, beginning	1,265	1,265	1,265	-
Fund balance, ending	$ 856	$ 859	$ 1,042	$ 183

Sacramento Housing and Redevelopment Agency
County Public Housing Homeownership Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Investment earnings	$ 11	$ 11	$ 4	$ (7)
Miscellaneous	-	-	10	10
Total revenues	11	11	14	3
Expenditures:				
Current:				
Housing operations	767	765	268	497
Deficiency of revenues under expenditures	(756)	(754)	(254)	500
Other financing sources (uses):				
Sale of capital assets	390	390	142	(248)
Net change in fund balance	(366)	(364)	(112)	252
Fund balance, beginning	464	464	464	-
Fund balance, ending	$ 98	$ 100	$ 352	$ 252

Sacramento Housing and Redevelopment Agency
Riverview Plaza Reserve Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Investment earnings	$ 51	$ 51	$ -	$ (51)
Expenditures:				
Current:				
Housing operations	194	194	124	70
Deficiency of revenues under expenditures	(143)	(143)	(124)	19
Other financing sources (uses):				
Transfers in	197	197	197	-
Transfers out	(665)	(665)	(567)	(98)
Total other financing sources (uses)	(468)	(468)	(370)	(98)
Net change in fund balance	(611)	(611)	(494)	(79)
Fund balance, beginning	3,086	3,086	3,086	-
Fund balance, ending	$ 2,475	$ 2,475	$ 2,592	$ (79)

Nonmajor Community Development

Special Revenue Funds

- **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.
- **Shasta Trust** is used to account for funds legally required to be set aside for the Shasta Hotel Investors Partnership.
- **BEGIN** accounts for loans on behalf of the federal government
- **City SB966 Loan** accounts for loans on behalf of the state government.
- **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.
- **City American Dream Downpayment Initiative (ADDI)** is a program that provides assistance to low-income, first-time homebuyers which can be used for the downpayment, closing costs, and rehabilitation that is completed in conjunction with a home purchase within the City of Sacramento.
- **County American Dream Downpayment Initiative (ADDI)** is a program that provides assistance to low-income, first-time homebuyers which can be used for the downpayment, closing costs, and rehabilitation that is completed in conjunction with a home purchase within the County of Sacramento.

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Community Development Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	County Economic Development Activities	City Brownfields Cleanup	City Misc Development Grants	County Misc Development Grants	Shasta Trust	BEGIN
Assets						
Cash and investments	$ 28	$ 33	$ 26	$ -	$ 59	$ 297
Accounts receivable (net)	20	-	-	3	-	-
Due from other funds	-	-	71	-	-	-
Due from other governments	42	-	70	93	-	-
Notes receivable (net)	441	222	36	15	-	39
Restricted cash and investments	-	-	-	109	-	-
Total assets	$ 531	$ 255	$ 203	$ 220	$ 59	$ 336
Liabilities						
Accounts payable	$ -	$ -	$ 5	$ -	$ -	$ -
Accrued liabilities	1	-	1	-	-	-
Due to other funds	-	-	-	71	-	-
Due to other governments	29	-	-	-	-	-
Deferred revenue	-	-	-	-	-	336
Deposit and trust liability	5	-	-	-	-	-
Advances from other funds	-	-	-	69	-	-
Total liabilities	35	-	6	140	-	336
Fund Balances						
Reserved for capital projects	1	-	136	4	-	-
Reserved for encumbrances	-	-	8	-	-	-
Reserved for debt service	-	-	-	109	-	-
Reserved for noncurrent assets	441	222	36	15	-	-
Unreserved, undesignated	54	33	17	(48)	59	-
Total fund balances	496	255	197	80	59	-
Total liabilities and fund balances	$ 531	$ 255	$ 203	$ 220	$ 59	$ 336

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Community Development Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	City SB 966 Loan	City CalHOME	County CalHOME	City ADDI	County ADDI	Total
Assets						
Cash and investments	$ -	$ -	$ 99	$ -	$ -	$ 542
Accounts receivable (net)	-	-	-	-	-	23
Due from other funds	-	-	4	-	-	75
Due from other governments	-	123	78	-	5	411
Notes receivable (net)	110	844	674	-	60	2,441
Restricted cash and investments	-	-	-	-	-	109
Total assets	$ 110	$ 967	$ 855	$ -	$ 65	$ 3,601
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ 5
Accrued liabilities	-	-	-	-	-	2
Due to other funds	-	4	-	-	5	80
Due to other governments	110	-	-	-	-	139
Deferred revenue	-	963	855	-	60	2,214
Deposit and trust liability	-	-	-	-	-	5
Advances from other funds	-	-	-	-	-	69
Total liabilities	110	967	855	-	65	2,514
Fund Balances						
Reserved for capital projects	-	-	-	-	-	141
Reserved for encumbrances	-	-	-	-	-	8
Reserved for debt service	-	-	-	-	-	109
Reserved for noncurrent assets	-	-	-	-	-	714
Unreserved, undesignated	-	-	-	-	-	115
Total fund balances	-	-	-	-	-	1,087
Total liabilities and fund balances	$ 110	$ 967	$ 855	$ -	$ 65	$ 3,601

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, 2004
(amounts expressed in thousands)

	County Economic Development Activities	City Brownfields Cleanup	City Misc Development Grants	County Misc Development Grants	Shasta Trust	BEGIN
Revenues:						
Intergovernmental	$ 75	$ -	$ 391	$ 682	$ -	$ -
Charges for services	4	-	-	10	-	-
Investment earnings	4	-	-	-	1	-
Miscellaneous	5	33	-	-	-	-
Total revenues	88	33	391	692	1	-
Expenditures:						
Current:						
Community development	4,089	-	725	682	35	-
Capital outlay	-	-	139	-	-	-
Debt service:						
Interest	-	-	-	3	-	-
Total expenditures	4,089	-	864	685	35	-
Excess (deficiency) of revenues over (under) expenditures	(4,001)	33	(473)	7	(34)	-
Other financing sources (uses):						
Sale of capital assets	4,109	-	-	-	-	-
Net change in fund balances	108	33	(473)	7	(34)	-
Fund balances, beginning	388	222	670	73	93	-
Fund balances, ending	$ 496	$ 255	$ 197	$ 80	$ 59	$ -

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, 2004
(amounts expressed in thousands)

	City SB 966 Loan	City CalHOME	County CalHOME	City ADDI	County ADDI	Total
Revenues:						
Intergovernmental	$ -	$ 419	$ 192	$ 109	$ 60	$ 1,928
Charges for services	-	-	-	-	-	14
Investment earnings	-	-	-	-	-	5
Miscellaneous	-	-	-	-	-	38
Total revenues	-	419	192	109	60	1,985
Expenditures:						
Current:						
Community development	-	419	192	109	60	6,311
Capital outlay	-	-	-	-	-	139
Debt service:						
Interest	-	-	-	-	-	3
Total expenditures	-	419	192	109	60	6,453
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	-	(4,468)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	4,109
Net change in fund balances	-	-	-	-	-	(359)
Fund balances, beginning	-	-	-	-	-	1,446
Fund balances, ending	$ -	$ -	$ -	$ -	$ -	$ 1,087

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**

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
December 31, 2004
(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
Assets					
Cash and investments	$ -	$ 184	$ 66	$ 139	$ 1
Property taxes receivable	686	95	29	107	33
Advances to component units	958	-	-	-	-
Restricted cash and investments	603	329	114	283	91
Total assets	$ 2,247	$ 608	$ 209	$ 529	$ 125
Liabilities					
Accrued liabilities	$ 4	$ 2	$ 1	$ 3	$ -
Due to other funds	527	-	-	-	-
Due to other governments	1,170	-	-	-	-
Advances from other funds	-	-	-	-	-
Total liabilities	1,701	2	1	3	-
Fund Balances (Deficits)					
Reserved for encumbrances	13	-	-	10	-
Reserved for debt service	603	329	114	283	91
Reserved for noncurrent assets	958	-	-	-	-
Unreserved, undesignated	(1,028)	277	94	233	34
Total fund balances (deficits)	546	606	208	526	125
Total liabilities and fund balances (deficits)	$ 2,247	$ 608	$ 209	$ 529	$ 125

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	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
Assets					
Cash and investments	$ 3	$ 127	$ 187	$ 93	$ 14
Property taxes receivable	2	54	48	36	3
Advances to component units	-	-	-	-	-
Restricted cash and investments	-	163	-	-	-
Total assets	$ 5	$ 344	$ 235	$ 129	$ 17
Liabilities					
Accrued liabilities	$ -	$ 1	$ 1	$ -	$ -
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Advances from other funds	-	-	-	-	193
Total liabilities	-	1	1	-	193
Fund Balances (Deficits)					
Reserved for encumbrances	-	-	-	-	-
Reserved for debt service	-	163	-	-	-
Reserved for noncurrent assets	-	-	-	-	-
Unreserved, undesignated	5	180	234	129	(176)
Total fund balances (deficits)	5	343	234	129	(176)
Total liabilities and fund balances (deficits)	$ 5	$ 344	$ 235	$ 129	$ 17

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	County Low/ Mod Mather/ McClellan Merged	City Low/Mod Army Depot	Total
Assets			
Cash and investments	$ 322	$ 113	$ 1,249
Property taxes receivable	372	19	1,484
Advances to component units	-	-	958
Restricted cash and investments	740	-	2,323
Total assets	$ 1,434	$ 132	$ 6,014
Liabilities			
Accrued liabilities	$ 2	$ -	$ 14
Due to other funds	-	-	527
Due to other governments	-	-	1,170
Advances from other funds	-	139	332
Total liabilities	2	139	2,043
Fund Balances (Deficits)			
Reserved for encumbrances	-	3	26
Reserved for debt service	740	-	2,323
Reserved for noncurrent assets	-	-	958
Unreserved, undesignated	692	(10)	664
Total fund balances (deficits)	1,432	(7)	3,971
Total liabilities and fund balances (deficits)	$ 1,434	$ 132	$ 6,014

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
For the Year Ended December 31, 2004
(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
Revenues:					
Property taxes	$ 4,220	$ 595	$ 193	$ 644	$ 210
Investment earnings	295	79	15	27	4
Total revenues	4,515	674	208	671	214
Expenditures:					
Current:					
Community development	1,272	235	78	245	33
Community social services	1,529	-	-	-	-
Debt service:					
Principal retirement	1,919	73	57	165	26
Interest	1,336	270	64	269	76
Total expenditures	6,056	578	199	679	135
Excess (deficiency) of revenues over (under) expenditures	(1,541)	96	9	(8)	79
Other financing sources (uses):					
Transfers in	967	22	64	-	-
Transfers out	-	-	-	(19)	(109)
Total other financing sources (uses)	967	22	64	(19)	(109)
Net change in fund balances	(574)	118	73	(27)	(30)
Fund balances (deficits), beginning	1,120	488	135	553	155
Fund balances (deficits), ending	$ 546	$ 606	$ 208	$ 526	$ 125

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	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
Revenues:					
Property taxes	$ 13	$ 322	$ 299	$ 217	$ 27
Investment earnings	-	41	3	17	1
Total revenues	13	363	302	234	28
Expenditures:					
Current:					
Community development	-	66	65	41	1
Community social services	-	-	-	-	-
Debt service:					
Principal retirement	-	38	-	11	-
Interest	-	109	-	31	12
Total expenditures	-	213	65	83	13
Excess (deficiency) of revenues over (under) expenditures	13	150	237	151	15
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers out	(26)	(154)	(127)	(111)	-
Total other financing sources (uses)	(26)	(154)	(127)	(111)	-
Net change in fund balances	(13)	(4)	110	40	15
Fund balances (deficits), beginning	18	347	124	89	(191)
Fund balances (deficits), ending	$ 5	$ 343	$ 234	$ 129	$ (176)

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Tax Increment Low and Moderate Income Housing Special Revenue Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	County Low/ Mod Mather/ McClellan Merged	City Low/Mod Army Depot	Total
Revenues:			
Property taxes	$ 1,387	$ 207	$ 8,334
Investment earnings	179	3	664
Total revenues	1,566	210	8,998
Expenditures:			
Current:			
Community development	237	50	2,323
Community social services	-	-	1,529
Debt service:			
Principal retirement	180	-	2,469
Interest	515	18	2,700
Total expenditures	932	68	9,021
Excess (deficiency) of revenues over (under) expenditures	634	142	(23)
Other financing sources (uses):			
Transfers in	-	27	1,080
Transfers out	(626)	-	(1,172)
Total other financing sources (uses)	(626)	27	(92)
Net change in fund balances	8	169	(115)
Fund balances (deficits), beginning	1,424	(176)	4,086
Fund balances (deficits), ending	$ 1,432	$ (7)	$ 3,971

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.

