NEW ISSUE- BOOK ENTRY ONLY

EXPECTED INSURED RATINGS: Moody's: "Aaa"
Standard & Poor's: "AAA"
Fitch: "AAA"
(See "CERTIFICATE INSURANCE" and "OTHER INFORMATION – Ratings.")

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to certain qualifications described herein, under existing law, the portion of installment payments designated as and comprising interest and received by the owners of the 2005 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Special Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS."

CITY OF ROSEVILLE
ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION

$52,900,000 SERIES 2005A
(Fixed Rate)

$90,000,000 SERIES 2005B (Auction Rate Securities)

$60,000,000 SERIES 2005C (Auction Rate Securities)

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

Authority for Execution and Delivery. *The certificates of participation captioned above (collectively, the "2005 Certificates") are being executed and delivered by The Bank of New York Trust Company, N. A., as trustee (the "Trustee") under a Trust Agreement dated as of June 1, 2005, by and among the Roseville Finance Authority (the "Authority") and the Trustee, and under a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented to date, including a 2005 Supplemental Installment Purchase Contract dated as of June 1, 2005, all entered into by and between the City of Roseville (the "City") and the Authority (the "2005 Supplemental Contract" and, collectively with the Master Contract, as supplemented, the "Installment Purchase Contract"). See "THE 2005 CERTIFICATES – Authority for Execution and Delivery."*

The 2005A Certificates will be issued as fixed rate securities. Interest with respect to each 2005A Certificate will accrue at the rates shown on the inside cover hereof, payable semiannually on February 1 and August 1 of each year, commencing February 1, 2006, and will be executed and delivered in the denomination of $5,000 or any integral multiple thereof.

The 2005B Certificates and 2005C Certificates will initially be issued as auction rate securities and bear interest at an ARB Interest Rate, initially for the Auction Periods indicated for each series on the inside front cover hereof, and interest will be payable (other than when in a daily Auction Period or a Flexible Auction Period) on the Business Day immediately following each Auction Period. The ARB Interest Rate to be borne by the 2005B Certificates and 2005C Certificates will generally be the rate of interest that results from the implementation of the Auction Procedures described in the Trust Agreement and APPENDIX D hereto. Prospective purchasers of the 2005B Certificates and 2005C Certificates should carefully review the Auction Procedures and should note that such procedures provide that (i) a Bid or Sell Order constitutes a commitment to purchase or sell the respective 2005B Certificates or 2005C Certificates based upon the results of an Auction and (ii) settlement for purchases and sales will be made on the Business Day following the Auction Date. While bearing interest at an ARB Interest Rate, the 2005B Certificates and 2005C Certificates will be delivered in denominations of $25,000 and integral multiples thereof. See "THE 2005 CERTIFICATES" herein. Pursuant to the Trust Agreement, the 2005B Certificates and 2005C Certificates may be converted to bear interest in one of several different Interest Rate Periods: Commercial Paper Interest Rate Period, Daily Interest Rate Period, Weekly Interest Rate Period, Long-Term Interest Rate Period, Index Interest Rate Period or an ARB Interest Rate Period. All of the 2005B Certificates must be in the same Interest Rate Period at the same time and all of the 2005C Certificates must be in the same Interest Rate Period at the same time; however, the City may elect to Convert the Interest Rate Period on each series to another Interest Rate Period from time to time as described herein. This Official Statement is not intended to provide information with respect to the 2005B Certificates and 2005C Certificates (including the terms of such 2005B Certificates and 2005C Certificates) after Conversion from an ARB Interest Rate Period. Owners and prospective purchasers of the 2005B Certificates and 2005C Certificates should not rely on this Official Statement for information concerning the 2005B Certificates and 2005C Certificates in connection with any Conversion of the 2005B Certificates and 2005C Certificates, but should look solely to the offering document to be used in connection with any such Conversion.

Security for the 2005 Certificates. *The 2005 Certificates evidence direct, undivided fractional interests of the owners thereof in the "2005 Payments" received by the Trustee under the Trust Agreement. "2005 Payments" are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2005 Supplemental Contract. The 2005 Certificates are also secured by amounts held in certain funds and accounts established under the Trust Agreement. See "SECURITY FOR THE 2005 CERTIFICATES."*

The 2005 Payments are payable from and secured by a pledge of "Net Revenues" of the Electric System, which are defined generally as Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during any 12-month period. The pledge of Net Revenues for payment of the 2005 Payments is on a parity with the pledge of Net Revenues securing payment of other obligations incurred by the City under the Installment Purchase Contract, including installment payments which are the subject of four series of certificates of participation executed and delivered in 1997, 1999, 2002 and 2004 (collectively, the "Prior Certificates") to finance and refinance improvements to the Electric System. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

"Maintenance and Operation Costs" include, among other costs, the City's share of debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City's payments of debt service on this joint powers agency debt are payable on a basis senior to the City's payments on the 2005 Certificates and the other Parity Obligations. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Use of Proceeds. *The 2005 Certificates are being executed and delivered to (i) finance certain improvements to the City's electric utility (the "Electric System"), including construction of an electric generation facility, (ii) contribute funds to the existing common reserve fund for the 2005 Payments and the installment payments relating to the Prior Certificates, (iii) provide capitalized interest on the 2005 Certificates, and (iv) pay certain costs incurred in connection with the execution and delivery of the 2005 Certificates. See "THE PROJECT."*

Certificate Terms; Book-Entry Only. *The 2005 Certificates will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") under the book-entry-only system maintained by DTC. So long as Cede & Co. is the registered owner of the 2005 Certificates, principal and tender price of, premium, if any, and interest on the 2005 Certificates will be payable by the Trustee to DTC, which will in turn remit such payments to its participants for subsequent disbursement to beneficial owners of the 2005 Certificates, as more fully described herein. Purchasers of the 2005 Certificates will not receive certificates representing their interests in the 2005 Certificates. See "THE 2005 CERTIFICATES" and "APPENDIX F – DTC AND THE BOOK-ENTRY ONLY SYSTEM."*

Prepayment. *Prior to their maturity, the 2005 Certificates are subject to optional prepayment and mandatory sinking fund prepayment as described in this Official Statement. The 2005B Certificates and 2005C Certificates will not be subject to optional tender, nor will they be purchased in the event Sufficient Clearing Bids do not exist in any Auction, although they will be subject to mandatory tender for purchase upon Conversion to another Interest Rate Period, as described herein. Upon such Conversion to another Interest Rate Period, the Purchase Price of tendered 2005B Certificates and 2005C Certificates is payable solely from the proceeds of the remarketing of such respective 2005B Certificates or 2005C Certificates upon such Conversion. See "THE 2005 CERTIFICATES—Auction Rate Securities–Conversion of Interest Rate Period" herein.*

Certificate Insurance. *Payment of the principal and interest evidenced and represented by the 2005 Certificates when due will be insured by an insurance policy to be issued by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company simultaneously with the execution and delivery of the 2005 Certificates. See "CERTIFICATE INSURANCE."*

FGIC Financial Guaranty Insurance Company

THE OBLIGATION OF THE CITY TO MAKE THE 2005 PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY SECURED BY A PLEDGE OF AND PAYABLE SOLELY FROM THE NET REVENUES AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

This cover page contains certain information for quick reference only. It is not a summary of this issue of Certificates. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the purchase of the 2005 Certificates.

MATURITY SCHEDULE
(see inside cover)

The 2005 Certificates are offered when, as and if executed and delivered and accepted by the Underwriter, subject to the approval of the validity of the 2005 Supplemental Contract by Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain legal matters will also be passed upon for the City by Jones Hall as disclosure counsel, and for the City by the City Attorney, and for the Underwriter by Nixon Peabody LLP, San Francisco, California. It is anticipated that the 2005 Certificates will be delivered in book-entry form through DTC on or about June 30, 2005.

MORGAN STANLEY

Bear, Stearns & Co. Inc. — **Citigroup** — **Stone & Youngberg LLC** *(Series 2005A only)*

The date of this Official Statement is May 26, 2005.

MATURITY SCHEDULE

$52,900,000 Serial 2005A Certificates

Maturity Date (February 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP † (Base 777807)
2008	$ 450,000	3.000%	2.800%	100.494%	BN7
2009	925,000	3.000	2.900	100.336	BP2
2010	1,375,000	3.000	3.030	99.870	BQ0
2011	3,210,000	3.500	3.210	101.470	BR8
2012	3,325,000	3.750	3.340	102.403	BS6
2013	3,450,000	5.000	3.460	110.195	BT4
2014	3,625,000	3.500	3.560	99.557	BU1
2015	3,750,000	5.000	3.650	110.834	BV9
2016	3,935,000	5.000	3.750	109.984 c	BW7
2017	4,135,000	5.000	3.850	109.142 c	BX5
2018	4,340,000	5.000	3.910	108.641 c	BY3
2019	4,560,000	5.000	3.970	108.142 c	BZ0
2020	4,790,000	5.000	4.000	107.894 c	CA4
2021	5,025,000	5.000	4.040	107.564 c	CB2
2022	5,275,000	5.000	4.070	107.317 c	CC0
2023	730,000	4.125	4.190	99.193	CD8

c: Priced to the February 1, 2015 call date at a redemption price of 100%.

$90,000,000 2005B Certificates
and
$60,000,000 2005C Certificates

Series	Principal Amount	Last Day of Initial Period	Length of Auction Period Generally	Initial Auction Date	Auction Date Generally	Initial Interest Payment Date	Interest Payment Date Generally	Final Maturity Date	CUSIP† (Base 777807)
2005B	$90,000,000	7/11/2005	7-day	7/11/2005	Monday	7/12/2005	Tuesday	2/1/2035	CE6
2005C	$60,000,000	7/13/2005	7-day	7/13/2005	Wednesday	7/14/2005	Thursday	2/1/2035	CF3

Each 2005B and 2005C Certificate will bear interest from the date of original delivery for the initial auction period set forth above at the rate established by the Broker-Dealer prior to the date of delivery thereof. Thereafter, the 2005B and 2005C Certificates will bear interest at an ARB Interest Rate for the Auction Periods of the length indicated above, until a change to another Auction Period occurs or a Conversion to an Interest Rate Period other than the ARB Interest Rate Period, at the City's election, as described herein. Interest will be payable on the initial Interest Payment Date set forth above for each series and thereafter (other than when in a daily Auction Period or a Flexible Auction Period) on the Business Day following the end of each Auction Period for the respective 2005B Certificates and 2005C Certificates.

Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., and Citigroup Global Markets Inc. will serve as the initial Broker-Dealers with respect to the 2005B and 2005C Certificates. Deutsche Bank will act as the Auction Agent for the 2005B and 2005C Certificates.

CITY OF ROSEVILLE

ROSEVILLE FINANCING AUTHORITY

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. *No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the 2005 Certificates other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.*

No Unlawful Offers or Solicitations. *This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.*

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the 2005 Certificates will, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties described in this Official Statement, or in the condition of the security for the 2005 Certificates since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the 2005 Certificates referred to in this Official Statement and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the 2005 Certificates.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document References and Summaries. All references to and summaries of the Installment Purchase Contract or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Certificates are Exempt from Securities Laws Registration. The 2005 Certificates have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement and the Appendices hereto constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. Forward-looking statements appearing in this Official Statement are subject to risks and uncertainties, including particularly those relating to project development and operation, natural gas costs and availability, wholesale and retail electric energy and capacity prices, federal and state legislation and regulations, industry restructuring, and the economy of the service area of the District.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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$90,000,000
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ELECTRIC SYSTEM REVENUE
CERTIFICATES OF PARTICIPATION,
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(Auction Rate Securities)

$60,000,000
CITY OF ROSEVILLE
ELECTRIC SYSTEM REVENUE
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SERIES 2005C
(Auction Rate Securities)

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the sale and delivery of the certificates of participation captioned above (the "2005 Certificates") being executed and delivered by The Bank of New York Trust Company, N. A., as trustee (the "Trustee"), in accordance with a Trust Agreement, dated as of June 1, 2005 (the "Trust Agreement"), by and between the Roseville Finance Authority (the "Authority") and the Trustee.

This Official Statement describes the terms of the Series 2005B Certificates (the "2005B Certificates") and the Series 2005C Certificates (the "2005C Certificates") only while they are in an ARB Interest Rate Period as described herein. As described herein, the City of Roseville, California (the "City") may elect to convert either or both of the 2005B Certificates or 2005C Certificates to other interest modes as provided in the Trust Agreement. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE 2005B CERTIFICATES AND 2005C CERTIFICATES IN ANY INTEREST RATE PERIOD OTHER THAN THE ARB INTEREST RATE PERIOD.