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Local Tax Special Revenue Funds
December 31, 2004
(amounts expressed in thousands)

	City Local Tax	County Local Tax	Total
Assets			
Cash and investments	$ 112	$ 145	$ 257
Liabilities			
Due to other governments	$ 5	$ 3	$ 8
Fund Balances			
Unreserved, undesignated	107	142	249
Total liabilities and fund balances	$ 112	$ 145	$ 257

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, 2004
(amounts expressed in thousands)

	City Local Tax	County Local Tax	Total
Revenues:			
Intergovernmental	$ 345	$ 187	$ 532
Investment earnings	12	3	15
Total revenues	357	190	547
Expenditures:			
Current:			
Community development	1	-	1
Community social services	1,172	354	1,526
Total expenditures	1,173	354	1,527
Net change in fund balances	(816)	(164)	(980)
Fund balances, beginning	923	306	1,229
Fund balances, ending	$ 107	$ 142	$ 249

Sacramento Housing and Redevelopment Agency
City Local Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	$ 327	$ 327	$ 345	$ 18
Investment earnings	5	5	12	7
Total revenues	332	332	357	25
Expenditures:				
Current:				
Community development	3	3	1	2
Community social services	1,172	1,172	1,172	-
Total expenditures	1,175	1,175	1,173	2
Net change in fund balance	(843)	(843)	(816)	27
Fund balance, beginning	923	923	923	-
Fund balance, ending	$ 80	$ 80	$ 107	$ 27

Sacramento Housing and Redevelopment Agency
County Local Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Intergovernmental	$ 190	$ 190	$ 187	$ (3)
Investment earnings	2	2	3	1
Total revenues	192	192	190	(2)
Expenditures:				
Current:				
Community development	1	1	-	1
Community social services	354	354	354	-
Total expenditures	355	355	354	1
Net change in fund balance	(163)	(163)	(164)	(1)
Fund balance, beginning	306	306	306	-
Fund balance, ending	$ 143	$ 143	$ 142	$ (1)

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 65th Street/Folsom Boulevard**
- **City CDBG**
- **County CDBG**
- **County CHFA HELP**
- **County Florin Road**

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004
(amounts expressed in thousands)

	City Del Paso Heights	City Alkali Flat	City Oak Park	City Richards Boulevard	County Walnut Grove
Assets					
Cash and investments	$ 347	$ 88	$ 494	$ 176	$ 10
Accounts receivable	-	-	-	-	-
Property taxes receivable	224	118	426	131	8
Notes receivable (net)	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Restricted cash and investments	1,024	448	1,265	331	-
Total assets	$ 1,595	$ 654	$ 2,185	$ 638	$ 18
Liabilities					
Accounts payable	$ -	$ -	$ -	$ 69	$ -
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	111	-
Deferred revenue	-	-	-	-	-
Advances from other funds	-	-	-	1,154	278
Total liabilities	-	-	-	1,334	278
Fund Balances (Deficits)					
Reserved for debt service	1,024	448	1,265	331	-
Reserved for noncurrent assets	-	-	-	-	-
Unreserved, undesignated	571	206	920	(1,027)	(260)
Total fund balances (deficits)	1,595	654	2,185	(696)	(260)
Total liabilities and fund balances (deficits)	$ 1,595	$ 654	$ 2,185	$ 638	$ 18

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004
(amounts expressed in thousands)

	City North Sacramento	City / County Franklin Boulevard	City / County Stockton Boulevard	City / County Auburn Boulevard	County Mather/ McClellan Merged
Assets					
Cash and investments	$ 540	$ 614	$ 401	$ 38	$ 2,030
Accounts receivable	-	-	-	-	59
Property taxes receivable	214	193	145	13	1,486
Notes receivable (net)	-	-	-	-	-
Advances to other funds	-	-	-	-	-
Restricted cash and investments	588	-	-	-	2,305
Total assets	$ 1,342	$ 807	$ 546	$ 51	$ 5,880
Liabilities					
Accounts payable	$ 73	$ 52	$ 61	$ 18	$ 588
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	56
Advances from other funds	-	407	-	328	-
Total liabilities	73	459	61	346	644
Fund Balances (Deficits)					
Reserved for debt service	588	-	-	-	2,305
Reserved for noncurrent assets	-	-	-	-	-
Unreserved, undesignated	681	348	485	(295)	2,931
Total fund balances (deficits)	1,269	348	485	(295)	5,236
Total liabilities and fund balances (deficits)	$ 1,342	$ 807	$ 546	$ 51	$ 5,880

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004
(amounts expressed in thousands)

	City Army Depot	City 65th Street / Folsom Boulevard	City CDBG	County CDBG	County CHFA HELP
Assets					
Cash and investments	$ 290	$ -	$ -	$ -	$ 1,287
Accounts receivable	-	-	-	-	-
Property taxes receivable	79	-	-	-	-
Notes receivable (net)	-	-	-	-	842
Advances to other funds	-	-	-	-	69
Restricted cash and investments	-	-	-	-	-
Total assets	$ 369	$ -	$ -	$ -	$ 2,198
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	214	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Advances from other funds	805	250	-	-	-
Total liabilities	805	250	214	-	-
Fund Balances (Deficits)					
Reserved for debt service	-	-	-	-	-
Reserved for noncurrent assets	-	-	-	-	911
Unreserved, undesignated	(436)	(250)	(214)	-	1,287
Total fund balances (deficits)	(436)	(250)	(214)	-	2,198
Total liabilities and fund balances (deficits)	$ 369	$ -	$ -	$ -	$ 2,198

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2004
(amounts expressed in thousands)

	County Florin Road	Total
Assets		
Cash and investments	$ -	$ 6,315
Accounts receivable	-	59
Property taxes receivable	-	3,037
Notes receivable (net)	-	842
Advances to other funds	-	69
Restricted cash and investments	-	5,961
Total assets	$ -	$ 16,283
Liabilities		
Accounts payable	$ -	$ 861
Due to other funds	-	214
Due to other governments	-	111
Deferred revenue	-	56
Advances from other funds	215	3,437
Total liabilities	215	4,679
Fund Balances (Deficits)		
Reserved for debt service	-	5,961
Reserved for noncurrent assets	-	911
Unreserved, undesignated	(215)	4,732
Total fund balances (deficits)	(215)	11,604
Total liabilities and fund balances (deficits)	$ -	$ 16,283

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	City Del Paso Heights	City Alkali Flat	City Oak Park	City Richards Boulevard	County Walnut Grove
Revenues:					
Property taxes	$ 1,388	$ 771	$ 2,574	$ 842	$ 53
Investment earnings	146	74	105	4	-
Miscellaneous	-	-	-	-	-
Total revenues	1,534	845	2,679	846	53
Expenditures:					
Debt service:					
Principal retirement	297	238	415	84	-
Interest	492	252	675	244	20
Related charges	201	69	194	178	4
Total expenditures	990	559	1,284	506	24
Excess (deficiency) of revenues over (under) expenditures	544	286	1,395	340	29
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(315)	(167)	(1,623)	(449)	(1)
Total other financing sources (uses)	(315)	(167)	(1,623)	(449)	(1)
Net change in fund balances	229	119	(228)	(109)	28
Fund balances (deficits), beginning	1,366	535	2,413	(587)	(288)
Fund balances (deficits), ending	$ 1,595	$ 654	$ 2,185	$ (696)	$ (260)

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	City North Sacramento	City / County Franklin Boulevard	City / County Stockton Boulevard	City / County Auburn Boulevard	County Mather/ McClellan Merged
Revenues:					
Property taxes	$ 1,288	$ 1,197	$ 866	$ 108	$ 5,547
Investment earnings	130	7	56	1	535
Miscellaneous	1	-	-	-	-
Total revenues	1,419	1,204	922	109	6,082
Expenditures:					
Debt service:					
Principal retirement	132	-	44	-	760
Interest	399	30	124	30	1,306
Related charges	296	593	138	44	1,112
Total expenditures	827	623	306	74	3,178
Excess (deficiency) of revenues over (under) expenditures	592	581	616	35	2,904
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	2,772
Transfers in	-	-	-	19	-
Transfers out	(529)	(237)	(395)	-	(4,302)
Total other financing sources (uses)	(529)	(237)	(395)	19	(1,530)
Net change in fund balances	63	344	221	54	1,374
Fund balances (deficits), beginning	1,206	4	264	(349)	3,862
Fund balances (deficits), ending	$ 1,269	$ 348	$ 485	$ (295)	$ 5,236

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	City Army Depot	City 65th Street / Folsom Boulevard	City CDBG	County CDBG	County CHFA HELP
Revenues:					
Property taxes	$ 829	$ -	$ -	$ -	$ -
Investment earnings	5	-	-	-	169
Miscellaneous	-	-	-	-	-
Total revenues	834	-	-	-	169
Expenditures:					
Debt service:					
Principal retirement	-	-	1,355	90	-
Interest	68	-	465	30	-
Related charges	122	-	-	-	1
Total expenditures	190	-	1,820	120	1
Excess (deficiency) of revenues over (under) expenditures	644	-	(1,820)	(120)	168
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	-
Transfers in	-	-	1,606	120	-
Transfers out	(924)	-	-	-	-
Total other financing sources (uses)	(924)	-	1,606	120	-
Net change in fund balances	(280)	-	(214)	-	168
Fund balances (deficits), beginning	(156)	(250)	-	-	2,030
Fund balances (deficits), ending	$ (436)	$ (250)	$ (214)	$ -	$ 2,198

Sacramento Housing and Redevelopment Agency
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	County Florin Road	Total
Revenues:		
Property taxes	$ -	$ 15,463
Investment earnings	-	1,232
Miscellaneous	-	1
Total revenues	-	16,696
Expenditures:		
Debt service:		
Principal retirement	-	3,415
Interest	-	4,135
Related charges	-	2,952
Total expenditures	-	10,502
Excess (deficiency) of revenues over (under) expenditures	-	6,194
Other financing sources (uses):		
Long-term debt issued	-	2,772
Transfers in	-	1,745
Transfers out	(215)	(9,157)
Total other financing sources (uses)	(215)	(4,640)
Net change in fund balances	(215)	1,554
Fund balances (deficits), beginning	-	10,050
Fund balances (deficits), ending	$ (215)	$ 11,604

Sacramento Housing and Redevelopment Agency
City Del Paso Heights Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 1,050	$ 1,050	$ 1,388	$ 338
Investment earnings	38	38	146	108
Total revenues	1,088	1,088	1,534	446
Expenditures:				
Debt service:				
Principal retirement	435	297	297	-
Interest	473	492	492	-
Related charges	195	201	201	-
Total expenditures	1,103	990	990	-
Excess (deficiency) of revenues over (under) expenditures	(15)	98	544	446
Other financing sources (uses):				
Transfers out	(314)	(314)	(315)	1
Net change in fund balance	(329)	(216)	229	447
Fund balance, beginning	1,366	1,366	1,366	-
Fund balance, ending	$ 1,037	$ 1,150	$ 1,595	$ 447

Sacramento Housing and Redevelopment Agency
City Alkali Flat Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Property taxes	$ 712	$ 712	$ 771	$ 59
Investment earnings	5	5	74	69
Total revenues	717	717	845	128
Expenditures:				
Debt service:				
Principal retirement	317	238	238	-
Interest	200	252	252	-
Related charges	80	81	69	12
Total expenditures	597	571	559	12
Excess of revenues over expenditures	120	146	286	140
Other financing sources (uses):				
Transfers out	(166)	(166)	(167)	1
Net change in fund balance	(46)	(20)	119	141
Fund balance, beginning	535	535	535	-
Fund balance, ending	$ 489	$ 515	$ 654	$ 141

Sacramento Housing and Redevelopment Agency
City Oak Park Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Property taxes	$ 2,160	$ 2,160	$ 2,574	$ 414
Investment earnings	84	84	105	21
Total revenues	2,244	2,244	2,679	435
Expenditures:				
Debt service:				
Principal retirement	415	415	415	-
Interest	675	675	675	-
Related charges	241	241	194	47
Total expenditures	1,331	1,331	1,284	47
Excess of revenues over expenditures	913	913	1,395	482
Other financing sources (uses):				
Transfers out	(1,623)	(1,623)	(1,623)	-
Net change in fund balance	(710)	(710)	(228)	482
Fund balance, beginning	2,413	2,413	2,413	-
Fund balance, ending	$ 1,703	$ 1,703	$ 2,185	$ 482

Sacramento Housing and Redevelopment Agency
City Richards Boulevard Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Property taxes	$ 750	$ 750	$ 842	$ 92
Investment earnings	5	5	4	(1)
Total revenues	755	755	846	91
Expenditures:				
Debt service:				
Principal retirement	84	84	84	-
Interest	244	244	244	-
Related charges	179	179	178	1
Total expenditures	507	507	506	1
Excess of revenues over expenditures	248	248	340	92
Other financing sources (uses):				
Transfers out	(449)	(449)	(449)	-
Net change in fund balance	(201)	(201)	(109)	92
Fund balance (deficit), beginning	(587)	(587)	(587)	-
Fund balance (deficit), ending	$ (788)	$ (788)	$ (696)	$ 92

Sacramento Housing and Redevelopment Agency
County Walnut Grove Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Property taxes	$ 40	$ 40	$ 53	$ 13
Expenditures:				
Debt service:				
Principal retirement	14	14	-	14
Interest	22	22	20	2
Related charges	3	3	4	(1)
Total expenditures	39	39	24	15
Excess of revenues over expenditures	1	1	29	28
Other financing sources (uses):				
Transfers out	(1)	(1)	(1)	-
Net change in fund balance	-	-	28	28
Fund balance (deficit), beginning	(288)	(288)	(288)	-
Fund balance (deficit), ending	$ (288)	$ (288)	$ (260)	$ 28

Sacramento Housing and Redevelopment Agency
City North Sacramento Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
Revenues:				
Property taxes	$ 920	$ 920	$ 1,288	$ 368
Investment earnings	30	30	130	100
Miscellaneous	-	-	1	1
Total revenues	950	950	1,419	469
Expenditures:				
Debt service:				
Principal retirement	321	132	132	-
Interest	221	399	399	-
Related charges	226	296	296	-
Total expenditures	768	827	827	-
Excess of revenues over expenditures	182	123	592	469
Other financing sources (uses):				
Transfers out	(529)	(529)	(529)	-
Net change in fund balance	(347)	(406)	63	469
Fund balance, beginning	1,206	1,206	1,206	-
Fund balance, ending	$ 859	$ 800	$ 1,269	$ 469

Sacramento Housing and Redevelopment Agency
City/County Franklin Boulevard Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget**
Revenues:				
Property taxes	$ 605	$ 605	$ 1,197	$ 592
Investment earnings	3	3	7	4
Total revenues	608	608	1,204	596
Expenditures:				
Debt service:				
Principal retirement	24	24	-	24
Interest	30	30	30	-
Related charges	453	597	593	4
Total expenditures	507	651	623	28
Excess (deficiency) of revenues over (under) expenditures	101	(43)	581	624
Other financing sources (uses):				
Transfers out	(237)	(237)	(237)	-
Net change in fund balance	(136)	(280)	344	624
Fund balance, beginning	4	4	4	-
Fund balance, ending	$ (132)	$ (276)	$ 348	$ 624

Sacramento Housing and Redevelopment Agency
City/County Stockton Boulevard Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 522	$ 522	$ 866	$ 344
Investment earnings	25	25	56	31
Total revenues	547	547	922	375
Expenditures:				
Debt service:				
Principal retirement	44	44	44	-
Interest	124	124	124	-
Related charges	98	138	138	-
Total expenditures	266	306	306	-
Excess of revenues over expenditures	281	241	616	375
Other financing sources (uses):				
Transfers out	(395)	(395)	(395)	-
Net change in fund balance	(114)	(154)	221	375
Fund balance, beginning	264	264	264	-
Fund balance, ending	$ 150	$ 110	$ 485	$ 375

Sacramento Housing and Redevelopment Agency
City/County Auburn Boulevard Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 64	$ 64	$ 108	$ 44
Investment earnings	-	-	1	1
Total revenues	64	64	109	45
Expenditures:				
Debt service:				
Principal retirement	45	45	-	45
Interest	33	33	30	3
Related charges	19	19	44	(25)
Total expenditures	97	97	74	23
Excess (deficiency) of revenues over (under) expenditures	(33)	(33)	35	68
Other financing sources (uses):				
Transfers in	19	19	19	-
Net change in fund balance	(14)	(14)	54	68
Fund balance (deficit), beginning	(349)	(349)	(349)	-
Fund balance (deficit), ending	$ (363)	$ (363)	$ (295)	$ 68

Sacramento Housing and Redevelopment Agency
County Mather/McClellan Merged Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 3,880	$ 3,880	$ 5,547	$ 1,667
Investment earnings	2	2	535	533
Total revenues	3,882	3,882	6,082	2,200
Expenditures:				
Debt service:				
Principal retirement	1,784	743	760	(17)
Interest	423	1,452	1,306	146
Related charges	992	992	1,112	(120)
Total expenditures	3,199	3,187	3,178	9
Excess of revenues over expenditures	683	695	2,904	2,209
Other financing sources (uses):				
Long-term debt issued	8,965	8,965	2,772	(6,193)
Transfers out	(9,997)	(10,495)	(4,302)	(6,193)
Total other financing sources (uses)	(1,032)	(1,530)	(1,530)	(12,386)
Net change in fund balance	(349)	(835)	1,374	(10,177)
Fund balance, beginning	3,862	3,862	3,862	-
Fund balance, ending	$ 3,513	$ 3,027	$ 5,236	$ (10,177)

Sacramento Housing and Redevelopment Agency
City Army Depot Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 440	$ 440	$ 829	$ 389
Investment earnings	2	2	5	3
Total revenues	442	442	834	392
Expenditures:				
Debt service:				
Principal retirement	283	283	-	283
Interest	20	20	68	(48)
Related charges	83	83	122	(39)
Total expenditures	386	386	190	196
Excess of revenues over expenditures	56	56	644	588
Other financing sources (uses):				
Long-term debt issued	800	800	-	(800)
Transfers out	(924)	(924)	(924)	-
Total other financing sources (uses)	(124)	(124)	(924)	(800)
Net change in fund balance	(68)	(68)	(280)	(212)
Fund balance (deficit), beginning	(156)	(156)	(156)	-
Fund balance (deficit), ending	$ (224)	$ (224)	$ (436)	$ (212)

Sacramento Housing and Redevelopment Agency
City CDBG Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficit)-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Expenditures:				
Debt service:				
Principal retirement	$ 1,355	$ 1,355	$ 1,355	$ -
Interest	465	465	465	-
Total expenditures	1,820	1,820	1,820	-
Deficiency of revenues under expenditures	(1,820)	(1,820)	(1,820)	-
Other financing sources (uses):				
Transfers in	1,820	1,820	1,606	214
Net change in fund balance	-	-	(214)	214
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ (214)	$ 214

Sacramento Housing and Redevelopment Agency
County CDBG Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Expenditures:				
Debt service:				
Principal retirement	$ 90	$ 90	$ 90	$ -
Interest	30	30	30	-
Total expenditures	120	120	120	-
Other financing sources (uses):				
Transfers in	120	120	120	-
Net change in fund balance	-	-	-	-
Fund balance, beginning	-	-	-	-
Fund balance, ending	$ -	$ -	$ -	$ -

Sacramento Housing and Redevelopment Agency
County CHFA HELP Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Investment earnings	$ 10	$ 163	$ 169	$ 6
Expenditures:				
Current:				
Community development	-	1,102	-	1,102
Net change in fund balance	10	(939)	168	1,107
Fund balance, beginning	2,030	2,030	2,030	-
Fund balance, ending	$ 2,040	$ 1,091	$ 2,198	$ 1,107

Sacramento Housing and Redevelopment Agency
City Merged Downtown Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Property taxes	$ 15,760	$ 15,760	$ 16,879	$ 1,119
Investment earnings	500	500	804	304
Total revenues	16,260	16,260	17,683	1,423
Expenditures:				
Debt service:				
Principal retirement	6,920	6,920	6,997	(77)
Interest	5,117	5,117	5,040	77
Related charges	1,600	1,600	1,485	115
Total expenditures	13,637	13,637	13,522	115
Excess of revenues over expenditures	2,623	2,623	4,161	1,538
Other financing sources (uses):				
Transfers out	(967)	(967)	(967)	-
Net change in fund balance	1,656	1,656	3,194	1,538
Fund balance, beginning	81	81	81	-
Fund balance, ending	$ 1,737	$ 1,737	$ 3,275	$ 1,538

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 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**
- **City Army Depot**
- **City 65th Street/Folsom Boulevard**
- **County Florin Road**

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.