Capitalized terms used but not defined herein have the meanings set forth in the Trust Agreement. See also "APPENDIX E – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS." This Official Statement contains brief descriptions of, among other things, the City, the Electric System, the Installment Purchase Contract (all as defined below), the Trust Agreement and the 2005 Certificates. These descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2005 Certificates are qualified in their entirety by reference to the form of Certificate included in the Trust Agreement.

INTRODUCTION

Authority for Execution and Delivery

The 2005 Certificates are being executed and delivered under the Trust Agreement and a Master Installment Purchase Contract (the "Master Contract") dated as of November 1, 1997, as supplemented by the following contracts, all entered into by and between the City and the Authority: a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract") and a 2005 Supplemental Installment Purchase Contract to be executed and entered into as of June 1, 2005, with respect to the 2005 Certificates (the "2005 Supplemental Contract"). The Master Contract, the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract and the 2005 Supplemental Contract are collectively referred to as the "Installment Purchase Contract". See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Parity Indebtedness."

The City is executing and delivering the 2005 Supplemental Contract under a resolution adopted by the City Council of the City on May 18, 2005. The Authority is executing and delivering the 2005 Supplemental Contract and the Trust Agreement under a resolution adopted by the Authority's governing body on May 18, 2005.

Payments Represented by the 2005 Certificates

The 2005 Certificates evidence and represent the direct, undivided fractional interests of the owners thereof in the respective "2005A Payments," "2005B Payments," and "2005C Payments" (collectively, the "2005 Payments") received by the Trustee under the Trust Agreement. "2005 Payments" are defined as the installment payments of interest, principal and prepayment premiums, if any, payable by the City under the 2005 Supplemental Contract. See "SECURITY FOR THE 2005 CERTIFICATES."

The 2005 Payments are payable from and secured by a parity pledge of "Net Revenues" of the City's electric utility (the "Electric System"), which are defined generally as Revenues of the Electric System less the Maintenance and Operation Costs of the Electric System during any 12-month period. "Maintenance and Operation Costs" include, among other costs, the City's share of debt incurred by certain joint powers agencies in which the Electric System participates. As a result, the City's payments of debt service on this joint powers agency debt are payable on a basis senior to the Parity Obligations, as defined below (which include the 2005 Payments). See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

The 2005 Certificates are also secured by amounts held in certain funds and accounts established under the Trust Agreement, including a Parity Reserve Fund, as described herein. See "SECURITY FOR THE 2005 CERTIFICATES."

The issuance of the 2005 Certificates shall not directly, indirectly or contingently obligate the City to levy or pledge any form of taxation or to make any appropriation for their payment. The 2005 Certificates are not secured by a legal or equitable pledge of, or lien or charge upon, any property of the City or any of its income or receipts except the funds pledged therefor pursuant to the Trust Agreement. Neither the faith and credit nor the taxing power of the City, the State of California or any other public agency is pledged to the payment of the principal or

premium, if any, or interest on the 2005 Certificates. The 2005 Certificates do not constitute a debt, liability or obligation of the State of California or any public agency (other than the special obligation of the City as provided in the Trust Agreement).

Outstanding Senior and Parity Obligations

Senior Obligations. The City has entered into financing agreements with certain regional joint powers agencies (including the Northern California Power Agency and the Transmission Agency of Northern California), under which the City is responsible for a share of debt service on debt issued by those joint powers agencies. See "THE ELECTRIC SYSTEM – Sources of Power Supply." Obligations of the City under these financing agreements constitute operating expenses of the Electric System payable prior to the Payments under the Installment Purchase Contract, including the 2005 Payments and the other Parity Obligations. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Parity Obligations. In addition, the 2005 Payments are secured on a parity with the Payments previously incurred by the City under the Installment Purchase Contract, which include (a) the payments securing the four series of Prior Certificates, and (b) payments due under the 2002 Payment Agreement. In connection with the issuance of the 2005B Certificates, the City has entered into two swap agreements; payments under the swap agreements are also payable on a parity with the 2005 Payments. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

See "SECURITY FOR THE 2005 CERTIFICATES – Outstanding Senior and Parity Obligations" and "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Financing Purpose

The 2005 Certificates are being executed and delivered to (i) finance certain improvements to the City's electric utility (the "Electric System"), primarily including construction of an electric generation facility, (ii) contribute funds to the existing common reserve fund for the 2005 Certificates and the Prior Certificates, (iii) provide capitalized interest on the 2005 Certificates, and (iv) pay certain costs incurred in connection with the execution and delivery of the 2005 Certificates. See "THE PROJECT" AND "ESTIMATED SOURCES AND USES OF FUNDS."

Future Parity Debt

The Master Contract permits the City to execute additional Parity Obligations and Parity Payment Agreements, the payments of which are payable from Net Revenues on a parity with the 2005 Payments, Payment Agreement Payments due under the 2002 Payment Agreement and payments due under the swap agreements described herein relating to the 2005B Certificates, if the conditions set forth in the Master Contract are met. See "SECURITY FOR THE 2005 CERTIFICATES – Additional Debt."

Rate Covenants

Under the Master Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield "Adjusted Annual Net Revenues" for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year. See "SECURITY FOR THE 2005 CERTIFICATES – Rate Covenant."

Prepayment

The 2005 Certificates are subject to mandatory and optional prepayment prior to maturity as more fully described herein. See "THE 2005 CERTIFICATES – 2005A Certificates Prepayment" and "– 2005B Certificates and 2005C Certificates Prepayment." The 2005B Certificates and 2005C Certificates will not be subject to optional tender, nor will they be purchased in the event Sufficient Clearing Bids do not exist in any Auction, although they will be subject to mandatory tender for purchase upon Conversion to another Interest Rate Period, as described herein. Upon such Conversion to another Interest Rate Period, the Purchase Price of tendered 2005B Certificates and 2005C Certificates is payable solely from the proceeds of the remarketing of such respective 2005B Certificates or 2005C Certificates upon such Conversion. See "THE 2005 CERTIFICATES—Auction Rate Securities–Conversion of Interest Rate Period" herein.

Change in Interest Rate for 2005B Certificates and 2005C Certificates

The City may elect to convert the 2005B and/or 2005C Certificates to other interest rate modes, as described herein. This Official Statement generally describes the 2005B and 2005C Certificates when the 2005B and 2005C Certificates bear interest at an ARB Interest Rate in an ARB Interest Rate Period. Prospective purchasers of the 2005B and 2005C Certificates bearing interest at Interest Rate Periods other than an ARB Interest Rate Period should not rely on this Official Statement.

Certificate Insurance

The scheduled payment of principal and interest with respect to the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company. See "CERTIFICATE INSURANCE POLICY."

DTC and the Book-Entry Only System

The 2005 Certificates are being executed and delivered as fully registered securities in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), and beneficial interests in the book-entry certificates will be made available in authorized denominations to ultimate purchasers under the book-entry-only system maintained by DTC. See "APPENDIX H - DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Auction Rate Securities

The Series 2005B and the Series 2005C Certificates will initially bear interest at an ARB Interest Rate, set on the basis of periodic auctions, and thereafter are subject to subsequent Conversion, if any, of all, but not less than all, of such respective Series of 2005B Certificates or 2005C Certificates to a Daily Interest Rate, Weekly Interest Rate, Commercial Paper Rate, Index Interest Rate or Long-Term Interest Rate, as described herein. The 2005B and 2005C Certificates will bear interest initially at ARB Interest Rates for successive 7-day Auction Periods. Interest on the 2005B and 2005C Certificates will be payable on the business day immediately following the applicable Auction Period. The applicable ARB Interest Rate for each of the Series 2005B and Series 2005C Certificates will be established from time to time pursuant to the auction procedures (the "Auction Procedures") described in an Auction Agent Agreement, dated as of June 1, 2005 (the "Auction Agent Agreement"), between the Trustee for such series and Deutsche Bank, as auction agent (the "Auction Agent"). See "THE 2005 CERTIFICATES - Auction Rate Securities" herein and "APPENDIX D - AUCTION AND SETTLEMENT PROCEDURES" and "APPENDIX E – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Interest Rate Swap Agreements

To effectively fix the interest cost associated with the 2005B Certificates, the City has entered into (i) an interest rate swap agreement with Morgan Stanley Capital Services, Inc., New York, an affiliate of Morgan Stanley & Co. Incorporated, and (ii) an interest rate swap agreement (together with the Morgan Stanley Capital Services, Inc. swap agreement, the “Swap Agreements”) with Bear Stearns Financial Products Inc. (together with Morgan Stanley Capital Services, Inc., the "Swap Counterparties"). The Swap Agreements are applicable only to the 2005B Certificates and payments under the swap agreements are payable on a parity with the 2005 Payments. See "THE 2005 CERTIFICATES – Interest Rate Swap Agreements" herein.

THE PROJECT

The proceeds of the sale of the 2005 Certificates will be used by the City’s electric department, doing business as Roseville Electric, to (i) finance certain improvements to the City’s Electric System, primarily including construction of the Roseville Energy Park (the “Project”), (ii) contribute funds to the existing common reserve fund for the 2005 Certificates and the Prior Certificates, (iii) provide for capitalized interest on the 2005 Certificates, and (iv) pay certain costs incurred in connection with the execution and delivery of the 2005 Certificates.

The Project will generally consist of the acquisition and construction of the Roseville Energy Park, a natural gas-fired, combined-cycle electrical generating facility and related capital improvement projects of the City’s power distribution system that are needed to maintain a reliable electric system and meet the demand of the City’s increasing electricity load.

The main feature of the Roseville Energy Park is a nominal 120 megawatt (MW) natural gas-fired generation facility to be located on 12 acres of a larger City-owned parcel of land off of Phillip Road about one mile west of Fiddyment Road, adjacent to and north of the Pleasant Grove Wastewater Treatment Plant. The site is owned by the City and is within the City limits. The project site lies within a 40-acre City owned parcel and is zoned Public/Quasi-Public with power plants a permitted use. Nearby land uses currently include ranching (agricultural grazing) and rural residential.

The plant will be owned by the City and will be rated at a nominal net generating capacity of 120 to 125 megawatts (MW), with the ability to peak-fire to 160 MW nominal during summer peak demand conditions through the use of duct burners in the heat recovery steam generators. The project will be a natural gas-fired, combined-cycle generating plant with two Siemens combustion turbine-generators (CTGs), two Vogt heat recovery steam generators (HRSGs), a single condensing steam turbine generator (STG), a deaerating surface condenser; a four-cell mechanical draft cooling tower; and associated support equipment.

It is expected that PG&E will own and maintain the new natural gas supply pipeline that will serve the Roseville Energy Park. The City will contract with natural gas suppliers to supply natural gas to the Roseville Energy Park via the PG&E pipeline network.

California Energy Commission Licensing. The project is moving forward through the plant licensing process required by the California Energy Commission (the “CEC”). The final hearings on the project were held in January 2005; the draft license was issued by the CEC on March 11, 2005 and final certification of the Roseville Energy Park was approved and a certificate to construct and operate the project was granted by the CEC Commissioners on April 13, 2005. The 30-day appeal period has expired.

U.S. Army Corps of Engineers Section 404 Permit. The federal Clean Water Act (33 United States Code, section 404 et seq.) prohibits the discharge of dredged or fill material into the waters of the United States without a permit. Construction of the Project will result in filling of some existing wetlands and reduction of habitat for some endangered species. Roseville has submitted a Section 404 permit application to the U.S. Army Corps of Engineers ("USACE"), and the USACE has begun consultation with the United States Fish and Wildlife Service ("USFWS") towards issuance of a Biological Opinion ("BO") requiring purchase or commitment of mitigating offset wetlands by the City. The USFWS must issue the BO within 135 days from the request for consultation, but in response to requests made by the City for an expedited process, the internal draft of the BO has already been written by the USFWS. The BO must be issued prior to the commencement of construction. In response to requests made by the City for an expedited process, preparation of the 404 permit is underway by the USACE. The City has forecast that the 404 permit will be issued in June 2005. Consistent with the current BO and 404 Permit status, the preliminary construction schedule for the project anticipates on-site work to begin in mid-August 2005.

Construction. The request for proposals for the other major contract, the Engineering, Procurement and Construction ("EPC") contract to manage the Project was issued January 18, 2005. Proposals were received March 10, 2005 and the contract is expected to be awarded in June, 2005. The City anticipates construction to begin in Summer of 2005, and that the facility will be operational by Spring of 2007.

For additional information on the Project, see the Independent Engineer's Report attached as Appendix B. See also information on Roseville Energy Park on the website of Roseville Electric at *www.rosevilleelectric.org/aboutUs/energyPark/energyPark.html*. The website address is given for reference and convenience only. The information on the website may be incomplete or inaccurate and has not been reviewed for inclusion in this Official Statement. Nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.

Independent Engineer's Report. Navigant Consulting, Inc., Independent Engineer to the City, has prepared a feasibility report (the "Independent Engineer's Report") concerning the Project based on a review of certain documents, interviews, and a site visit. A copy of the Independent Engineer's Report is attached as Appendix B. The conclusions contained in the Independent Engineer's Report are based on a number of projections and assumptions set forth therein. These projections and assumptions are subject to risks and uncertainties, including risks and uncertainties outside the control of the Authority or the City. See "RISK FACTORS – Projections and Assumptions." The Authority has relied on the expertise of the Independent Engineer and the analysis contained in the Independent Engineer's Report. For the full text of the Independent Engineer's Report, see "APPENDIX B – INDEPENDENT ENGINEER'S REPORT."

ESTIMATED SOURCES AND USES OF FUNDS

The table below sets forth the estimated sources and uses of funds with respect to the 2005 Certificates.

Sources of Funds	
Par Amount of 2005A Certificates	$ 52,900,000.00
Plus 2005A Net Original Issue Premium	3,528,054.95
Par Amount of 2005B Certificates	90,000,000.00
Par Amount of 2005C Certificates	60,000,000.00
Total Sources	$206,428,054.95
Uses of Funds	
Deposit to 2005 Parity Reserve Account [1]	$ 11,698,579.92
Deposit to Project Account of Improvement Fund	176,612,000.00
Deposit to 2005 Interest Account [2]	15,721,845.59
Delivery Costs [3]	2,395,629.44
Total Uses	$206,428,054.95

[1] Represents a contribution of funds to the 2005 Parity Reserve Account within the existing common reserve fund securing the 2005 Certificates and the Prior Certificates which, when added to the amount already on deposit in the Parity Reserve Fund, equals the Reserve Fund Requirement for the 2005 Certificates and the Prior Certificates. See "SECURITY FOR THE 2005 CERTIFICATES – Reserve Fund."

[2] Represents capitalized interest from the delivery date through June 30, 2007.

[3] Includes costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and charges for preparation, execution and safekeeping of the 2005 Certificates, fees of the Authority, Certificate insurance premium, Underwriter's discount, and any other cost, charge or fee in connection with the original execution and delivery of the 2005 Certificates.

THE 2005 CERTIFICATES

The following is a summary of certain provisions of the 2005 Certificates. Reference is made to the 2005 Certificates for the complete text thereof and to the Trust Agreement for a more detailed description of such provisions. The discussion herein is qualified by such reference. See APPENDIX E – "DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS" and APPENDIX D – "AUCTION AND SETTLEMENT PROCEDURES" herein. This Official Statement provides information as of its date with respect to the 2005B Certificates and 2005C Certificates (including the terms of such 2005B Certificates and 2005C Certificates) prior to a Conversion from an ARB Interest Rate Period. There are significant changes in the terms of the 2005B Certificates and 2005C Certificates not described in this Official Statement when the respective 2005B Certificates or 2005C Certificates are not in an ARB Interest Rate Period. Purchasers of the 2005B Certificates and 2005C Certificates should not rely on this Official Statement for information concerning the 2005B Certificates and 2005C Certificates in connection with any Conversion of the respective 2005B Certificates or 2005C Certificates, but should look solely to the offering document to be used in connection with any such Conversion.

Authority for Execution and Delivery

The 2005 Certificates are being executed and delivered under and in accordance with (i) the Trust Agreement, (ii) the Installment Purchase Contract, (iii) Resolution No. 05-225 adopted by the City Council of the City on May 18, 2005, and (iv) Resolution No. 1-05 adopted by the Authority's governing body on May 18, 2005.

Certificate Terms

Dated Date and Maturities. The 2005 Certificates will be dated their date of initial delivery. Subject to the prepayment provisions outlined below, the 2005 Certificates will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement.

Interest. The 2005A Certificates will be issued as fixed rate securities. Interest with respect to each 2005A Certificate will accrue at the rates (based on a 360-day year of twelve 30-day months) set forth on the inside cover page of this Official Statement, payable semiannually on February 1 and August 1 of each year, beginning on February 1, 2006 (each, an "Interest Payment Date"). The 2005B and 2005C Certificates are authorized to bear interest at Daily Interest Rates, Weekly Interest Rates, Commercial Paper Rates, Index Interest Rates, ARB Interest Rates or Long-Term Interest Rates, as specified from time to time by the City. The 2005B and 2005C Certificates will initially bear interest at ARB Interest Rates, which except in certain cases, are equal to the annual interest rate determined from the implementation of the Auction procedures described in Appendix D hereto. The initial ARB Interest Rate for the 2005B and 2005C Certificates will be set by the Broker-Dealers. The 2005B Certificates are not required to bear interest at the same interest rate or be within the same Interest Rate Period as the 2005C Certificates and the 2005C Certificates are not required to bear interest at the same interest rate or be within the same Interest Rate Period as the 2005B Certificates.

The 2005 Certificates will evidence and represent interest from the Interest Payment Date next preceding their date of execution, unless such date of execution is after a Record Date and on or before the following Interest Payment Date, in which event they will evidence and represent interest from such Interest Payment Date, or unless such date of execution is on or before the first Record Date, in which event such Certificate will evidence and represent interest from its date of delivery; provided, that if at the time of execution of any Outstanding Certificate interest is then in default, such Certificate will evidence and represent interest from the Interest Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates.

Principal. The principal evidenced and represented by the 2005 Certificates will be payable in lawful money of the United States of America upon the surrender thereof on the respective Certificate Payment Date or on prepayment prior thereto at the Corporate Trust Office of the Trustee.

Denominations. The 2005A Certificates will be delivered in the form of fully registered Certificates in the denomination of $5,000 each or any integral multiple of $5,000; provided that no 2005A Certificate will represent principal becoming payable in more than one year. Authorized denominations as to 2005B Certificates and 2005C Certificates, are (a) with respect to 2005B Certificates or 2005C Certificates which are in any (i) Long-Term Interest Rate Period, $5,000 and any integral multiple thereof; (ii) Commercial Paper Interest Rate Period, Daily Interest Rate Period or Weekly Interest Rate Period, $100,000 and any integral multiple of $5,000 in excess of $100,000, (iii) Index Interest Rate Period, $25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, $25,000 and any integral multiple thereof.

DTC and Book-Entry Only System. DTC will act as securities depository for the 2005 Certificates. The 2005 Certificates will be executed and delivered as fully-registered securities registered initially in the name of Cede & Co. (DTC's partnership nominee). So long as Cede & Co. is the registered owner of the 2005 Certificates, as nominee of DTC, references in this Official

Statement to the "Owners" will mean Cede & Co., and will not mean the Beneficial Owners of the 2005 Certificates. See "APPENDIX H – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Method of Payment. So long as the 2005 Certificates are registered in the name of Cede & Co., principal, premium, if any, and interest with respect to the 2005 Certificates are payable directly to DTC by the Trustee in lawful money of the United States of America. Upon receipt of payments of principal, premium or interest, DTC is to remit such principal, premium or interest to the "DTC Participants" (as defined in APPENDIX H) for subsequent disbursement to the Beneficial Owners of the 2005 Certificates. See "APPENDIX H – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

The Bank of New York Trust Company, N.A., San Francisco, California is the Trustee for the 2005 Certificates. Deutsche Bank has been appointed under the Trust Agreement and the Auction Agent Agreement to serve as Auction Agent for the 2005B and 2005C Certificates. Morgan Stanley & Co. Incorporated, Citigroup Global Markets Inc. and Bear, Stearns & Co. Inc. have been appointed under the Trust Agreement and the Broker-Dealer Agreements to serve as Broker-Dealers for the 2005B and 2005C Certificates. A Broker-Dealer may resign or be removed and a successor Broker-Dealer may be appointed, all in accordance with the terms of the Indenture and the Broker-Dealer Agreements.

Auction Rate Securities

General. The Series 2005B and the Series 2005C Certificates will initially bear interest at an ARB Interest Rate and thereafter are subject to subsequent Conversion, if any, of all, but not less than all, of such respective Series of 2005B Certificates or 2005C Certificates to a Daily Interest Rate, Weekly Interest Rate, Commercial Paper Rate, Index Interest Rate or Long-Term Interest Rate, as described herein. See "– Conversion of Interest Rate Period" below.

While any 2005B Certificates or 2005C Certificates bear interest at an ARB Interest Rate during an Auction Period (including the initial Auction Period), except as otherwise specifically provided in the Trust Agreement, the provisions of the Trust Agreement and the Auction and settlement procedures specified in APPENDIX D hereto shall govern the interest rates per annum and the payment terms of such 2005B Certificates and 2005C Certificates. The initial Auction Period for the 2005B Certificates and shall be the period commencing on and including the date of delivery and ending on and including July 11, 2005 with interest payable for the initial Auction Period on July 12, 2005, and thereafter shall be a 7- day Auction Period with Auctions generally conducted on Mondays. The initial Auction Period for the 2005C Certificates shall be the period commencing on and including the date of delivery and ending on and including July 13, 2005 with interest payable for the initial Auction Period on July 14, 2005, and thereafter shall be a 7-day Auction Period with Auctions generally conducted on Wednesdays.

While the 2005B Certificates and 2005C Certificates are book-entry bonds, as described in Appendix H, payment of the principal or premium, if any, and interest on any such 2005 Certificates will be made by wire transfer by the Trustee to DTC, to the account of Cede & Co. The interest on the 2005B Certificates and 2005C Certificates will be payable on the business day immediately following each Auction Period for the respective 2005B Certificates or 2005C Certificates (an "ARB Interest Payment Date"). In the event the 2005B Certificates and 2005C Certificates are no longer book-entry certificates, principal or premium, if any, with respect to such 2005B Certificates or 2005C Certificates will be payable at the Corporate Trust Office of the Trustee, and interest payments on such 2005B Certificates and 2005C Certificates will be paid by check mailed by the Trustee to the registered owners of such 2005B Certificates and 2005C Certificates as of the Record Date; provided, however, that if an Owner of $1,000,000 or more aggregate outstanding principal amount of a Series of 2005B Certificates and 2005C Certificates gives the Trustee written notice of such holding accompanied by sufficient wire transfer instructions, the payments of interest with respect to such 2005B Certificates and 2005C Certificates will be payable by wire transfer of immediately available funds. The Record Date with respect to the 2005B Certificates and 2005C Certificates will be the second Business Day next preceding each applicable ARB Interest Payment Date.

Applicable ARB Interest Rate. The rate per annum at which interest accrues with respect to the 2005B Certificates and 2005C Certificates for any Auction Period is referred to as the "ARB Interest Rate" which cannot exceed the ARB Maximum Rate of 12% per annum. The interest rate on the 2005B Certificates and 2005C Certificates during the initial Auction Period will be determined by the Broker-Dealer on or prior to the day preceding the date of delivery of such Series of 2005B Certificates and 2005C Certificates. Thereafter, the rate of interest for each Auction Period for such series shall be equal to the rate of interest that results from the implementation of the Auction Procedures described in APPENDIX D – "AUCTION AND SETTLEMENT PROCEDURES" hereto.

Interest on the 2005B Certificates and 2005C Certificates bearing ARB Interest Rates during an Auction Period (including the initial Auction Period) of less than 180 days shall be computed on the basis of a 360-day year and the number of days actually elapsed. Interest on the 2005B Certificates and 2005C Certificates bearing ARB Interest Rates during an Auction Period of equal to or more than 180 days shall be computed upon the basis of a 360-day year of twelve 30-day months. The Series 2005B Certificates and 2005C Certificates shall mature, unless sooner paid, as set forth on the inside front cover hereof. Interest accrued on the 2005B Certificates and 2005C Certificates shall be paid on each ARB Interest Payment Date, as applicable for such series, for the period from and including the date of delivery or preceding Interest Payment Date, as applicable, to and including the day before such Interest Payment Date (whether or not such day is a Business Day) to the Owners on the Record Date.