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004
(amounts expressed in thousands)

	City Land Bank	County Land Bank	City Capital Fund	County Capital Fund	City Development funds for Modernization	City Housing Trust
Assets						
Cash and investments	$ 69	$ 209	$ -	$ -	$ -	$ 5,731
Accounts receivable (net)	-	-	-	-	154	57
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	1,193	709	-	310
Notes receivable (net)	-	-	-	-	-	10,725
Advances to other funds	-	-	-	-	-	200
Advances to component units	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	$ 69	$ 209	$ 1,193	$ 709	$ 154	$ 17,023
Liabilities						
Accounts payable	$ -	$ -	$ 145	$ 69	$ 14	$ 3
Accrued liabilities	-	-	8	6	-	-
Contracts payable	-	-	96	45	-	-
Due to other funds	-	-	944	589	139	-
Due to other governments	-	-	-	-	1	-
Deferred revenue	-	-	-	-	-	-
Deposit and trust liability	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	-	-	1,193	709	154	3
Fund Balances						
Reserved for capital projects	-	-	-	-	-	3,718
Reserved for encumbrances	-	-	-	-	-	244
Reserved for debt service	-	-	-	-	-	-
Reserved for noncurrent assets	-	-	-	-	-	10,925
Unreserved, undesignated	69	209	-	-	-	2,133
Total fund balances	69	209	-	-	-	17,020
Total liabilities and fund balances	$ 69	$ 209	$ 1,193	$ 709	$ 154	$ 17,023

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004
(amounts expressed in thousands)

	County Housing Trust	City Del Paso Heights	City Low/Mod Del Paso Heights	City Alkali Flat	City Low/Mod Alkali Flat
Assets					
Cash and investments	$ 4,262	$ 6,123	$ 3,150	$ 5,983	$ 2,088
Accounts receivable (net)	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	578	-	-	-	-
Notes receivable (net)	13,599	1,433	1,146	1,471	921
Advances to other funds	-	-	-	-	-
Advances to component units	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-
Total assets	$ 18,439	$ 7,556	$ 4,296	$ 7,454	$ 3,009
Liabilities					
Accounts payable	$ 3	$ 160	$ 12	$ 3	$ -
Accrued liabilities	-	2	-	1	-
Contracts payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Deposit and trust liability	-	23	1	5	-
Advances from other funds	-	-	-	-	-
Total liabilities	3	185	13	9	-
Fund Balances					
Reserved for capital projects	3,457	4,938	2,950	5,700	1,741
Reserved for encumbrances	3	970	51	75	128
Reserved for debt service	-	-	-	-	-
Reserved for noncurrent assets	13,599	1,433	1,146	1,471	921
Unreserved, undesignated	1,377	30	136	199	219
Total fund balances	18,436	7,371	4,283	7,445	3,009
Total liabilities and fund balances	$ 18,439	$ 7,556	$ 4,296	$ 7,454	$ 3,009

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004
(amounts expressed in thousands)

	City Oak Park	City Low/Mod Oak Park	City Richards Boulevard	City Low/Mod Richards Boulevard	County Walnut Grove	County Low/Mod Walnut Grove
Assets						
Cash and investments	$ 6,169	$ 967	$ 319	$ 443	$ 16	$ 90
Accounts receivable (net)	37	6	-	-	-	-
Due from other funds	-	1,306	-	-	-	-
Due from other governments	-	-	-	-	-	-
Notes receivable (net)	3,071	1,579	955	-	167	13
Advances to other funds	-	-	-	-	-	-
Advances to component units	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	$ 9,277	$ 3,858	$ 1,274	$ 443	$ 183	$ 103
Liabilities						
Accounts payable	$ 86	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	3	1	-	-	-	-
Contracts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Deposit and trust liability	27	-	-	-	-	-
Advances from other funds	-	-	974	-	-	-
Total liabilities	116	1	974	-	-	-
Fund Balances						
Reserved for capital projects	4,342	1,925	144	327	16	91
Reserved for encumbrances	1,432	-	278	-	-	-
Reserved for debt service	-	-	-	-	-	-
Reserved for noncurrent assets	3,071	1,579	955	-	167	13
Unreserved, undesignated	316	353	(1,077)	116	-	(1)
Total fund balances	9,161	3,857	300	443	183	103
Total liabilities and fund balances	$ 9,277	$ 3,858	$ 1,274	$ 443	$ 183	$ 103

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004
(amounts expressed in thousands)

	City North Sacramento	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
Assets						
Cash and investments	$ 5,893	$ 1,704	$ 206	$ 581	$ 2,666	$ 945
Accounts receivable (net)	-	-	-	3	-	-
Due from other funds	-	621	-	-	-	-
Due from other governments	-	-	-	-	-	-
Notes receivable (net)	583	345	-	47	-	10
Advances to other funds	-	-	-	-	-	-
Advances to component units	-	-	-	455	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	$ 6,476	$ 2,670	$ 206	$ 1,086	$ 2,666	$ 955
Liabilities						
Accounts payable	$ -	$ -	$ 6	$ -	$ -	$ -
Accrued liabilities	1	-	1	-	-	-
Contracts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Deposit and trust liability	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	1	-	7	-	-	-
Fund Balances						
Reserved for capital projects	4,728	1,758	163	409	2,482	838
Reserved for encumbrances	921	442	14	-	175	-
Reserved for debt service	-	-	-	-	-	-
Reserved for noncurrent assets	583	345	-	502	-	10
Unreserved, undesignated	243	125	22	175	9	107
Total fund balances	6,475	2,670	199	1,086	2,666	955
Total liabilities and fund balances	$ 6,476	$ 2,670	$ 206	$ 1,086	$ 2,666	$ 955

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004
(amounts expressed in thousands)

	City / County Auburn Boulevard	City / County Low / Mod Auburn Boulevard	County Low/ Mod Mather/ McClellan Merged	City Army Depot	City Low/Mod Army Depot	City 65th Street / Folsom Boulevard
Assets						
Cash and investments	$ 19	$ 174	$ 8,480	$ 884	$ 208	$ 63
Accounts receivable (net)	-	-	16	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Notes receivable (net)	-	32	155	-	4	-
Advances to other funds	-	-	-	-	-	-
Advances to component units	-	-	-	-	-	-
Restricted cash and investments	-	-	-	-	-	-
Total assets	$ 19	$ 206	$ 8,651	$ 884	$ 212	$ 63
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Accrued liabilities	-	-	-	-	-	-
Contracts payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Deposit and trust liability	5	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	5	-	-	-	-	-
Fund Balances						
Reserved for capital projects	27	162	8,311	860	254	36
Reserved for encumbrances	-	8	174	66	56	22
Reserved for debt service	-	-	-	-	-	-
Reserved for noncurrent assets	-	32	155	-	4	-
Unreserved, undesignated	(13)	4	11	(42)	(102)	5
Total fund balances	14	206	8,651	884	212	63
Total liabilities and fund balances	$ 19	$ 206	$ 8,651	$ 884	$ 212	$ 63

Sacramento Housing and Redevelopment Agency
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2004
(amounts expressed in thousands)

	Community Social Service Complex	City Section 108	County Section 108	County Florin Road	Total
Assets					
Cash and investments	$ -	$ -	$ -	$ 193	$ 57,635
Accounts receivable (net)	-	-	-	-	273
Due from other funds	84	-	-	-	2,011
Due from other governments	-	170	-	-	2,960
Notes receivable (net)	-	469	223	-	36,948
Advances to other funds	-	-	-	-	200
Advances to component units	-	-	-	-	455
Restricted cash and investments	-	466	278	-	744
Total assets	$ 84	$ 1,105	$ 501	$ 193	$ 101,226
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ 501
Accrued liabilities	-	-	-	-	23
Contracts payable	-	-	-	-	141
Due to other funds	-	-	-	-	1,672
Due to other governments	-	-	-	-	1
Deferred revenue	-	170	-	-	170
Deposit and trust liability	-	-	-	-	61
Advances from other funds	-	-	-	-	974
Total liabilities	-	170	-	-	3,543
Fund Balances					
Reserved for capital projects	84	-	-	3	49,464
Reserved for encumbrances	-	-	-	190	5,249
Reserved for debt service	-	466	278	-	744
Reserved for noncurrent assets	-	469	223	-	37,603
Unreserved, undesignated	-	-	-	-	4,623
Total fund balances	84	935	501	193	97,683
Total liabilities and fund balances	$ 84	$ 1,105	$ 501	$ 193	$ 101,226

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, 2004
(amounts expressed in thousands)

	City Land Bank	County Land Bank	City Capital Fund	County Capital Fund	City Development funds for Modernization	City Housing Trust
Revenues:						
Intergovernmental	$ -	$ -	$ 6,798	$ 1,970	$ 483	$ 1,166
Investment earnings	1	3	-	-	-	24
Miscellaneous	-	-	-	-	-	577
Total revenues	1	3	6,798	1,970	483	1,767
Expenditures:						
Current:						
Housing operations	16	1	2,058	883	160	4
Community development	-	-	-	-	-	424
Capital outlay	-	-	4,740	928	323	10
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	16	1	6,798	1,811	483	438
Excess (deficiency) of revenues over (under) expenditures	(15)	2	-	159	-	1,329
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	525
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(159)	-	-
Total other financing sources (uses)	-	-	-	(159)	-	525
Net change in fund balances	(15)	2	-	-	-	1,854
Fund balances, beginning	84	207	-	-	-	15,166
Fund balances, ending	$ 69	$ 209	$ -	$ -	$ -	$ 17,020

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, 2004
(amounts expressed in thousands)

	County Housing Trust	City Del Paso Heights	City Low/Mod Del Paso Heights	City Alkali Flat	City Low/Mod Alkali Flat
Revenues:					
Intergovernmental	$ 1,076	$ -	$ -	$ -	$ -
Investment earnings	374	27	21	67	52
Miscellaneous	-	1	102	1	1
Total revenues	1,450	28	123	68	53
Expenditures:					
Current:					
Housing operations	5	-	-	-	-
Community development	595	1,133	447	463	3
Capital outlay	-	40	84	-	-
Debt service:					
Principal retirement	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	600	1,173	531	463	3
Excess (deficiency) of revenues over (under) expenditures	850	(1,145)	(408)	(395)	50
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	787	-	149	-
Transfers out	-	-	(22)	-	(46)
Total other financing sources (uses)	-	787	(22)	149	(46)
Net change in fund balances	850	(358)	(430)	(246)	4
Fund balances, beginning	17,586	7,729	4,713	7,691	3,005
Fund balances, ending	$ 18,436	$ 7,371	$ 4,283	$ 7,445	$ 3,009

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, 2004
(amounts expressed in thousands)

	City Oak Park	City Low/Mod Oak Park	City Richards Boulevard	City Low/Mod Richards Boulevard	County Walnut Grove	County Low/Mod Walnut Grove
Revenues:						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -
Investment earnings	60	28	60	5	1	1
Miscellaneous	145	15	-	-	-	-
Total revenues	205	43	60	5	1	1
Expenditures:						
Current:						
Housing operations	39	-	-	-	-	-
Community development	1,790	343	1,213	123	50	2
Capital outlay	-	-	-	36	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	60	-	-	-
Total expenditures	1,829	343	1,273	159	50	2
Excess (deficiency) of revenues over (under) expenditures	(1,624)	(300)	(1,213)	(154)	(49)	(1)
Other financing sources (uses):						
Sale of capital assets	131	-	-	-	-	-
Transfers in	2,099	19	449	109	1	26
Transfers out	(22)	-	-	-	-	-
Total other financing sources (uses)	2,208	19	449	109	1	26
Net change in fund balances	584	(281)	(764)	(45)	(48)	25
Fund balances, beginning	8,577	4,138	1,064	488	231	78
Fund balances, ending	$ 9,161	$ 3,857	$ 300	$ 443	$ 183	$ 103

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, 2004
(amounts expressed in thousands)