Subsequent Auction Dates. With respect to 2005B Certificates and 2005C Certificates, during any period in which the Auction Procedures are not suspended in accordance with the provisions of the Trust Agreement, the Auction Dates shall be (i) if the 2005B Certificates or 2005C Certificates are in a daily Auction Period, each Business Day, (ii) if the 2005B Certificates or 2005C Certificates are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and (iii) if the 2005B Certificates or 2005C Certificates are in any other Auction Period, the Business Day immediately preceding each ARB Interest Payment Date for such 2005B Certificates and 2005C Certificates (whether or not an Auction will be conducted on such date); *provided*, that the last Auction Date with respect to the 2005B Certificates and 2005C Certificates in an Auction Period other than a daily Auction Period or a Flexible Auction Period will be the earlier of (a) the Business Day immediately preceding the ARB Interest Payment Date immediately preceding the effective date of a change in the Interest Rate Period from an ARB Interest Rate Period to a different Interest Rate Period for such 2005B Certificates and 2005C Certificates and (b) the Business Day immediately preceding the Interest Payment Date immediately preceding the Maturity Date for such 2005B Certificates and 2005C Certificates; and *provided further*, that if the 2005B Certificates and 2005C Certificates are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day immediately preceding the effective date of a change in the Interest Rate Period applicable to such 2005B Certificates and 2005C Certificates from an ARB Interest Rate Period to a different Interest Rate Period and (y) the Business Day immediately preceding the Maturity Date for such 2005B Certificates and 2005C Certificates; and *provided further*, that the last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the change, if any, from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the change in Auction Period.

For the definition of "Auction Period" see APPENDIX D – "AUCTION AND SETTLEMENT

PROCEDURES" herein.

Changes in Length of Auction Period. During any ARB Interest Rate Period, the City may, from time to time on any ARB Interest Payment Date, change the length of the Auction Period with respect to all of the respective 2005B Certificates or 2005C Certificates among daily, seven (7) days, twenty-eight (28) days, thirty-five (35) days, three (3) months, six (6) months and a Flexible Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such 2005B Certificates and 2005C Certificates. The City will initiate the change in the length of the Auction Period by giving notice by mail to the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period will change if the conditions described herein are satisfied and the proposed effective date of the change, at least ten Business Days prior to the Auction Date for the first such Auction Period.

Any such changed Auction Period will be for a period of one (1) day, seven (7) days, twenty-eight (28) days, thirty-five (35) days, three (3) months, six (6) months or a Flexible Auction Period and will be for all of the respective series of 2005B Certificates and/or 2005C Certificates in an ARB Interest Rate Period. The change in the length of the Auction Period for such 2005B Certificates and 2005C Certificates will not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in the Trust Agreement and the Auction immediately preceding the proposed change. The change in the length of the Auction Period for such 2005B Certificates and 2005C Certificates will take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the first such Auction Period, notice from the City specifying the change in the length of the Auction Period and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner will be deemed to have submitted Sell Orders with respect to all of its 2005B Certificates and 2005C Certificates, as applicable, except to the extent such Existing Owner submits an Order with respect to such 2005B Certificates and 2005C Certificates. If the condition referred to in (A) above is not met, the ARB Interest Rate for the next Auction Period will be determined pursuant to the Auction Procedures and the Auction Period will be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the ARB Interest Rate for the next Auction Period will be the ARB Maximum Rate, and the Auction Period will be a seven (7)-day Auction Period.

On the date of the change in the length of the Auction Period for 2005B Certificates or 2005C Certificates from one Auction Period to another, any respective 2005B Certificates or 2005C Certificates which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order. See APPENDIX D – "AUCTION AND SETTLEMENT PROCEDURES" hereto.

In the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the ARB Interest Rate for the next Auction Period will be the ARB Maximum Rate of 12% per annum, and the Auction Period will be a seven (7)-day Auction Period.

Changes in Auction Date. During any Auction Period, the Auction Agent, with the written consent of the City, may specify an earlier Auction Date for the respective 2005B Certificates or 2005C Certificates (but in no event more than five (5) Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on such 2005B Certificates and 2005C Certificates. The Auction Agent will provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a notice by mail delivered at least forty-five (45) days prior to the proposed changed Auction Date to the City, the Trustee, the Broker-Dealer and the Securities Depository.

Conversion of Interest Rate Period. The Interest Rate Period applicable to all or a portion of the 2005B Certificates and 2005C Certificates may be Converted from an ARB Interest Rate Period to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period, or an Index Interest Rate Period in accordance with the Trust Agreement. The applicable 2005B Certificates and 2005C Certificates are subject to mandatory tender for purchase at the applicable Purchase Price on each Conversion Date, if any. See APPENDIX E – "DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS" hereto.

The payment of the Purchase Price of any 2005B Certificates and 2005C Certificates to be Converted from an ARB Interest Rate Period to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Rate Period, a Long-Term Interest Rate Period or an Index Interest Rate Period is not secured by any liquidity facility or credit facility and the City is not liable for the payment thereof except from the proceeds of the remarketing of such respective 2005B Certificates or 2005C Certificates being Converted to another Interest Rate Period. In the event that the City elected to Convert any 2005B Certificates or 2005C Certificates from an ARB Interest Rate Period to another Interest Rate Period and the proceeds from the remarketing of such 2005B Certificates or 2005C Certificates were insufficient, a failed Conversion would occur.

In the event of a failed Conversion with respect to the 2005B Certificates or 2005C Certificates from an ARB Interest Rate Period to another Interest Rate Period, the ARB Interest Rate for the next Auction Period will be the ARB Maximum Rate of 12% per annum, and the Auction Period will be a seven (7)-day Auction Period.

Special Considerations for Purchasers of 2005B Certificates and 2005C Certificates While Bearing Interest at Auction Rates. Prospective purchasers of the 2005B Certificates and 2005C Certificates should note the following:

During an ARB Interest Rate Period, the beneficial owner of a 2005B Certificate or 2005C Certificate, as applicable, may sell, transfer or dispose of a 2005B Certificate or 2005C Certificate only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or through a Broker-Dealer. See APPENDIX D – "AUCTION AND SETTLEMENT PROCEDURES" herein. The ability of any beneficial owner of 2005B Certificates and 2005C Certificates to sell such 2005B Certificates and 2005C Certificates in any Auction is directly contingent upon the Auction Agent's receipt of Sufficient Clearing Bids. If Sufficient Clearing Bids are not received, Submitted Orders shall be accepted or rejected as summarized in APPENDIX D — "AUCTION AND SETTLEMENT PROCEDURES – Allocation of ARBs," and a beneficial owner of such 2005B Certificates or 2005C Certificates who submits a Sell Order may be required to continue to hold such 2005B Certificates or 2005C Certificates.

The Auction Agent Agreements each provide that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days notice or 45 days notice, if it has not been paid, to the Authority, the City and the Trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreements each will provide that the Broker-Dealer thereunder may resign upon five business days notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer(s) be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer(s), it will not be possible to hold

Auctions, with the result that the interest rate on the Auction Rate Certificates will be the ARB Maximum Rate.

The Broker-Dealer Agreements each provide that a Broker-Dealer may submit Orders in Auctions for its own account. In the Broker-Dealer Agreements, each Broker-Dealer will agree to handle customers' orders in accordance with its duties under applicable securities laws and rules.

Any Broker-Dealer submitting an Order for its own account in any Auction could have an advantage over other Potential or Existing Holders in that it would have knowledge of other Orders placed through it in that Auction. A Broker Dealer would not, however, have specific knowledge of Orders submitted by other non-affiliated Broker-Dealers, if any. Also, a broker-dealer may exercise discretion regarding client orders which could be an advantage to those clients because the broker-dealer exercising discretion would have knowledge of other orders placed through it in the auction. In addition, as a result of bidding by a Broker-Dealer in an Auction, the Auction Rate may be higher or lower than the rate that would have prevailed had the Broker-Dealer not bid. A Broker-Dealer may also bid in an Auction in order to prevent what would otherwise be (a) a failed Auction, (b) an "all-hold" Auction, or (c) the implementation of an Auction Rate that the Broker-Dealer believes, in its sole judgment, does not reflect the market for such securities at the time of the Auction. A Broker-Dealer may also encourage additional or revised investor bidding in order to prevent an "all-hold" Auction.

The Securities and Exchange Commission (the "Commission") has requested information from a number of broker-dealers regarding certain of their practices in connection with auction rate securities. The Broker-Dealers have advised the Authority and the City that (i) they, as participants in the auction rate securities markets, have each received a letter from the Commission requesting that they voluntarily conduct an investigation regarding certain of their practices and procedures in connection with those markets and (ii) the Broker-Dealers are cooperating and expect to continue to cooperate with the Commission in providing the requested information. No assurance can be given as to whether the results of this process will affect the market for the 2005B Certificates or 2005C Certificates or the Auctions therefor.

During an Auction Rate Period a beneficial owner of an Auction Rate Certificate may sell, transfer or dispose of an Auction Rate Certificate only pursuant to a Bid or Sell Order in accordance with the Auction Procedures (see Appendix D) or through a Broker-Dealer. A beneficial owner of the Auction Rate Certificates may not be able to sell some or all of such Auction Rate Certificates at an Auction if the Auction fails; that is, if there are more Auction Rate Certificates offered for sale than there are buyers for such Auction Rate Certificates. Also, a beneficial owner of the Auction Rate Certificates that places Hold Orders (orders to retain Auction Rate Certificates) at an Auction only at a specified rate will not retain their Auction Rate Certificates if that specified rate exceeds the rate set at the Auction. Finally, a beneficial owner of the Auction Rate Certificates that places a Bid for Auction Rate Certificates or submits a Hold Order for Auction Rate Certificates, in either case without specifying a minimum rate, may receive a rate lower than the expected market rate for the Auction Rate Certificates. Any number of factors may have an effect on the level of interest from time to time in Auctions for the Auction Rate Certificates or in auction rate securities in general, including, among other things, the availability and attractiveness of alternative investments, the perceived risk of owning the security (whether related to credit, liquidity or any other risk), uncertainties related to regulatory inquiries and actions, changes in tax or accounting treatments available to potential investors and market sentiment generally. For example, recent clarifications of U.S. generally accepted accounting principles relating to the treatment of auction rate securities may affect demand for the Auction Rate Certificates and auction rate securities generally among certain corporate investors. Neither the Underwriters, the City nor the Authority can predict the extent to which any of these or other factors may affect the market for the Auction Rate Certificates or Auctions from time to time. Changes to the Auction Periods and Auction Dates do not require the amendment of the Auction Procedures.

The initial Broker-Dealers for each series of the Bonds are Morgan Stanley & Co. Incorporated, Bear, Stearns & Co. Inc., and Citigroup Global Markets Inc. The City and the Auction Agent will enter into an agreement with each Broker-Dealer with respect to each series of 2005 Certificates and may enter into similar agreements (each, a "Broker-Dealer Agreement and collectively, the "Broker-Dealer Agreements") with one or more additional broker-dealers (collectively, the "Broker-Dealers") selected by the City and the Auction Agent with the consent of the City and the Bond Insurer which provide for their participation in Auctions. The Auction Agent will pay to each Broker-Dealer after each auction, from funds provided by the Financing Corporation, a service charge that will be based on a rate equal to the percentage of the stated value of the Bonds held by such Broker Dealer and such Broker-Dealer's customers upon settlement in an Auction calculated on an annualized basis. A Broker-Dealer may share a portion of such fee with non-participating broker-dealers that submit Bids to the Broker-Dealer that are fulfilled at an Auction.

The Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee of the occurrence of a default of the City resulting from the failure to pay principal, sinking fund installment, premium or interest on any 2005B Certificate or 2005C Certificate when due, but will resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Notwithstanding any other provision of the Trust Agreement, the Auction Procedures and the definitions contained therein relating to 2005B Certificates and 2005C Certificates bearing interest at an ARB Interest Rate may be amended by the City and the Trustee by a Supplemental Trust Agreement (i) upon obtaining an Opinion of Bond Counsel that the same is lawful under the City Charter and the Trust Agreement and does not materially adversely affect the rights of the Owners, will not adversely affect the validity of the 2005B Certificates or 2005C Certificates and will not adversely affect the exclusion of interest on the 2005B Certificates or 2005C Certificates from gross income for federal income tax purposes or (ii) by obtaining the consent of the Owners of all affected Outstanding 2005B Certificates and 2005C Certificates bearing interest at an ARB Interest Rate and obtaining a Favorable Opinion of Bond Counsel. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the Owners, and if, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the respective 2005B Certificates or 2005C Certificates are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the Owners of all affected Outstanding 2005B Certificates and 2005C Certificates bearing interest at an ARB Interest Rate.

2005A Certificates Prepayment

2005A Certificates Optional Prepayment. The 2005A Certificates with a Certificate Payment Date on or after February 1, 2016 are subject to optional prepayment prior to their respective stated Certificate Payment Dates, upon notice as provided in the Trust Agreement, from prepayments of 2005 Payments made by the City under the Installment Purchase Contract, as a whole or in part (from such Certificate Payment Dates as are designated by the Authority to the Trustee at the direction of the City or, if the Authority fails to designate such Certificate Payment Dates, in inverse order of Certificate Payment Date and by lot within a Certificate Payment Date) on any date on or after February 1, 2015, at a prepayment price equal to the principal amount evidenced and represented by the 2005A Certificates called for prepayment, plus accrued and unpaid interest to the prepayment date, without premium.

Selection of 2005A Certificates for Prepayment. If less than all Outstanding Certificates of any particular Certificate Payment Date are to be prepaid at any one time, the Trustee will select the portions of the 2005A Certificates of such Certificate Payment Date to be prepaid by lot in a manner which the Trustee deems to be fair. For purposes of selecting Certificates to be prepaid, Certificates of each Certificate Payment Date will be deemed to be composed of $5,000 multiples and any such multiple may be separately prepaid.

If the Authority elects to prepay Certificates through an optional prepayment, it will notify the Trustee of the prepayment date and the principal amount evidenced and represented by the 2005A Certificates of each Certificate Payment Date to be prepaid on such prepayment date at least 45 days prior to such prepayment date; provided, that the Trustee may, at its option, waive any such notice or accept any notice received at a later date.

Notice of Prepayment. The Trustee will mail notice of prepayment not less than 30 nor more than 60 days prior to the prepayment date to (i) the respective Owners of the 2005A Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services.

Failure to receive such a prepayment notice will not invalidate any of the proceedings taken in connection with such prepayment.

Unless the book-entry only system is discontinued, the Authority, the City and the Trustee will only recognize DTC or its nominee as an Owner. Conveyance of notices and other communications by DTC to its participants ("DTC Participants") and by DTC Participants to each actual purchaser of each Certificate will be governed by arrangements between them, subject to any statutory and regulatory requirements as may be in effect from time to time. See "APPENDIX H – DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Effect of Prepayment. If notice of prepayment has been duly given as described in the Trust Agreement and money for the payment of the prepayment price of the 2005 Certificates called for prepayment is held by the Trustee, then on the prepayment date designated in such notice Certificates so called for prepayment will become due and payable, and from and after the date so designated interest evidenced and represented by such Certificates will cease to accrue, and the Owners of such Certificates will have no rights in respect thereof except to receive payment of the prepayment price thereof.

2005B Certificates and 2005C Certificates Prepayment

2005B Certificates and 2005C Certificates Optional Prepayment. The 2005B Certificates and 2005C Certificates are subject to prepayment at the option of the City, in whole or in part (in such amounts as may be specified by the City) in Authorized Denominations, prior to their stated maturity date, on any ARB Interest Payment Date for such series at a prepayment price equal to the principal amount of the respective 2005B Certificates and 2005C Certificates called for prepayment, without premium.

2005B Certificates and 2005C Certificates Mandatory Sinking Fund Prepayment. The 2005B Certificates or 2005C Certificates shall be prepaid in part on February 1 in each year listed below, commencing February 1, 2023, as to the 2005B Certificates, and February 1, 2008, as to the 2005C Certificates, at a prepayment price equal to 100% of the principal amount prepaid plus accrued interest thereon to the prepayment date, in the principal amount set forth below next to such year:

2005B Certificates Sinking Fund Prepayments

Mandatory Prepayment Date (February 1)	Amount To Be Prepaid	Mandatory Prepayment Date (February 1)	Amount To Be Prepaid
2023	$4,875,000	2030	$7,175,000
2024	5,700,000	2031	7,450,000
2025	5,925,000	2032	7,725,000
2026	6,150,000	2033	8,050,000
2027	6,400,000	2034	8,350,000
2028	6,625,000	2035 (maturity)	8,675,000
2029	6,900,000		

2005C Certificates Sinking Fund Prepayments

Mandatory Prepayment Date (February 1)	Amount To Be Prepaid	Mandatory Prepayment Date (February 1)	Amount To Be Prepaid
2008	$ 550,000	2022	$2,125,000
2009	1,075,000	2023	2,225,000
2010	1,625,000	2024	2,300,000
2011	1,500,000	2025	2,350,000
2012	1,600,000	2026	2,425,000
2013	1,650,000	2027	2,500,000
2014	1,700,000	2028	2,575,000
2015	1,750,000	2029	2,650,000
2016	1,775,000	2030	2,750,000
2017	1,850,000	2031	2,825,000
2018	1,900,000	2032	2,900,000
2019	1,975,000	2033	3,000,000
2020	2,025,000	2034	3,100,000
2021	2,100,000	2035 (maturity)	3,200,000

Notwithstanding the foregoing, when any 2005B Certificates or 2005C Certificates to be prepaid pursuant to mandatory sinking fund prepayment are subject to an ARS Interest Rate Period, if such February 1 is not an ARS Interest Payment Date, the mandatory sinking fund prepayment shall occur on the ARS Interest Payment Date immediately preceding such February 1. Additionally, the mandatory sinking fund amounts shown above shall be reduced in the event of a partial prepayment of 2005B Certificates or 2005C Certificates under the optional prepayment provisions, pursuant to the terms of the Trust Agreement.

Selection of 2005B Certificates or 2005C Certificates to be Redeemed. In the case of any prepayment in part of the 2005B Certificates or 2005C Certificates, the 2005B Certificates or 2005C Certificates to be prepaid shall be selected by the Trustee in accordance with the provisions of the Trust Agreement.

Notice of Prepayment. In the event any of the 2005B Certificates or 2005C Certificates are called for prepayment, the Trustee shall give notice, in the name of the Authority, of the prepayment of such Certificates, which notice shall (i) specify the 2005B Certificates or 2005C Certificates to be prepaid, the prepayment date, the prepayment price, and the place or places where amounts due upon such prepayment will be payable (which shall be the principal corporate trust office of the Trustee) and, if less than all of the 2005B Certificates or 2005C Certificates are to be prepaid, the numbers of the 2005B Certificates or 2005C Certificates, and the portions of the 2005B Certificates or 2005C Certificates, so to be prepaid, (ii) state any condition to such prepayment, and (iii) state that on the prepayment date, and upon the satisfaction of any such condition, the 2005B Certificates or 2005C Certificates to be prepaid shall cease to bear interest. CUSIP number identification shall accompany all prepayment notices. Such notice may set forth any additional information relating to such prepayment. If any ARS are to be prepaid and those ARS are held by the Securities Depositories, the Trustee shall include in the notice of the call for prepayment delivered to the Securities Depositories: (i) under an item entitled “Publication Date for Securities Depositories Purposes”, the Interest Payment Date prior to the prepayment date; and (ii) an instruction to the Securities Depositories to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the DTC Participants whose Securities Depositories positions will be prepaid and the principal amount of such ARS to be prepaid from each such position (the “Securities Depositories Prepayment Information”), and (y) notify the Auction Agent immediately after such determination of the positions of the Securities Depositories participants in such ARS immediately prior to such Auction settlement, the positions of the Securities Depositories participants in such ARS immediately following such Auction settlement, and the Securities Depositories Prepayment Information. Such notice shall be given by mail, postage prepaid, at least 30 days (or, in the case of acceleration of the 2005B Certificates or 2005C Certificates pursuant to Section 9.01, seven days) but not more than 60 days prior to the date fixed for prepayment to each Holder of Bonds to be prepaid at its address shown on the registration books kept by the Trustee; provided, however, that failure to give such notice to any Certificate holder or any defect in such notice shall not affect the validity of the proceedings for the prepayment of any of the other Bonds. The Trustee shall send a second notice of prepayment by certified mail return receipt requested to any registered Holder who has not submitted Bonds called for prepayment 30 days after the prepayment date, provided, however, that the failure to give any second notice by mailing, or any defect in such notice, shall not affect the validity of any proceedings for the prepayment of any of the 2005B Certificates or 2005C Certificates and the Trustee shall not be liable for any failure by the Trustee to send any second notice. A copy of any notice of prepayment shall be simultaneously sent to the Auction Agent.

Interest Rate Swap Agreements

The City has entered into (i) an interest rate swap agreement with Morgan Stanley Capital Services, Inc., New York, an affiliate of Morgan Stanley & Co. Incorporated, and (ii) an interest rate swap agreement (together with the Morgan Stanley Capital Services, Inc. swap agreement, the “Swap Agreements”) with Bear Stearns Financial Products Inc. (together with Morgan Stanley Capital Services, Inc., the "Swap Counterparties"). The Swap Agreements are applicable to the 2005B Certificates and become effective on the delivery date of the 2005B Certificates. The payment obligations of the Swap Counterparties under the Swap Agreements will be general, unsecured obligations of the respective Swap Counterparties. The Swap Agreements have a term extending to the scheduled final maturity date of the 2005B Certificates (the "Scheduled Expiration Date") and require the City to pay a fixed rate of interest on an initial notional amount equal to the principal amount of the related respective 2005B Certificates, which payments are payable on a parity with the 2005 Payments. In return, the Swap Counterparties will pay a variable rate of interest equal to a percentage of the London Interbank Offering Rate (“LIBOR”) one month index on a like notional amount. The amounts payable by a party under the Swap Agreements are netted against the payments to be received by such party thereunder.

The Swap Agreements may be terminated sooner than the Scheduled Expiration Date upon the occurrence of certain events. Termination of a Swap Agreement requires payment of termination fees either to the City or the Swap Counterparty based upon a formula that includes an assessment of the then current market value of the Swap Agreement. The payments by the City under the Swap Agreements are secured by a pledge of the Net Revenues of the Electric System on a parity with the Parity Obligations (and the Swap Agreements provide that the City may insure its payment obligations under the Swap Agreements), except that any termination payment due under the Swap Agreement is secured and payable on a subordinate basis to the Parity Obligations.

Payment Schedule

The schedule below shows the annual 2005 Payments and Parity Obligations with respect to the outstanding Prior Certificates (assuming no prepayment of the 2005 Certificates or Prior Certificates other than mandatory sinking fund prepayment).

Fiscal Year Ending June 30	2005 Installment Payments Principal	2005 Installment Payments Interest[1]	2005 Installment Payments Total	Outstanding Parity Payments [2]	Total Payments[1]
2006	-	$ 6,087,923.38	$ 6,087,923.38	$ 9,097,784.61	$ 15,185,707.99
2007	-	7,359,558.16	7,359,558.16	4,196,003.50	11,555,561.66
2008	$ 1,000,000.00	7,353,424.28	8,353,424.28	4,192,766.82	12,546,191.10
2009	2,000,000.00	7,318,940.40	9,318,940.40	4,195,313.14	13,514,253.54
2010	3,000,000.00	7,255,373.53	10,255,373.53	4,197,223.82	14,452,597.35
2011	4,710,000.00	7,199,962.91	11,909,962.91	4,201,270.46	16,111,233.37
2012	4,925,000.00	7,014,543.03	11,939,543.03	4,203,475.46	16,143,018.49
2013	5,100,000.00	6,845,053.65	11,945,053.65	4,203,989.14	16,149,042.79
2014	5,325,000.00	6,626,246.71	11,951,246.71	4,202,661.18	16,153,907.89
2015	5,500,000.00	6,451,681.93	11,951,681.93	4,204,542.54	16,156,224.47
2016	5,710,000.00	6,240,394.28	11,950,394.28	4,209,015.10	16,159,409.38
2017	5,985,000.00	5,967,752.12	11,952,752.12	4,210,891.08	16,163,643.20
2018	6,240,000.00	5,709,141.72	11,949,141.72	4,214,914.22	16,164,055.94
2019	6,535,000.00	5,438,619.74	11,973,619.74	4,216,642.14	16,190,261.88
2020	6,815,000.00	5,155,300.86	11,970,300.86	4,220,425.18	16,190,726.04
2021	7,125,000.00	4,858,984.62	11,983,984.62	4,221,844.54	16,205,829.16
2022	7,400,000.00	4,567,840.61	11,967,840.61	4,224,199.86	16,192,040.47
2023	7,830,000.00	4,165,579.71	11,995,579.71	4,228,955.32	16,224,535.03
2024	8,000,000.00	3,886,858.38	11,886,858.38	4,541,745.64	16,428,604.02
2025	8,275,000.00	3,614,052.39	11,889,052.39	4,230,225.00	16,119,277.39
2026	8,575,000.00	3,331,283.79	11,906,283.79	4,234,250.00	16,140,533.79
2027	8,900,000.00	3,038,010.92	11,938,010.92	4,232,750.00	16,170,760.92
2028	9,200,000.00	2,744,854.22	11,944,854.22	4,234,500.00	16,179,354.22
2029	9,550,000.00	2,417,834.43	11,967,834.43	4,234,000.00	16,201,834.43
2030	9,925,000.00	2,090,627.98	12,015,627.98	4,231,000.00	16,246,627.98
2031	10,275,000.00	1,750,997.25	12,025,997.25	4,230,250.00	16,256,247.25
2032	10,625,000.00	1,399,357.05	12,024,357.05	4,231,250.00	16,255,607.05
2033	11,050,000.00	1,038,429.81	12,088,429.81	4,233,500.00	16,321,929.81
2034	11,450,000.00	654,679.19	12,104,679.19	4,231,500.00	16,336,179.19
2035	11,875,000.00	261,996.25	12,136,996.25	0.00	12,136,996.25
TOTAL	$202,900,000.00	$137,845,303.30	$340,745,303.30	$127,506,888.75	$468,252,192.05

(1) Series 2005B interest is based on a swap rate of 3.613% per annum and Series 2005C interest is based on an assumed rate of 2.75%.