	City North Sacramento	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
Revenues:						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -
Investment earnings	28	10	2	9	5	3
Miscellaneous	1	2	-	-	-	-
Total revenues	29	12	2	9	5	3
Expenditures:						
Current:						
Housing operations	-	-	-	-	-	-
Community development	590	62	257	61	242	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	590	62	257	61	242	-
Excess (deficiency) of revenues over (under) expenditures	(561)	(50)	(255)	(52)	(237)	3
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	606	154	237	127	395	111
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	606	154	237	127	395	111
Net change in fund balances	45	104	(18)	75	158	114
Fund balances, beginning	6,430	2,566	217	1,011	2,508	841
Fund balances, ending	$ 6,475	$ 2,670	$ 199	$ 1,086	$ 2,666	$ 955

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, 2004
(amounts expressed in thousands)

	City / County Auburn Boulevard	City / County Low / Mod Auburn Boulevard	County Low/ Mod Mather/ McClellan Merged	City Army Depot	City Low/Mod Army Depot	City 65th Street / Folsom Boulevard
Revenues:						
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -
Investment earnings	-	3	29	9	4	1
Miscellaneous	2	-	4	-	-	-
Total revenues	2	3	33	9	4	1
Expenditures:						
Current:						
Housing operations	-	-	-	-	-	-
Community development	-	1	1,101	320	4	101
Capital outlay	-	-	-	-	46	-
Debt service:						
Principal retirement	150	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	150	1	1,101	320	50	101
Excess (deficiency) of revenues over (under) expenditures	(148)	2	(1,068)	(311)	(46)	(100)
Other financing sources (uses):						
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	626	924	-	-
Transfers out	(19)	-	(191)	-	(27)	-
Total other financing sources (uses)	(19)	-	435	924	(27)	-
Net change in fund balances	(167)	2	(633)	613	(73)	(100)
Fund balances, beginning	181	204	9,284	271	285	163
Fund balances, ending	$ 14	$ 206	$ 8,651	$ 884	$ 212	$ 63

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, 2004
(amounts expressed in thousands)

	Community Social Service Complex	City Section 108	County Section 108	County Florin Road	Total
Revenues:					
Intergovernmental	$ -	$ -	$ -	$ -	$ 11,493
Investment earnings	-	36	138	-	1,001
Miscellaneous	-	167	4	-	1,022
Total revenues	-	203	142	-	13,516
Expenditures:					
Current:					
Housing operations	-	-	-	-	3,166
Community development	8	-	123	22	9,478
Capital outlay	-	-	-	-	6,207
Debt service:					
Principal retirement	-	-	-	-	150
Interest	-	-	-	-	60
Total expenditures	8	-	123	22	19,061
Excess (deficiency) of revenues over (under) expenditures	(8)	203	19	(22)	(5,545)
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	656
Transfers in	-	-	-	215	7,034
Transfers out	-	(1,335)	(120)	-	(1,941)
Total other financing sources (uses)	-	(1,335)	(120)	215	5,749
Net change in fund balances	(8)	(1,132)	(101)	193	204
Fund balances, beginning	92	2,067	602	-	97,479
Fund balances, ending	$ 84	$ 935	$ 501	$ 193	$ 97,683

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.

- **San Jose/Broadway**
- **Scattered Sites**
- **Larchmont/Wildflower**
- **Locally Funded Projects**
- **Riverview Plaza Commercial**
- **Pioneer Hall**
- **Nova House**
- **San Carlos Shelter Plus Care**
- **Security Deposit Revolving Loan**
- **Greenfair**

Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2004
(amounts expressed in thousands)

	San Jose/ Broadway	Scattered Sites	Larchmont/ Wildflower	Locally Funded Projects	Riverview Plaza Commercial	Pioneer Hall
Assets						
Current assets:						
Cash and investments	$ -	$ -	$ -	$ 283	$ 100	$ 39
Accounts receivable (net)	6	-	3	5	-	-
Due from component units	-	-	-	307	-	-
Due from other governments	-	-	-	-	-	-
Deferred charges and prepaid items	7	-	-	-	-	-
Total current assets	13	-	3	595	100	39
Noncurrent assets:						
Restricted cash and investments	99	2	25	15	18	2
Notes receivable	-	-	-	-	-	-
	99	2	25	15	18	2
Capital assets:						
Land	67	44	116	210	198	-
Buildings and improvements	1,195	170	344	2,753	5,552	-
Less accumulated depreciation	(753)	(119)	(219)	(1,597)	(2,212)	-
Total capital assets (net of accumulated depreciation)	509	95	241	1,366	3,538	-
Total noncurrent assets	608	97	266	1,381	3,556	2
Total assets	621	97	269	1,976	3,656	41
Liabilities						
Current liabilities:						
Accounts payable	5	-	1	1	10	-
Accrued liabilities	-	-	-	-	1	-
Due to other funds	92	5	66	-	-	-
Deferred revenue	7	-	-	-	-	-
Current portion of long-term debt	20	-	27	-	-	-
Current liabilities payable from restricted assets:						
Deposit and trust liability	6	2	3	15	18	2
Total current liabilities	130	7	97	16	29	2
Noncurrent liabilities:						
Mortgage notes payable	573	-	107	-	-	-
Advances from other funds	-	-	-	-	-	-
Total noncurrent liabilities	573	-	107	-	-	-
Total liabilities	703	7	204	16	29	2
Net Assets (Deficit)						
Invested in capital assets, net of related debt	(84)	95	107	1,366	3,538	-
Restricted for housing operations	93	-	22	-	-	-
Unrestricted	(91)	(5)	(64)	594	89	39
Total net assets (deficit)	$ (82)	$ 90	$ 65	$ 1,960	$ 3,627	$ 39

Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2004
(amounts expressed in thousands)

	Nova House	San Carlos Shelter Plus Care	Security Deposit Revolving Loan	Greenfair	Total
Assets					
Current assets:					
Cash and investments	$ 78	$ 69	$ 105	$ 128	$ 802
Accounts receivable (net)	-	-	-	-	14
Due from component units	-	-	-	-	307
Due from other governments	-	2	-	-	2
Deferred charges and prepaid items	-	-	-	-	7
Total current assets	78	71	105	128	1,132
Noncurrent assets:					
Restricted cash and investments	-	4	-	-	165
Notes receivable	-	-	95	-	95
	-	4	95	-	260
Capital assets:					
Land	-	55	-	6	696
Buildings and improvements	-	832	-	-	10,846
Less accumulated depreciation	-	(154)	-	-	(5,054)
Total capital assets (net of accumulated depreciation)	-	733	-	6	6,488
Total noncurrent assets	-	737	95	6	6,748
Total assets	78	808	200	134	7,880
Liabilities					
Current liabilities:					
Accounts payable	-	6	-	-	23
Accrued liabilities	-	-	-	-	1
Due to other funds	-	-	-	-	163
Deferred revenue	-	-	-	-	7
Current portion of long-term debt	-	-	-	-	47
Current liabilities payable from restricted assets:					
Deposit and trust liability	-	4	-	-	50
Total current liabilities	-	10	-	-	291
Noncurrent liabilities:					
Mortgage notes payable	-	-	-	-	680
Advances from other funds	-	-	-	200	200
Total noncurrent liabilities	-	-	-	200	880
Total liabilities	-	10	-	200	1,171
Net Assets (Deficit)					
Invested in capital assets, net of related debt	-	733	-	6	5,761
Restricted for housing operations	-	-	-	-	115
Unrestricted	78	65	200	(72)	833
Total net assets (deficit)	$ 78	$ 798	$ 200	$ (66)	$ 6,709

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, 2004
(amounts expressed in thousands)

	San Jose/ Broadway	Scattered Sites	Larchmont/ Wildflower	Locally Funded Projects	Riverview Plaza Commercial	Pioneer Hall
Operating revenues:						
Charges for services	$ 54	$ 16	$ 33	$ 176	$ 372	$ 58
Miscellaneous	1	-	-	429	-	-
Total operating revenues	55	16	33	605	372	58
Operating expenses:						
Employee services	69	43	11	92	90	-
Administrative services	12	4	5	36	86	-
Services and supplies	59	31	28	73	137	29
Utilities	17	5	7	40	62	16
Depreciation/amortization	32	4	8	69	140	-
Total operating expenses	189	87	59	310	515	45
Operating income (loss)	(134)	(71)	(26)	295	(143)	13
Nonoperating revenues (expenses):						
Intergovernmental	135	63	58	293	-	-
Investment earnings	-	-	-	7	2	-
Interest expense	(51)	-	(12)	-	-	-
Total nonoperating revenues (expenses)	84	63	46	300	2	-
Income (loss) before transfers	(50)	(8)	20	595	(141)	13
Transfers in	-	6	2	-	-	-
Transfers out	-	-	-	(589)	-	-
Change in net assets	(50)	(2)	22	6	(141)	13
Total net assets (deficit), beginning	(32)	92	43	1,954	3,768	26
Total net assets (deficit), ending	$ (82)	$ 90	$ 65	$ 1,960	$ 3,627	$ 39

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, 2004
(amounts expressed in thousands)

	Nova House	San Carlos Shelter Plus Care	Security Deposit Revolving Loan	Greenfair	Total
Operating revenues:					
Charges for services	$ -	$ 59	$ -	$ -	$ 768
Miscellaneous	-	1	-	-	431
Total operating revenues	-	60	-	-	1,199
Operating expenses:					
Employee services	-	9	-	-	314
Administrative services	-	10	-	66	219
Services and supplies	1	48	-	-	406
Utilities	-	27	-	-	174
Depreciation/amortization	-	21	-	-	274
Total operating expenses	1	115	-	66	1,387
Operating income (loss)	(1)	(55)	-	(66)	(188)
Nonoperating revenues (expenses):					
Intergovernmental	-	57	-	-	606
Investment earnings	1	-	-	-	10
Interest expense	-	-	-	-	(63)
Total nonoperating revenues (expenses)	1	57	-	-	553
Income (loss) before transfers	-	2	-	(66)	365
Transfers in	-	21	-	-	29
Transfers out	-	-	-	-	(589)
Change in net assets	-	23	-	(66)	(195)
Total net assets (deficit), beginning	78	775	200	-	6,904
Total net assets (deficit), ending	$ 78	$ 798	$ 200	$ (66)	$ 6,709