(2) Represents the 1997 Payments, the 1999 Payments, the 2004 Payments, and estimated payments under the 2002 Payment Agreement as of July 1, 2005. Although the 2002 Payments are calculated based on a variable interest rate, the 2002 payments shown in this table are calculated based on the fixed interest rate set in accordance with the Payment Agreement entered into with respect to the 2002 Certificates. See “ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness.”

SECURITY FOR THE 2005 CERTIFICATES

This section provides summaries of certain provisions of the Trust Agreement and the Installment Purchase Contract. See APPENDIX E for a summary of additional provisions of the Trust Agreement and the Installment Purchase Contract. Capitalized terms used but not defined in this section have the meanings given in APPENDIX E.

2005 Payments

General. The 2005 Certificates evidence and represent the proportionate interests of the Owners in the 2005 Payments to be made by the City to the Authority under the Installment Purchase Contract. The 2005 Payments represent the purchase price of the facilities to be financed from the proceeds of the 2005 Certificates, which the Authority is selling to the City. See "THE PROJECT."

2005 Payments Held in Trust. Under the Trust Agreement, the Trustee will hold the 2005 Payments in trust for the benefit of the Owners from time to time of the 2005 Certificates, and will disburse, allocate and apply the 2005 Payments solely for the uses and purposes provided in the Trust Agreement.

Unconditional Obligation. The Installment Purchase Contract provides that the City's obligations to make the 2005 Payments is (subject to the provisions of the Installment Purchase Contract relating to defeasance) absolute and unconditional, and until such time as the 2005 Payments are paid in full (or provision for the payment thereof is made under the Installment Purchase Contract), the City will not discontinue or suspend any 2005 Payments required to be paid by it under the Installment Purchase Contract when due, whether or not the Electric System or any part thereof (including the facilities to be financed from the proceeds of the 2005 Certificates) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part. The 2005 Payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding anything contained in the Installment Purchase Contract, however, the City is not required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the 2005 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

Outstanding Senior and Parity Obligations

Senior Obligations. The City participates in the projects of, and has entered into financing agreements with certain regional joint powers agencies (including the Northern California Power Agency and the Transmission Agency of Northern California), under which the City is responsible for a share of debt service on debt issued by those joint powers agencies. See "THE ELECTRIC SYSTEM – Sources of Power Supply." Obligations of the City under these financing agreements constitute operating expenses of the Electric System payable prior to the payments under the Installment Purchase Contract, including the 2005 Payments (and the other Parity Obligations described below).

Parity Obligations. The 2005 Payments are secured by and payable from Net Revenues on a parity with other obligations previously incurred by the City under the Installment Purchase Contract and designated as parity obligations (collectively, including the 2005 Payments, the "Parity Obligations"), including installment payments securing four outstanding series of certificates of participation (the "Prior Certificates" and, together with the 2005

Certificates, the "Certificates") and payments under one Payment Agreement executed in connection with an interest rate swap (described below) entered into at the time of execution and delivery of the 2002 Certificates. The currently outstanding Parity Obligations were entered into by the City in connection with the following:

1997 Certificates. The Authority's $11,880,000 original principal amount "Electric System Revenue Certificates of Participation, Series 1997," evidencing and representing proportionate interests of the owners thereof in the payments made under the 1997 Supplemental Contract (the "1997 Payments"); principal amount outstanding as of June 1, 2005: $635,000.

1999 Certificates. The Authority's $21,630,000 original principal amount "Electric System Revenue Certificates of Participation, Series 1999," evidencing and representing proportionate interests of the owners thereof in the payments made under the 1999 Supplemental Contract (the "1999 Payments"); principal amount outstanding as of June 1, 2005: $2,135,000.

2002 Certificates. The Authority's $40,385,000 original principal amount of "Variable Rate Demand Electric System Revenue Certificates of Participation, Series 2002," evidencing and representing proportionate interests of the owners thereof in the payments made under the 2002 Supplemental Contract (the "2002 Payments") ; principal amount outstanding as of June 1, 2005: $30,980,000. The 2002 Certificates were used in part to advance refund certain of the 1997 and 1999 Certificates. The 1997 Certificates refunded were those that mature on February 1, 2010 and February 1, 2017. The 1999 Certificates refunded were those that mature on February 1, 2010, February 1, 2011, February 1, 2012, February 1, 2013, February 1, 2017 and February 1, 2024. The 1997 Certificates advance refunded are scheduled to be called on February 1, 2008 and the 1999 Certificates advance refunded are scheduled to be called on August 1, 2009.

2004 Certificates. The Authority's $39,940,000 original principal amount of "Electric System Revenue Certificates of Participation, Series 2004," evidencing and representing proportionate interests of the owners thereof in the payments made under the 2004 Supplemental Contract (the "2004 Payments"); principal amount outstanding as of February 1, 2005: $39,940,000.

Payment Agreement. In connection with the 2002 Certificates, the City has entered into an interest rate swap agreement dated December 16, 2002, with a notional amount of $40,385,000 (the "2002 Payment Agreement") with Morgan Stanley Capital Services, under which the City makes payments that are calculated by reference to a fixed rate and receives payments that are calculated by reference to a variable rate. The 2002 Payment Agreement constitutes a "Parity Payment Agreement" under the Master Contract, payments on which are made on a parity with all Payments under the Master Contract.

2005 Swap Agreements. In connection with the issuance of the 2005B Certificates, the City has entered into two swap agreements. Payments under the swap agreements are payable on a parity with the 2005 Payments. See "THE 2005 CERTIFICATES – Interest Rate Swap Agreements" above.

See also "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Pledge of Net Revenues

Pledge. Under the Installment Purchase Contract, all Net Revenues of the Electric System are irrevocably pledged to the payment of all Payments to be made by the City to the Authority, including the 2005 Payments and all other payments under the Parity Obligations in accordance with the terms of the Installment Purchase Contract. The Net Revenues of the Electric System may not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Installment Purchase Contract. The Installment Purchase Contract provides that this pledge constitutes a parity first pledge of and charge and lien upon the Net Revenues of the Electric System

Electric System. The Installment Purchase Contract defines "Electric System" to mean the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof thereafter acquired.

Net Revenues. The Installment Purchase Contract defines "Net Revenues" to mean, for any Fiscal Year or any designated twelve-month period in question, the Revenues during such Fiscal Year or twelve-month period, less the Maintenance and Operation Costs during such Fiscal Year or twelve-month period.

Revenues. The Installment Purchase Contract defines "Revenues" to mean all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund.

The definition of "Revenues" *excludes* proceeds of taxes, refundable deposits made to establish credit and advances, or contributions in aid of construction and line extension fees, and charges collected by any person to amortize, or otherwise relating to the payment of, the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied or pledged to, or otherwise set aside for, the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

Maintenance and Operation Costs. The Installment Purchase Contract defines "Maintenance and Operation Costs" to mean the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes and insurance premiums, and all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Contracts or any resolution authorizing the execution of any Parity Obligations or of such Contracts or Parity Obligations, such as compensation, reimbursement and indemnification of the Trustee, remarketing agent or surety costs for any such Parity Obligations, letter of credit fees for any such Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers.

The definition of "Maintenance and Operation Costs" *excludes* depreciation, replacement and obsolescence charges or reserves therefore and amortization of intangibles.

It should be noted that "Maintenance and Operation Costs" *specifically include* all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness" for a description of certain indebtedness currently treated as Maintenance and Operation Costs under the Installment Purchase Contract, which is payable on a basis senior to the payment of the 2005 Certificates.

Assignment to Trustee

Under the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee, subject to the provisions of the Trust Agreement, all of the 2005 Payments and any and all rights and privileges it has under the Installment Purchase Contract, including the right to collect and receive directly all of the 2005 Payments and the right to enforce the provisions of the Installment Purchase Contract.

Any 2005 Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will immediately be paid by the Authority to the Trustee

The Trust Agreement provides that the Trustee will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2005 Certificates the Trustee's rights as assignee of the 2005 Payments under the Installment Purchase Contract and as beneficiary of any other rights to security for the 2005 Certificates which the Trustee may receive in the future.

Rate Covenant

Rate Covenant. Under the Installment Purchase Contract, the City covenants that it will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield "Adjusted Annual Net Revenues" for such Fiscal Year equal to at least 110% of the Adjusted Annual Debt Service for such Fiscal Year (the "Rate Covenant").

The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but may not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements described in the preceding sentence.

Adjusted Annual Net Revenues. The Installment Purchase Contract defines "Adjusted Annual Net Revenues" to mean, for any Fiscal Year or 12-month period in question, the "Adjusted Annual Revenues" during such Fiscal Year or 12-month period less the "Maintenance and Operation Costs" during such Fiscal Year or 12-month period.

Adjusted Annual Revenues. The Installment Purchase Contract defines "Adjusted Annual Revenues" to mean, for any Fiscal Year or 12-month period in question:

• the Revenues during such Fiscal Year or 12-month period,

• *plus*, for purposes of the Rate Covenant only, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or 12-month period), as of the first day of such Fiscal Year or 12-month period,

• *minus*, for the purposes of the Rate Covenant only, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period.

Adjusted Annual Debt Service. The Installment Purchase Contract defines "Adjusted Annual Debt Service" to mean, for any Fiscal Year or 12-month period in question, the "Annual Debt Service" for such Fiscal Year or 12-month period *minus* the sum of

(i) for purposes of the Rate Covenant only, the earnings from the investments in the Parity Reserve Fund that have been deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period, and

(ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a certificate of the City.

Annual Debt Service. The Installment Purchase Contract defines "Annual Debt Service" to mean, for any Fiscal Year or 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the Rate Covenant, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in "APPENDIX E – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Parity Reserve Fund

Establishment. Under the trust agreement entered into by the Authority and the Trustee with respect to the 1997 Certificates, the Trustee established and is obligated to maintain the Parity Reserve Fund, which secures all Payments made under the Installment Purchase Contract securing the outstanding Prior Certificates and the 2005 Certificates.

Funding of 2005 Reserve Account. A portion of the proceeds of the 2005 Certificates will be deposited in an account of the Parity Reserve Fund (the "2005 Parity Reserve Account") established under the Trust Agreement in an amount necessary to increase the amount in the Parity Reserve Fund to the Reserve Fund Requirement upon the delivery of the 2005 Certificates. The Parity Reserve Fund will be maintained so long as any Certificates remain outstanding. (The Trustee is also required to maintain an account in the Parity Reserve Fund for each outstanding series of Prior Certificates.)

Prior to the execution and delivery of the 2005 Certificates, the combined amount on deposit in the Parity Reserve Fund was approximately $5,646,087.09. See "ESTIMATED SOURCES AND USES OF FUNDS" for the amount to be deposited in the Parity Reserve Fund upon the execution and delivery of the 2005 Certificates.

Reserve Fund Requirement. The Installment Purchase Contract defines "Reserve Fund Requirement" to mean, as of any date of determination and excluding any Parity Obligations that are not Supplemental Contracts and the debt service thereon, the least of

(a) 10% of the initial offering price to the public of the Parity Obligations as determined under the Internal Revenue Code of 1986 (the "Code"), or

(b) the Maximum Annual Debt Service, or

(c) 125% of the Average Annual Debt Service.

Substitution of Surety. The Reserve Fund Requirement (or any portion thereof) may be provided by a surety bond or insurance policy issued by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on bonds or by an unconditional letter of credit issued by a bank or other institution if, as to a surety bond or insurance policy, the claims paying ability of such insurer has ratings at the time of issuance of such policy or surety bond equal to "Aaa" Moody's or "AAA" by S&P, or , as to a letter of credit, the claims paying ability of such bank or other institution has ratings at the time of issuance of such policy or surety bond is rated at least "AA" by S&P.

If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition no longer maintains ratings as required in accordance with the requirements of the Installment Purchase Contract, the Installment Purchase Contract requires the City to provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

Disbursement. Amounts in the Parity Reserve Fund will be transferred to the 2005 Debt Service Fund to pay principal and interest evidenced by the 2005 Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also transfer amounts in the Parity Reserve Fund to any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made as described in the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference. See " – Parity Obligations" below.

Flow of Funds

Deposit of Funds into Electric Revenue Fund. Under the Installment Purchase Contract, the City agrees and covenants that all Revenues it receives will be deposited when and as received in the Electric Revenue Fund, which the City is required to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid.

All money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Installment Purchase Contract.

Payment of Maintenance and Operation Costs. The City is to pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable.

Disbursement of Remaining Funds. The Installment Purchase Contract requires the City to deposit and set aside all remaining money in the Electric Revenue Fund at the following times in the following order of priority:

(1) *Parity Obligation Payment Fund Deposits*. On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in the Parity Obligation Payment Fund (which the City agrees and covenants to establish and maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid) a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date, plus the net payments due on all Parity Payment Agreements on such due date.

However, no such deposit need be made if there is money in the Parity Obligation Payment Fund available therefore at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such date on which interest or principal becomes due and payable under any Parity Obligations plus the net payments due on all Parity Payment Agreements on the next succeeding due date.

Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to the Trustee to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation at least one Business Day prior to such next applicable due date.

(2) *Parity Reserve Fund Deposits*. On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers under paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement.

The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to the reserve fund or account for any Parity Obligations which are not Supplemental Contracts, without preference or priority between transfers made in accordance with this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers in each Fiscal Year, the City may apply any remaining money in the Electric Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations; provided, however, that no moneys in the Electric Revenue Fund may be applied to the payment of any Subordinate Obligations in any Fiscal Year unless amounts on deposit in the Electric Revenue Fund are sufficient to make the transfers required to be made in such Fiscal Year as described above.

Rate Stabilization Fund

Under the Installment Purchase Contract, the City is also required to establish and maintain the Rate Stabilization Fund so long as any Parity Obligations remain unpaid.

The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money available for such deposit. The City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues.

Notwithstanding the foregoing, no Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Revenues for purposes of determining compliance with the conditions for the execution of Parity Obligations contained in the Contracts or for the Rate Covenant and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such conditions.

The City's ability to set rates, fees and charges for electricity at levels which would permit the City to make deposits into the Rate Stabilization Fund may be limited by deregulation and other changes to the electric industry in California. See "DEVELOPMENTS IN THE CALIFORNIA ENERGY MARKETS."

Conditions for Issuing Additional Obligations

Outstanding Senior and Parity Obligations. The City has entered into financing agreements with certain joint powers agencies that constitute operating expenses of the Electric System payable prior to the Payments under the Installment Purchase Contract, including the 2005 Payments. In addition, the 2005 Payments are secured on a parity with the Parity Payments previously incurred by the City under the Master Contract as Previously Supplemented. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness."

Additional Obligations. The City may at any time execute a Supplemental Contract or other Parity Obligation payable from the Net Revenues on a parity with the 1997 Payments, the 1999 Payments, the 2002 Payments, the 2004 Payments and the 2005 Payments, but only subject to the specific conditions set forth in the Master Contract, which are conditions precedent to the execution of any such Parity Obligations, including the condition that there be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18-calendar month period, the Adjusted Annual Net Revenues were at least equal to 110% of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; or

(2) An Engineer's Report showing that projected Adjusted Annual Net Revenues during the succeeding 5 complete Fiscal Years beginning with the first Fiscal Year following issuance of such Parity Obligations in which interest is not capitalized in whole or in part from the proceeds of Parity Obligations, is at least equal to 110% of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed.

Notwithstanding the foregoing, the Master Contract specifies that there are no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Parity Obligations. See "APPENDIX E – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS."

Limited Obligations

Special, Limited Obligation of the City. Except for the payment of 2005 Payments when due and the performance of the other covenants and agreements of the City contained in the Installment Purchase Contract, the City has no obligation or liability to the Owners of the 2005 Certificates with respect to the Trust Agreement or the execution, delivery or transfer of the 2005 Certificates, or the disbursement of Payments to the Owners by the Trustee.

The obligation of the City to make the 2005 Payments is a special obligation of the City secured by a pledge of Net Revenues and payable solely from the Net Revenues and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Notwithstanding anything contained in the Installment Purchase Contract, the City is not required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided in the Installment Purchase Contract for the payment of amounts due under the Installment Purchase Contract or for the performance of any agreements or covenants required to be performed by it contained in the Installment Purchase Contract.

Limited Obligations of the Authority. The Authority has no obligation or liability to the Owners of the 2005 Certificates with respect to the payment of the 2005 Payments when due, or with respect to the performance by the City of any other covenant made by it in the Installment Purchase Contract or the Trust Agreement.

CERTIFICATE INSURANCE

The following information has been furnished by the Insurer for use in this Official Statement. This information has not been independently confirmed or verified by the City. No representation is made by the City as to the accuracy or adequacy of this information subsequent to the date of this Official Statement, or that the information contained and incorporated herein by reference is correct. There can be no assurance that the credit ratings of the Insurer will not be downgraded in the future. Reference is made to APPENDIX I for a specimen of the Insurer's policy. Capitalized terms used but not defined in this section have the meanings given in the Certificate Insurance Policy.

Payments Under the Policy

Concurrently with the execution and delivery of the Certificates, Financial Guaranty Insurance Company, doing business in California as FGIC Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Certificates (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal or accreted value (if applicable) of and interest on the Certificates which has become due for payment, but shall be unpaid by reason of nonpayment by the issuer of the Certificates (the "Issuer"). 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 Certificates or the trustee or paying agent (if any) of the nonpayment of such amount by the Issuer. The Fiscal Agent will disburse such amount due on any Certificate 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 Certificate includes any payment of principal, accreted value or interest (as applicable) made to an owner of a Certificate 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 Certificates on their stated maturity dates and their mandatory sinking fund redemption dates, if any, and not on any other date on which the Certificates 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 Certificates is accelerated, Financial Guaranty shall only be obligated to pay principal (or accreted value, if applicable) and interest in the originally scheduled amounts and on the originally scheduled payment dates. Upon such payment, Financial Guaranty will become the owner of the Certificate, appurtenant coupon or right to payment of principal or interest on such Certificate and will be fully subrogated to all of the Bondholder's rights thereunder.

The Policy does not insure any risk other than Nonpayment by the Issuer, 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, if any) 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 bonds, Financial Guaranty may be granted certain rights under the bond documentation. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Certificates 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 Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Policy is 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 and 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. 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 three months ended March 31, 2005, and the years ended December 31, 2004, and December 31, 2003, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately $14.8 billion, $59.5 billion and $42.4 billion par value of securities, respectively (of which approximately 71%, 56% and 79%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately $84.4 million, $323.6 million and $260.3 million, respectively. For the three months ended March 31, 2005, Financial Guaranty had reinsured, through facultative and excess of loss arrangements, approximately 0.5% of the risks it had written.

As of March 31, 2005, Financial Guaranty had net admitted assets of approximately $3.215 billion, total liabilities of approximately $2.040 billion, and total capital and policyholders' surplus of approximately $1.175 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The unaudited financial statements of Financial Guaranty as of March 31, 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," 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 Certificates 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 Certificates, 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 Certificates. Financial Guaranty does not guarantee the market price or investment value of the Certificates nor does it guarantee that the ratings on the Certificates 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 Certificates, 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." In addition, Financial Guaranty makes no representation regarding the Certificates or the advisability of investing in the Certificates.

THE ELECTRIC SYSTEM

History and Background

The City, through Roseville Electric, has been providing electrical power to its residents, businesses, and the City's street lighting system since 1912. In 1956, the City signed a contract with the Federal Bureau of Reclamation for 69 megawatts ("MW"; a megawatt equals 1 million watts) of electric capacity from federal hydroelectric projects (which is currently supplied through the Western Area Power Administration ("Western")). Steady population growth created a need to obtain resources beyond this allocation of federal contract power.

To help meet this need, the City became a charter member in the Northern California Power Agency (the "NCPA"), a consortium of municipal electrical utilities, in 1968. The City participates in several resources developed by NCPA, including its geothermal, combustion turbine, steam-injected gas turbine, and hydroelectric projects. The Federal power allocation through Western is a percentage of the output of the Bureau of Reclamation's Central Valley Project, which consists of a system of dams, reservoirs and power plants within central and northern California. The remainder of the City's source of power supply is currently obtained through purchases on the open electricity market. See "– Sources of Power Supply."

NCPA has also developed electric dispatch and transmission capabilities that contribute to the City's electric utility services. On a regional basis, the City became a member of the Transmission Agency of Northern California ("TANC") in 1984, and participates in the California-Oregon Transmission Project ("COTP"). See "– Regional Transmission Facilities."

Starting in August 2005 the City intends to begin construction of the Roseville Energy Park, the primary project being financed with a portion of the proceeds of the 2005 Certificates. See "THE PROJECT" and "CAPITAL PLAN." See also APPENDIX B – INDEPENDENT ENGINEER'S REPORT."

Organization and Management

Supervision by City Council and Roseville Public Utilities Commission. The City's Electric System is under the supervision of the City Council. The five-member Roseville Public Utilities Commission serves as an advisory board to the City Council on matters relating to all utilities owned and operated by the City. The City Council appoints all five members of the Public Utilities Commission. The Electric Utility Director manages the Electric System and reports to the Public Utilities Commission and the City Manager.

Senior Management. The Electric System's senior management consists of the following executives:

Tom Habashi, Electric Utility Director. Tom Habashi has served as Electric Utility Director since 1998. Mr. Habashi is a registered electrical engineer with a Bachelor of Science in Electrical Engineering and a Masters in Business Administration. He began his career as a junior engineering aide with the City of Burbank in 1981 and was promoted to assistant electrical engineer later that year. Mr. Habashi joined the Palo Alto Utilities Department as a Power Engineer in 1984 and was promoted to Senior Power Engineer in 1986, Senior Resource Planner in 1987, Manager of Resource Planning in 1992 and Assistant Director of Utilities, Resource Management in 1995.

David Brown, Assistant Electric Utility Director-Distribution. David Brown has served as Assistant Electric Utility Director-Distribution since June 2001. He began working for Roseville Electric in 1987 after graduating from California State University, Sacramento with a Bachelor of Science degree in Electrical Engineering. He is responsible for the distribution operations of the Electric System which include operating and maintaining the City's electric distribution system, preparing budgets, managing 70 employees, and planning system improvement projects and overseeing their design and construction. Mr. Brown is a registered electrical engineer in the State of California.

Tom Green, Assistant Electric Utility Director, Power Supply Tom Green served as Power Supply Manager for Roseville Electric from April 2001 until assuming his current position in March 2005. Mr. Green is responsible for managing the City's electric supply portfolio including power market assessment, risk management, power plant generation, power purchases and sales, settlements, transmission, and administration. He is also responsible for the management of contractual relations with the Western Area Power Administration of the federal government, NCPA and the California Independent System Operator ("ISO"). Prior to joining the City, Mr. Green was employed 13 years by NCPA where he led marketing and contractual activities related to bulk electric power services to NCPA members. Previously, he was employed for 11 years by the State of California, Department of Water Resources in the Department's Energy Division. Mr. Green graduated from California State University, Sacramento with a Bachelor of Arts Degree in Government.