Sacramento Housing and Redevelopment Agency
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	San Jose/ Broadway	Scattered Sites	Larchmont/ Wildflower	Locally Funded Projects	Riverview Plaza Commercial	Pioneer Hall
Cash flows from operating activities:						
Cash receipts from tenants	$ 53	$ 18	$ 31	$ 604	$ 372	$ 58
Cash received from (refunded to) tenants	-	-	2	1	-	-
Cash paid to suppliers for goods and services	(44)	(40)	(59)	(112)	(188)	(45)
Cash paid to employees for services	(81)	(47)	(16)	(128)	(176)	-
Net cash provided by (used in) operating activities	(72)	(69)	(42)	365	8	13
Cash flows from noncapital financing activities:						
Transfers in	-	6	2	-	-	-
Transfers out	-	-	-	(589)	-	-
Intergovernmental revenue received	135	63	58	293	-	-
Decrease in due from other funds	-	-	-	158	-	-
Increase in advances to component unit	-	-	-	(56)	-	-
Increase in loans from other funds	-	-	-	-	-	-
Net cash provided by (used in) noncapital financing activities	135	69	60	(194)	-	-
Cash flows from capital and related financing activities:						
Purchase of capital assets	-	-	-	-	-	-
Payments on long-term liabilities	(19)	-	(25)	-	-	-
Interest paid	(51)	-	(12)	-	-	-
Net cash provided by (used in) capital and related financing activities	(70)	-	(37)	-	-	-
Cash flows from investing activities:						
Interest received	-	-	-	7	2	-
Net increase (decrease) in cash and cash equivalents	(7)	-	(19)	178	10	13
Cash and cash equivalents, beginning	106	2	44	120	108	28
Cash and cash equivalents, ending	$ 99	$ 2	$ 25	$ 298	$ 118	$ 41
Reconciliation of cash and cash equivalents to the statement of net assets:						
Cash and investments	$ -	$ -	$ -	$ 283	$ 100	$ 39
Restricted cash and investments	99	2	25	15	18	2
Total	$ 99	$ 2	$ 25	$ 298	$ 118	$ 41
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (134)	$ (71)	$ (26)	$ 295	$ (143)	$ 13
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation/amortization	32	4	8	69	140	-
Decrease (increase) in accounts receivable	(4)	2	(2)	(1)	-	-
Increase in deferred charges and prepaid items	(1)	-	-	-	-	-
Increase (decrease) in accounts payable	5	-	(2)	1	10	-
Increase in accrued liabilities	-	-	-	-	1	-
Increase (decrease) in due to other funds	28	(4)	(22)	-	-	-
Increase in deferred revenue	2	-	-	-	-	-
Increase in deposit and trust liability	-	-	2	1	-	-
Total adjustments	62	2	(16)	70	151	-
Net cash provided by (used in) operating activities	$ (72)	$ (69)	$ (42)	$ 365	$ 8	$ 13

Sacramento Housing and Redevelopment Agency
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Nova House	San Carlos Shelter Plus Care	Security Deposit Revolving Loan	Greenfair	Total
Cash flows from operating activities:					
Cash receipts from tenants	$ -	$ 60	$ -	$ -	$ 1,196
Cash received from (refunded to) tenants	-	1	-	-	4
Cash paid to suppliers for goods and services	(1)	(78)	-	-	(567)
Cash paid to employees for services	-	(19)	-	(66)	(533)
Net cash provided by (used in) operating activities	(1)	(36)	-	(66)	100
Cash flows from noncapital financing activities:					
Transfers in	-	21	-	-	29
Transfers out	-	-	-	-	(589)
Intergovernmental revenue received	-	56	-	-	605
Decrease in due from other funds	-	-	-	-	158
Increase in advances to component unit	-	-	-	-	(56)
Increase in loans from other funds	-	-	47	200	247
Net cash provided by (used in) noncapital financing activities	-	77	47	200	394
Cash flows from capital and related financing activities:					
Purchase of capital assets	-	-	-	(6)	(6)
Payments on long-term liabilities	-	-	-	-	(44)
Interest paid	-	-	-	-	(63)
Net cash provided by (used in) capital and related financing activities	-	-	-	(6)	(113)
Cash flows from investing activities:					
Interest received	1	-	-	-	10
Net increase (decrease) in cash and cash equivalents	-	41	47	128	391
Cash and cash equivalents, beginning	78	32	58	-	576
Cash and cash equivalents, ending	$ 78	$ 73	$ 105	$ 128	$ 967
Reconciliation of cash and cash equivalents to the statement of net assets:					
Cash and investments	$ 78	$ 69	$ 105	$ 128	802
Restricted cash and investments	-	4	-	-	165
Total	$ 78	$ 73	$ 105	$ 128	$ 967
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1)	$ (55)	$ -	$ (66)	$ (188)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation/amortization	-	21	-	-	274
Decrease (increase) in accounts receivable	-	-	-	-	(5)
Increase in deferred charges and prepaid items	-	-	-	-	(1)
Increase (decrease) in accounts payable	-	(3)	-	-	11
Increase in accrued liabilities	-	-	-	-	1
Increase (decrease) in due to other funds	-	-	-	-	2
Increase in deferred revenue	-	-	-	-	2
Increase in deposit and trust liability	-	1	-	-	4
Total adjustments	-	19	-	-	288
Net cash provided by (used in) operating activities	$ (1)	$ (36)	$ -	$ (66)	$ 100

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.

Sacramento Housing and Redevelopment Agency
Combining Statement of Net Assets
Internal Service Funds
December 31, 2004
(amounts expressed in thousands)

	Internal Support	Self Insurance	Total
Assets			
Current assets:			
Cash and investments	$ 24,101	$ 1,719	$ 25,820
Accounts receivable (net)	30	-	30
Due from other governments	77	-	77
Deferred charges and prepaid items	47	-	47
Total current assets	24,255	1,719	25,974
Noncurrent assets:			
Restricted cash and investments	505	-	505
Advances to other funds	107	735	842
	612	735	1,347
Capital assets:			
Property and equipment	1,008	20	1,028
Less accumulated depreciation	(886)	(11)	(897)
Total capital assets (net of accumulated depreciation)	122	9	131
Total noncurrent assets	734	744	1,478
Total assets	24,989	2,463	27,452
Liabilities			
Current liabilities:			
Securities lending obligations	15,641	-	15,641
Accounts payable	1,066	-	1,066
Accrued liabilities	601	618	1,219
Compensated absences	1,822	-	1,822
Total current liabilities	19,130	618	19,748
Noncurrent liabilities:			
Compensated absences	1,139	-	1,139
Advances from component units	1,000	-	1,000
Total noncurrent liabilities	2,139	-	2,139
Total liabilities	21,269	618	21,887
Net Assets			
Invested in capital assets, net of related debt	122	9	131
Restricted for community development	505	-	505
Unrestricted	3,093	1,836	4,929
Total net assets	$ 3,720	$ 1,845	$ 5,565

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, 2004
(amounts expressed in thousands)

	Internal Support	Self Insurance	Total
Operating revenues:			
Charges for services	$ 6,024	$ 1,167	$ 7,191
Miscellaneous	12	-	12
Total operating revenues	6,036	1,167	7,203
Operating expenses:			
Employee services	5,264	-	5,264
Services and supplies	1,554	1,075	2,629
Claims and judgements	-	161	161
Depreciation	34	2	36
Total operating expenses	6,852	1,238	8,090
Operating loss	(816)	(71)	(887)
Nonoperating revenues (expenses):			
Investment earnings	378	84	462
Loss on disposal of capital assets	(24)	-	(24)
Total nonoperating revenues (expenses)	354	84	438
Income (loss) before transfers	(462)	13	(449)
Transfers out	(1,150)	-	(1,150)
Change in net assets	(1,612)	13	(1,599)
Total net assets, beginning	5,332	1,832	7,164
Total net assets, ending	$ 3,720	$ 1,845	$ 5,565

Sacramento Housing and Redevelopment Agency
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Internal Support	Self Insurance	Total
Cash flows from operating activities:			
Cash receipts from interfund services provided	$ 6,028	$ 1,167	$ 7,195
Cash paid to suppliers for goods and services	(1,506)	(1,103)	(2,609)
Cash paid to employees for services	(4,631)	-	(4,631)
Cash paid for claims and judgements	-	(161)	(161)
Net cash used in operating activities	(109)	(97)	(206)
Cash flows from noncapital financing activities:			
Repayments of advances to other funds	67	69	136
Increase (decrease) in loans from other funds	-	441	441
Increase in due from other governments	(25)	-	(25)
Decrease in due from component units	8	-	8
Securities lending obligations	15,641	-	15,641
Net cash provided by (used in) noncapital financing activities	15,691	510	16,201
Cash flows from capital and related financing activities:			
Purchase of capital assets	(37)	-	(37)
Cash flows from investing activities:			
Interest received	378	84	462
Net increase in cash and cash equivalents	15,923	497	16,420
Cash and cash equivalents, beginning	8,683	1,222	9,905
Cash and cash equivalents, ending	$ 24,606	$ 1,719	$ 26,325
Reconciliation of cash and cash equivalents to the statement of net assets:			
Cash and investments	$ 24,101	$ 1,719	$ 25,820
Restricted cash and investments	505	-	505
Total	$ 24,606	$ 1,719	$ 26,325
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	$ (816)	$ (71)	$ (887)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation/amortization	34	2	36
Increase in accounts receivable	(8)	-	(8)
Decrease in deferred charges and prepaid items	48	-	48
Increase in accounts payable	415	-	415
Increase (decrease) in accrued liabilities	90	(28)	62
Increase in compensated absences	128	-	128
Total adjustments	707	(26)	681
Net cash used in operating activities	$ (109)	$ (97)	$ (206)
Noncash investing, capital and financing activities:			
Contributions of capital assets	$ 1,150	$ -	$ 1,150

Agency Funds

Agency funds are used to account for assets held by the government as an agent for individuals or private organizations.

- **Neighborhood Housing Services Fund** is used to invest funds on behalf of Neighborhood Housing Services.

Sacramento Housing and Redevelopment Agency
Statement of Changes in Assets and Liabilities
Neighborhood Housing Services Agency Fund
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Balance at January 1, 2004	Additions	Deletions	Balance at December 31, 2004
Assets				
Cash and investments	$ 10	$ -	$ -	$ 10
Liabilities				
Deposit and trust liability	$ 10	$ -	$ -	$ 10

Component Units

Proprietary funds are included in the Agency reporting entity because of their significant operational or financial relationship. All of these funds are low-income housing projects operated by the Agency.

The cash flow statements in this section are for component units that do not issue their own separate, stand-alone financial reports.

- **Norwood Avenue Housing Corporation**
- **Phoenix Park II**

Sacramento Housing and Redevelopment Agency
Statement of Cash Flows
Component Units
For the Year Ended December 31, 2004
(amounts expressed in thousands)

	Norwood Avenue Housing Corporation	Phoenix Park II, L.P.	Total
Cash flows from operating activities:			
Cash receipts from tenants	$ 8	$ 592	$ 600
Cash paid to suppliers for goods and services	(28)	(224)	(252)
Cash paid to employees for services	-	(123)	(123)
Net cash provided by (used in) operating activities	(20)	245	225
Cash flows from noncapital financing activities:			
Intergovernmental revenue received	280	-	280
Increase in due to primary government	(8)	-	(8)
Net cash provided by noncapital financing activities	272	-	272
Cash flows from capital and related financing activities:			
Proceeds from issuing debt	-	23,470	23,470
Purchase of capital assets	-	(3,322)	(3,322)
Capital contributions	-	2,701	2,701
			-
Net cash provided by capital and related financing activities	-	22,849	22,849
Net increase in cash and cash equivalents	252	23,094	23,346
Cash and cash equivalents, beginning	-	-	-
Cash and cash equivalents, ending	$ 252	$ 23,094	$ 23,346
Reconciliation of cash and cash equivalents to the statement of net assets:			
Cash and investments	$ 252	$ 408	$ 660
Restricted cash and investments	-	22,686	22,686
			-
Total	$ 252	$ 23,094	$ 23,346
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	$ 85	$ 211	$ 296
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Increase in accounts receivable	(105)	(175)	(280)
Increase in accounts payable	-	143	143
Increase in accrued liabilities	-	46	46
Increase in deposit and trust liability	-	20	20
Total adjustments	(105)	34	(71)
Net cash provided by (used in) operating activities	$ (20)	$ 245	$ 225
Noncash investing, capital and financing activities:			
Noncash advance to component units	$ 2,552	$ 9,315	$ 11,867
Capital assets transferred to component units	2,552	9,315	11,867
	$ 5,104	$ 18,630	$ 23,734

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APPENDIX E
FORM OF FINAL OPINION OF BOND COUNSEL

[CLOSING DATE]

Sacramento City Financing Authority
Sacramento, California

Sacramento City Financing Authority
2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) and 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects)
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the Sacramento City Financing Authority (the "Authority") in connection with the issuance by the Authority of (i) $92,372,235.75 aggregate principal amount of its 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) (the "Series A Bonds") and (ii)$46,750,000 aggregate principal amount of its 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (the "Series B Bonds," and together with the Series A Bonds, the "Bonds") pursuant to the provisions of the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State of California, and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, and all laws amendatory thereof or supplemental thereto (collectively, the "Act"), Resolution No. FA2005-002 adopted by the Authority on November 1, 2005 (the "Resolution") authorizing the issuance, sale and delivery of the Bonds and an Indenture providing for the issuance of the Bonds dated as of November 1, 2005 (the "Indenture") by and between the Authority and U.S. Bank National Association, as Trustee (the "Trustee"), for the purpose of enabling to the Authority to acquire certain loan agreements (the "Program Obligations") of the Redevelopment Agency of the City of Sacramento (the "Agency"). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Resolution, the Indenture, the Program Obligations, the Tax Certificate of the Authority and the Agency dated the date hereof (the "Tax Certificate"), certificates of the Authority, the Agency and the Trustee, opinions of counsel to the Authority, the Agency and the Trustee, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted to be taken under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted to be taken or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted to be taken or such events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority and the Agency. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all agreements and covenants contained in the Indenture, the Program Obligations and the Tax Certificate, including (without limitation) agreements and covenants compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series A Bonds to be included in gross income for federal income tax purposes.

We call attention to the fact that the rights and obligations under the Indenture, Program Obligations, the Tax Certificate and the Bonds and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint exercise of powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Program Obligations or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement dated November 17, 2005, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes a valid and binding obligation of, the Authority. The Indenture creates a valid pledge of the Revenues for the payment of interest on and principal of the Bonds as and when they respectively become due in accordance with the terms of the Indenture.

3. The Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge, and are not a debt of the City or the Agency. Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds.

4. The Program Obligations have each been duly executed and delivered by, and constitute a valid and binding agreement of, the Authority and the Agency.

5. Interest on the Series A Bonds is excluded from gross income or federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Series A Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

6. Interest on the Series B Bonds is exempt from State of California personal income taxes and is not excluded from gross income for federal income tax purposes under Section 103 of the Code of 1986. We express no opinion regarding any other federal or state tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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 City Financing Authority (the "Issuer") of its $92,372,235.75 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) and its $46,750,000 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects) (together, the "Bonds"). The Bonds are being issued pursuant to an Indenture, dated as of November 1, 2005, by and between the Issuer and U.S. Bank National Association, as trustee (the "Trustee") (the "Indenture"). A portion of the proceeds of the Bonds is being used by the Issuer to provide funds to make two separate loans to the Agency pursuant to the Merged Downtown Loan Agreement and the Oak Park Loan Agreement, each dated as of November 1, 2005, and each by and among the Authority, the Agency and the Trustee (together, the "Loan Agreements"). The Loan Agreements provide funds to finance [and refinance?] redevelopment activities within the Agency's Merged Downtown Sacramento Redevelopment Project and Oak Park Redevelopment Project (together, the "Redevelopment Projects"). Pursuant to Section 4.09 of the Indenture and Section 4.09 of each of the Loan Agreements, 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 Loan 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 November 17, 2005, 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 Disclosure Certificate, 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, 2005, 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 each of the Redevelopment Projects 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 designated "Historical Taxable Value" and Table 7 "Levy to Receipts" and Tax Revenues", both relating to the Merged Downtown Sacramento Redevelopment Project and Table 15 designated "Historical Taxable Value" and Table 16 "Levy to Receipts" and Tax Revenues", both relating to the Oak Park Redevelopment Project;

(c) A table showing the ten largest payers of secured property taxes in each of the Redevelopment Projects for the most recent year for which such information is then available in a format similar to that set forth in the Table 5 and Table 14, respectively of the Official Statement designated "Top Ten Taxable Property Owners";

(d) With respect to then pending appeals of assessed valuation of property within each of the Redevelopment Projects, a description of any such appeals by the ten largest assessees in such Redevelopment Project; and

(e) A description of outstanding indebtedness payable from Tax Revenues with respect to each of the Redevelopment Projects.

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 Agreement, 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 7, 2005

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: ________________________________

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sacramento City Financing Authority

Name of Bond Issue: 2005 Tax Allocation Revenue Bonds, Series A (Merged Downtown and Oak Park Projects) and 2005 Taxable Tax Allocation Revenue Bonds, Series B (Merged Downtown and Oak Park Projects)

Date of Issuance: December 7, 2005

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 4.09 of the Indenture dated as of November 1, 2005, between the Sacramento City Financing Authority, as issuer, and U.S. Bank National Association, as trustee. The undersigned Agency anticipates that the Annual Report will be filed by ___________________.

Dated: ____________________________

REDEVELOPMENT AGENCY OF THE CITY OF SACRAMENTO

By: _________________________________

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APPENDIX G

BOOK ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the Authority takes no responsibility for the completeness or 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 Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 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, (respectively, "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 the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the

Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest evidenced by 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 Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest evidenced by the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply. The foregoing information concerning DTC concerning and DTC's book-entry system has been provided by DTC, and neither the Authority or the Trustee take any responsibility for the accuracy thereof.

Neither the Authority or the Underwriters can and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority or the Underwriter is responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

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 INSURANCE POLICY

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FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

SPECIMEN

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 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

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Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond
New Issue Insurance Policy

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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.

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

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

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

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Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

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.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Mandatory California State Amendatory Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

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.

SPECIMEN

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

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the ___________ [Conduit Obligor] (as such term is defined in the bond documentation).

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

APPENDIX I

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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FGIC

Exhibit A

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond Debt Service Reserve Fund Policy

Issuer:

Policy Number:

Control Number: 0010001

Bonds:

Premium:

Maximum Amount:

Paying Agent:

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 the paying agent named above or its successor, as paying agent for the Bonds (the "Paying Agent"), for the benefit of Bondholders, that portion (not to exceed the Maximum Amount set forth above) of the amount required to pay principal and interest (but not any prepayment premium) on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payment to the Paying 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. Upon such disbursement, Financial Guaranty shall become entitled to reimbursement therefor (together with interest thereon) all as provided in the Debt Service Reserve Fund Policy Agreement between the Issuer and Financial Guaranty dated as of the Effective Date of this Policy. The Maximum Amount shall be automatically reinstated when and to the extent that the Issuer repays amounts disbursed hereunder, but shall not be reinstated to the extent of amounts received by Financial Guaranty constituting interest on amounts disbursed to the Paying Agent pursuant to this Policy. Financial Guaranty shall provide Notice to the Paying Agent of any reinstatement of any portion of the Maximum Amount within one Business Day of such reinstatement.

This Policy is non-cancellable for any reason, including the failure of the Issuer to reimburse Financial Guaranty for any payment made hereunder.

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 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

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Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Municipal Bond Debt Service Reserve Fund Policy

principal and interest Due for Payment on such Bond and 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. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from the Paying Agent for the Bonds to Financial Guaranty or from Financial Guaranty to the Paying Agent, as the case may be. "Business Day" means any day other than a Saturday, Sunday or a day on which the Paying 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.

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

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Mandatory California State Amendatory Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

SPECIMEN

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.

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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Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

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.

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

FGIC

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
T 212·312·3000
T 800·352·0001

Endorsement

To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the term "Bondholder" shall not include the ___________ [Conduit Obligor] (as such term is defined in the bond documentation).

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

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APPENDIX J
Sacramento City Financing Authority
2005 Tax Allocation Revenue Bonds

TABLE OF ACCRETED VALUES

	CAB due 2019 4.88%	CAB due 2021 4.96%	CAB due 2022 5.00%	CAB due 2023 5.06%	CAB due 2024 5.09%	CAB due 2025 5.12%	CAB due 2026 5.14%	CAB due 2027 5.16%	CAB due 2028 5.19%	CAB due 2029 5.21%	CAB due 2030 5.23%	CAB due 2031 5.26%	CAB due 2032 5.28%	CAB due 2034 5.29%
12/7/05	2,547.80	2,284.90	2,161.30	2,035.60	1,925.65	1,820.60	1,723.75	1,631.45	1,540.05	1,456.30	1,376.55	1,297.40	1,225.30	1,100.90
6/1/06	2,607.90	2,339.65	2,213.50	2,085.35	1,973.00	1,865.60	1,766.55	1,672.10	1,578.65	1,492.95	1,411.35	1,330.35	1,256.55	1,129.05
12/1/06	2,671.50	2,397.70	2,268.85	2,138.10	2,023.20	1,913.35	1,811.95	1,715.25	1,619.60	1,531.85	1,448.25	1,365.35	1,289.70	1,158.90
6/1/07	2,736.70	2,457.15	2,325.55	2,192.20	2,074.70	1,962.35	1,858.55	1,759.50	1,661.65	1,571.75	1,486.10	1,401.25	1,323.75	1,189.55
12/1/07	2,803.45	2,518.10	2,383.70	2,247.70	2,127.50	2,012.60	1,906.30	1,804.90	1,704.75	1,612.70	1,525.00	1,438.10	1,358.70	1,221.00
6/1/08	2,871.90	2,580.55	2,443.30	2,304.55	2,181.65	2,064.10	1,955.30	1,851.50	1,749.00	1,654.70	1,564.85	1,475.95	1,394.60	1,253.30
12/1/08	2,941.95	2,644.55	2,504.35	2,362.85	2,237.20	2,116.95	2,005.55	1,899.25	1,794.40	1,697.80	1,605.80	1,514.75	1,431.40	1,286.45
6/1/09	3,013.75	2,710.10	2,566.95	2,422.65	2,294.10	2,171.15	2,057.10	1,948.25	1,840.95	1,742.00	1,647.75	1,554.60	1,469.20	1,320.50
12/1/09	3,087.25	2,777.35	2,631.15	2,483.95	2,352.50	2,226.75	2,109.95	1,998.50	1,888.75	1,787.40	1,690.85	1,595.50	1,508.00	1,355.40
6/1/10	3,162.60	2,846.20	2,696.95	2,546.75	2,412.40	2,283.75	2,164.20	2,050.10	1,937.75	1,833.95	1,735.10	1,637.45	1,547.80	1,391.25
12/1/10	3,239.75	2,916.80	2,764.35	2,611.20	2,473.75	2,342.20	2,219.80	2,102.95	1,988.00	1,881.75	1,780.45	1,680.50	1,588.65	1,428.05
6/1/11	3,318.80	2,989.15	2,833.45	2,677.25	2,536.75	2,402.15	2,276.85	2,157.25	2,039.60	1,930.75	1,827.00	1,724.70	1,630.60	1,465.85
12/1/11	3,399.80	3,063.25	2,904.30	2,745.00	2,601.30	2,463.65	2,335.35	2,212.90	2,092.55	1,981.05	1,874.80	1,770.05	1,673.65	1,504.60
6/1/12	3,482.75	3,139.25	2,976.90	2,814.45	2,667.50	2,526.75	2,395.40	2,270.00	2,146.85	2,032.65	1,923.80	1,816.60	1,717.85	1,544.40
12/1/12	3,567.75	3,217.10	3,051.35	2,885.65	2,735.40	2,591.40	2,456.95	2,328.55	2,202.55	2,085.60	1,974.10	1,864.40	1,763.20	1,585.25
6/1/13	3,654.80	3,296.85	3,127.60	2,958.65	2,805.00	2,657.75	2,520.10	2,388.60	2,259.70	2,139.95	2,025.75	1,913.45	1,809.75	1,627.20
12/1/13	3,743.95	3,378.65	3,205.80	3,033.50	2,876.40	2,725.80	2,584.85	2,450.25	2,318.35	2,195.70	2,078.70	1,963.75	1,857.50	1,670.25
6/1/14	3,835.30	3,462.40	3,285.95	3,110.25	2,949.60	2,795.60	2,651.30	2,513.45	2,378.50	2,252.90	2,133.10	2,015.40	1,906.55	1,714.40
12/1/14	3,928.90	3,548.30	3,368.10	3,188.95	3,024.65	2,867.15	2,719.45	2,578.30	2,440.25	2,311.60	2,188.85	2,068.40	1,956.90	1,759.75
6/1/15	4,024.75	3,636.30	3,452.30	3,269.65	3,101.65	2,940.55	2,789.30	2,644.85	2,503.55	2,371.80	2,246.10	2,122.80	2,008.55	1,806.30
12/1/15	4,123.00	3,726.45	3,538.60	3,352.35	3,180.60	3,015.85	2,861.00	2,713.05	2,568.55	2,433.60	2,304.85	2,178.65	2,061.55	1,854.10
6/1/16	4,223.60	3,818.90	3,627.10	3,437.20	3,261.50	3,093.05	2,934.55	2,783.05	2,635.20	2,497.00	2,365.10	2,235.95	2,116.00	1,903.10
12/1/16	4,326.65	3,913.60	3,717.75	3,524.15	3,344.55	3,172.20	3,009.95	2,854.85	2,703.55	2,562.05	2,426.95	2,294.75	2,171.85	1,953.45
6/1/17	4,432.20	4,010.65	3,810.70	3,613.30	3,429.65	3,253.40	3,087.30	2,928.55	2,773.75	2,628.75	2,490.40	2,355.10	2,229.20	2,005.15
12/1/17	4,540.35	4,110.10	3,905.95	3,704.70	3,516.95	3,336.70	3,166.65	3,004.10	2,845.70	2,697.25	2,555.55	2,417.05	2,288.05	2,058.15
6/1/18	4,651.15	4,212.05	4,003.60	3,798.45	3,606.45	3,422.15	3,248.05	3,081.60	2,919.55	2,767.50	2,622.35	2,480.60	2,348.45	2,112.60
12/1/18	4,764.60	4,316.50	4,103.70	3,894.55	3,698.20	3,509.75	3,331.50	3,161.10	2,995.30	2,839.60	2,690.95	2,545.85	2,410.45	2,168.50
6/1/19	4,880.90	4,423.55	4,206.30	3,993.10	3,792.35	3,599.60	3,417.15	3,242.65	3,073.05	2,913.60	2,761.30	2,612.80	2,474.10	2,225.85
12/1/19	5,000.00	4,533.25	4,311.45	4,094.10	3,888.85	3,691.75	3,504.95	3,326.30	3,152.80	2,989.50	2,833.55	2,681.55	2,539.40	2,284.70
6/1/20	-	4,645.70	4,419.25	4,197.70	3,987.85	3,786.25	3,595.05	3,412.15	3,234.60	3,067.35	2,907.65	2,752.05	2,606.45	2,345.15
12/1/20	-	4,760.90	4,529.75	4,303.90	4,089.30	3,883.20	3,687.40	3,500.15	3,318.55	3,147.25	2,983.65	2,824.45	2,675.25	2,407.15
6/1/21	-	4,879.00	4,642.95	4,412.80	4,193.40	3,982.60	3,782.20	3,590.50	3,404.65	3,229.25	3,061.70	2,898.70	2,745.90	2,470.85
12/1/21	-	5,000.00	4,759.05	4,524.45	4,300.10	4,084.55	3,879.40	3,683.10	3,493.00	3,313.35	3,141.75	2,974.95	2,818.40	2,536.20
6/1/22	-	-	4,878.00	4,638.90	4,409.55	4,189.10	3,979.10	3,778.15	3,583.65	3,399.70	3,223.90	3,053.20	2,892.80	2,603.30
12/1/22	-	-	5,000.00	4,756.25	4,521.80	4,296.35	4,081.35	3,875.60	3,676.65	3,488.25	3,308.20	3,133.50	2,969.15	2,672.15
6/1/23	-	-	-	4,876.60	4,636.85	4,406.35	4,186.25	3,975.60	3,772.05	3,579.10	3,394.70	3,215.90	3,047.55	2,742.80
12/1/23	-	-	-	5,000.00	4,754.85	4,519.15	4,293.85	4,078.15	3,869.95	3,672.35	3,483.50	3,300.50	3,128.00	2,815.35
6/1/24	-	-	-	-	4,875.90	4,634.85	4,404.20	4,183.40	3,970.35	3,768.00	3,574.60	3,387.30	3,210.60	2,889.85
12/1/24	-	-	-	-	5,000.00	4,753.50	4,517.40	4,291.30	4,073.40	3,866.20	3,668.05	3,476.35	3,295.35	2,966.25
6/1/25	-	-	-	-	-	4,875.15	4,633.45	4,402.05	4,179.10	3,966.90	3,764.00	3,567.80	3,382.35	3,044.75
12/1/25	-	-	-	-	-	5,000.00	4,752.55	4,515.60	4,287.55	4,070.25	3,862.40	3,661.65	3,471.65	3,125.25
6/1/26	-	-	-	-	-	-	4,874.70	4,632.10	4,398.80	4,176.25	3,963.40	3,757.95	3,563.30	3,207.90
12/1/26	-	-	-	-	-	-	5,000.00	4,751.65	4,512.95	4,285.05	4,067.05	3,856.75	3,657.35	3,292.75
6/1/27	-	-	-	-	-	-	-	4,874.20	4,630.10	4,396.70	4,173.40	3,958.20	3,753.90	3,379.85
12/1/27	-	-	-	-	-	-	-	5,000.00	4,750.25	4,511.20	4,282.55	4,062.30	3,853.00	3,469.25
6/1/28	-	-	-	-	-	-	-	-	4,873.50	4,628.75	4,394.55	4,169.15	3,954.75	3,561.05
12/1/28	-	-	-	-	-	-	-	-	5,000.00	4,749.30	4,509.45	4,278.80	4,059.15	3,655.20
6/1/29	-	-	-	-	-	-	-	-	-	4,873.05	4,627.40	4,391.35	4,166.30	3,751.90
12/1/29	-	-	-	-	-	-	-	-	-	5,000.00	4,748.40	4,506.80	4,276.30	3,851.15
6/1/30	-	-	-	-	-	-	-	-	-	-	4,872.55	4,625.35	4,389.20	3,953.00
12/1/30	-	-	-	-	-	-	-	-	-	-	5,000.00	4,747.00	4,505.05	4,057.55
6/1/31	-	-	-	-	-	-	-	-	-	-	-	4,871.85	4,624.00	4,164.90
12/1/31	-	-	-	-	-	-	-	-	-	-	-	5,000.00	4,746.05	4,275.05
6/1/32	-	-	-	-	-	-	-	-	-	-	-	-	4,871.35	4,388.10
12/1/32	-	-	-	-	-	-	-	-	-	-	-	-	5,000.00	4,504.20
6/1/33	-	-	-	-	-	-	-	-	-	-	-	-	-	4,623.30
12/1/33	-	-	-	-	-	-	-	-	-	-	-	-	-	4,745.60
6/1/34	-	-	-	-	-	-	-	-	-	-	-	-	-	4,871.15
12/1/34	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000.00

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APPENDIX K

PRINCIPAL ALLOCATION BY LOAN AND SERIES

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Sacramento City Financing Authority
2005 Tax Allocation Revenue Bonds, Series A & B

Principal Allocation by Loan and Series

	Merged Downtown Project Area Loan							Oak Park Project Area Loan				
	RDA			Housing			Total	RDA			Housing	Total
	Series A CIB Principal	Series A CAB Principal	Series B Principal	Series A CIBs	Series A CABs	Series B Principal	Loan Principal	Series A CIBs	Series A CABs	Series B Principal	Series B Principal	Loan Principal
12/1/06	-	-	145,000	-	-	210,000	355,000	-	-	560,000	45,000	605,000
12/1/07	-	-	5,000	-	-	330,000	335,000	-	-	575,000	40,000	615,000
12/1/08	-	-	-	-	-	345,000	345,000	-	-	605,000	45,000	650,000
12/1/09	-	-	-	-	-	360,000	360,000	-	-	630,000	45,000	675,000
12/1/10	-	-	-	-	-	380,000	380,000	-	-	660,000	50,000	710,000
12/1/11	-	-	-	-	-	400,000	400,000	-	-	695,000	50,000	745,000
12/1/12	-	-	-	-	-	415,000	415,000	-	-	730,000	55,000	785,000
12/1/13	-	-	-	-	-	435,000	435,000	-	-	765,000	55,000	820,000
12/1/14	-	-	465,000	-	-	-	465,000	-	-	805,000	60,000	865,000
12/1/15	-	-	485,000	-	-	-	485,000	-	-	850,000	60,000	910,000
12/1/16	-	-	510,000	-	-	-	510,000	890,000	-	-	65,000	955,000
12/1/17	-	-	540,000	-	-	-	540,000	935,000	-	-	70,000	1,005,000
12/1/18	-	-	10,185,000	3,785,000	-	-	13,970,000	860,000	-	125,000	75,000	1,060,000
12/1/19	-	3,457,365	3,965,000	-	1,650,974	735,000	9,808,339	-	-	1,035,000	80,000	1,115,000
12/1/20	-	-	10,970,000	-	-	4,015,000	14,985,000	-	-	1,090,000	80,000	1,170,000
12/1/21	-	5,289,544		-	1,937,595	-	7,227,139	-	525,527		85,000	610,527
12/1/22	-	5,003,410		-	1,832,782		6,836,192	-	497,099		90,000	587,099
12/1/23	-	4,712,414		-	1,726,189		6,438,603	2,095,000	-		530,000	2,625,000
12/1/24	-	4,457,880		-	1,632,951		6,090,831	2,200,000	-		560,000	2,760,000
12/1/25	-	4,214,689		-	1,543,869		5,758,558	-	841,117		590,000	1,431,117
12/1/26	-	3,990,481		-	1,461,740		5,452,221	-	-			-
12/1/27	-	3,776,807		-	1,383,470		5,160,276	-	-			-
12/1/28	-	3,565,216		-	1,305,962		4,871,178	-	-			-
12/1/29	-	3,371,335		-	1,234,942		4,606,277	-	-			-
12/1/30	-	3,186,713		-	1,167,314		4,354,028	-	-			-
12/1/31	-	3,003,481		1,610,000	682,432		5,295,913	-	-			-
12/1/32	-	1,614,945		2,325,000	-		3,939,945	-	-			-
12/1/33	-	1,528,049		2,440,000	-		3,968,049	-	-			-
12/1/34	795,000	1,275,943		2,565,000	-		4,635,943	-	-			-
	795,000	52,448,271	27,270,000	12,725,000	17,560,222	7,625,000	118,423,493	6,980,000	1,863,743	9,125,000	2,730,000	20,698,743

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