Michelle Bertolino, Assistant Electric Utility Director, Administrative and Retail Services. Michelle Bertolino has worked at Roseville Electric since February 2002. She is responsible for management of administrative and retail services which include financial analysis and forecasting, energy and load research and forecasting, ratemaking, budget development, demand side management, development of public benefits activities including renewable power supply purchases and sales, energy efficiency programs and customer service activities including key and major account representation. Prior to joining the City, Ms. Bertolino was employed by the Sacramento Municipal Utility District and San Francisco Public Utilities Commission. She graduated from the University of California, Santa Barbara with a B.A. in Economics and attended the Graduate School of Management at the University of California, Davis. She received her Certified Public Accountant license from the State of California.

Employees

As of June 30, 2004, approximately 94 City employees were assigned specifically to the Electric System. Certain functions supporting the Electric System operations, including meter reading, customer billing, collections and accounting, are performed by the Finance Department of the City.

Substantially all of the non-management City personnel assigned to the Electric System are represented by the International Brotherhood of Electrical Workers. The current Memorandum of Understanding with the International Brotherhood of Electrical Workers will expire on December 31, 2006. There have been no strikes or other work stoppages at the City, including the Electric System.

Retirement benefits to City employees, including those assigned to the Electric System, are provided through the City's participation in the Public Employees Retirement System (CALPERS) of California. As of June 30, 2004, the City had an unfunded pension liability of approximately $45.27 million (indicating the prior year's unfunded amount). The allocation of such liability to the electric department varies from year to year; for the 2003-04 fiscal year approximately 15.5% of the miscellaneous category was allocable to the Electric System.

Service Area, Customer Base and Demand

Service Area. The Electric System serves an area of approximately 31 square miles, coterminous with the City's borders. During Fiscal Year 2003-04, it served 45,412 customers, as further described in Table 1 below. See "APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE" for background and demographic information about the City.

Demand. As shown in Table 1 below, electricity use increased 10% during Fiscal Year 2002-03 and 7.5% during Fiscal Year 2003-04. The City attributes this growth to the vibrant economy in Roseville as well as market factors affecting electric consumption practice for the residential and small commercial market segments.

Customer Base. Since 2000 the Electric System's customer base has increased by 22%, or an average of 5.5% per year. This growth rate has been a result of expansion in all sectors of the economy, and a strong residential growth trend adding over 7,500 residential units during that time frame.

The City has experienced significant commercial growth in the last four years including retail shopping areas, hotels and office space that have contributed to the City's economy.

Projected Growth in Customer Base. By the end of Fiscal Year 2004-05, electricity use in the City is expected to increase by more than 4% compared to Fiscal Year 2003-04 levels. See "THE ELECTRIC SYSTEM – Sources of Power Supply – Future Power Supply Resources" and "ELECTRIC SYSTEM FINANCIAL INFORMATION – Projected Operating Results."

The City attributes this projected increase to growth in most sectors of the local economy. Over the next five years growth is expected to continue. Retail, commercial, medical facilities and hotels are planned or under construction. Residential development also is expected to continue throughout the City, with over 15,000 new residences anticipated over the next five years through the development of (a) certain unincorporated areas west of the City limits annexed to the City and to be developed in accordance with the West Roseville Specific Plan, which includes approximately 6,000 acres and is approved for approximately 7,000 proposed residential units, (b) approximately 6,000 residential units at various infill locations within the City limits, and (c) a proposed annexation known as the MOU Remainder Area, which may bring over 2,000 dwelling units over the next five years and an additional 5,000 thereafter, as well as over 100 acres of commercial development.

The City is expecting several existing customers to experience significant growth over the next few years. Kaiser Hospital and Sutter Roseville Hospital are expected to increase their operations significantly with the addition of medical office buildings, beds, an emergency room and a new surgery and intensive care unit addition. The bulk of the new load is expected by 2008. In addition, the Galleria at Roseville Mall is planned for expansion. The County of Placer is expected to replace its small justice facilities in the City with a regional Justice Center, including law enforcement offices, detention facilities, and courthouse. The Justice Center is currently projected to phase in from 2006 through 2009.

The City anticipates that the effect of the annexation and expected growth on the Revenues of the Electric System will be offset by increases in operating expenses in order to meet the increased electricity demand. The effect of these annexations has been incorporated into the projected operating results of the Electric System. See "CAPITAL PLAN" and "ELECTRIC SYSTEM FINANCIAL INFORMATION – Projected Operating Results."

Historical Customers Sales and Peak Demand. The average number of customers, electricity sales measured in kilowatt-hour1 ("kWh") and in revenues, and peak demand during the past five fiscal years, are listed below.

Table 1
Customers, Sales and Peak Demand
Fiscal Years Ended June 30

	2000	2001	% Chng	2002	% Chng	2003	% Chng	2004	% Chng
Number of Customers									
Residential	32,732	34,341	4.92%	36,373	5.92%	38,054	4.62%	40,312	5.93%
Commercial	4,524	4,326	(4.38)	4,506	4.16	4,720	4.75	5,101	8.07
Total Customers	37,256	38,667	3.79	40,879	5.72	42,774	4.64	45,412	6.17
kWh Deliveries									
Residential	276,228,987	306,908,683	11.11	297,252,852	(3.15)	335,789,626	12.96	381,799,100	13.70
Commercial	599,456,965	658,493,552	9.85	631,099,644	(4.16)	686,404,562	8.76	717,219,609	4.49
Total kWh Deliveries	875,685,952	965,402,235	10.25	928,352,496	(3.84)	1,022,194,188	10.11	1,099,018,709	7.52
Revenues									
Residential	$23,633,807	$25,845,807	9.36	$26,050,644	0.79	$29,062,613	11.56	$34,565,885	18.94
Commercial	39,686,624	45,611,652	14.93	45,495,713	(0.25)	49,331,010	8.43	53,053,597	7.55
Total	$63,320,431	$71,457,459	12.85	$71,546,357	0.12	$78,393,622	9.57	$87,619,483	11.77
Peak Demand (kW)	242,840	243,150	0.13	239,400	(1.54)	274,650	14.72	294,600	7.26

Source: City of Roseville.

Ten Largest Customers. The ten largest customers of the City's Electric System, as of June 30, 2004, are shown in Table 2 below.

Table 2
Ten Largest Customers
As of June 30, 2004

Customer	Type of Business	% of Total kWh	% of Revenues
NEC Electronics	Manufacturing	12.2%	9.2%
Hewlett Packard	Office/Manufacturing	6.0	4.9
Cassie Hill Center	Data Processing	1.6	1.3
Kaiser Hospital	Medical	1.3	1.1
Sutter Hospital	Medical	1.3	1.0
Roseville Wastewater Plant	Utility	1.0	0.8
Surewest	Communications	0.9	0.7
Urban Retail Properties	Shopping Mall	0.8	0.8
Albertson's	Warehouse/Distribution	0.7	0.6
Southern Pacific	Railroad	0.7	0.6
TOTAL		26.5%	21.0%

Source: City of Roseville.

Contracts with Largest Customers. In early 2001, Roseville negotiated long-term agreements with its key industrial and commercial customers (other than NEC and Hewlett-Packard, which already had agreements) in order to maintain reasonable and competitive rates. All customers agreed to be full requirements customers of the Electric System for 5 years. The City now has 22 long-term contracts (most of) which expire in 2006. The contracts stipulate that rates may be changed from time to time to reflect the cost of service. The two largest customers, NEC and Hewlett-Packard (main campus only), agree to receive distribution services exclusively from the City until 2022 and 2021, respectively. There is no need to renew the contracts upon expiration due to the termination of direct access in California.

Sources of Power Supply

General. The City acquires power supply from 3 major sources: a long-term contract with Western; entitlements to a percentage of the capacity and energy of certain NCPA generation projects; and the open market for electricity. Table 3 below provides a summary of the City's sources of power supply, which are further described in detail below.

Table 3
Sources of Power Supply
Fiscal Year Ended June 30, 2004

Source	Capacity Available (MW)	Actual Power (GWh)*	% of Total	Average cents Per kWh
Western (1)	69	445	39%	2.5
NCPA (1)				
Geothermal Project	10	85	7	7.3
Hydroelectric Project	45	76	7	5.7
Combustion Turbine Project No. 1	17	1	0	153.5
Steam Injected Gas Turbine Generator Project	21	11	1	29.1
Seattle City Light (2)	20	29	3	-
Open Market Purchases (3)	75	492	43	4.0
TOTAL	257	1139	100%	

(1) Entitlements, firm allocations and contract amounts.
(2) This is a seasonal exchange agreement where the City receives more capacity and Seattle receives more energy on an annual basis.
(3) Net firm and non-firm energy purchases on the open market.
* One gigawatt (GWh") equals on billion watts per hour.
Source: City of Roseville.

Western.

Base Resource Agreement. On December 31, 2004, Roseville Electric's long-term power supply agreement with the Western Area Power Administration (Western) expired. For the past thirty years, Western has been a source of low cost power for Roseville Electric. A new, 20-year Base Resource contract replaces the expired contract. The new contract provides Roseville with approximately 4.5% of the output of the Central Valley Project generation net of project use, first preference allocations and control area obligations. The contract provides varying amounts of capacity and energy depending on hydrology and water storage conditions. It is estimated that Roseville will receive 60% less power from Western resources under the new contract. Replacing the power that will no longer be provided by Western results in cost increases of approximately 40% for replacement power beginning in January 2005. The term of the Base Resource contract extends through December 31, 2024.

NCPA Geothermal Project.

Description. NCPA has developed a geothermal project (the "NCPA Geothermal Project") located on federal land in certain areas of Sonoma and Lake Counties, California. In addition to the geothermal leasehold, wells, gathering system and related facilities, the NCPA Geothermal Project consists of two electric generating stations (Geothermal Plant I and Geothermal Plant 2), each with two 55 MW (nameplate rating) turbine generating units utilizing low pressure, low temperature geothermal steam, associated electrical, mechanical and control facilities, a heat dissipation system, a steam gathering system, a transmission tapline and other related facilities.

Geothermal steam for the NCPA Geothermal Project is derived from geothermal property, which includes wellpads, access roads, steam wells and reinjection wells.

Ownership and Management. NCPA formed two not-for-profit corporations controlled by its members to own the generating plants of the NCPA Geothermal Project. NCPA manages the NCPA Geothermal Project for the corporations and is entitled to all the capacity and energy generated by the NCPA Geothermal Project.

Financing. NCPA financed the NCPA Geothermal Project with NCPA Geothermal Project Number 3 Revenue Bonds, of which $217.3 million were outstanding as of June 30, 2004 (which represents total debt not including approximately $25 million in debt that has been economically defeased). The annual debt service on these bonds ranges from $3.0 million to $56.4 million, with a final maturity of July 1, 2010. The City's share of debt service is approximately $2.4 million per year.

City's Entitlement. The City has purchased from NCPA, pursuant to power sales contracts, a 7.88% entitlement share in the NCPA Geothermal Project and is obligated to pay a like percentage of all of the debt service and operating costs of the NCPA Geothermal Project. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

Operation. Due to a decline in the steam field production, the NCPA Geothermal Project is currently being operated at an average of 124 MW rather than the base load of 238 MW. NCPA has implemented a number of strategies to reduce the rate of decline in steam field productions, such as lowering steam turbine operating pressures to improve mass flow, and augmenting mass flow by managing the injection of plant condensate and supplemental water. These changes have been effective in reducing the decline in steam production.

Due to current operating protocols and forecasted operations, NCPA expects average annual generation and peak capacity to decrease, reaching approximately 113 MW by the year 2010, and remaining in excess of 72 MW through 2030, the end of the study period.

NCPA Hydroelectric Project Number One.

Description. NCPA's Hydroelectric Project Number One (the "NCPA Hydroelectric Project") consists of (a) three diversion dams, (b) the 252 MW Collierville Powerhouse, (c) the Spicer Meadow Dam with a 5.5-MW powerhouse, and (d) associated tunnels located essentially on the North Fork Stanislaus River and on the Stanislaus River in Alpine, Tuolumne and Calaveras Counties, California, together with required transmission facilities.

Ownership and Management. The NCPA Hydroelectric Project (with the exception of certain transmission facilities discussed below) is owned by the Calaveras County Water District ("CCWD") and is licensed to CCWD by FERC under its license for Project No. 2409, which has a term of 50 years and expires in 2032.

Under a power purchase contract, NCPA (i) is entitled to the electric output of the NCPA Hydroelectric Project until Fiscal Year 2032, (ii) managed the construction of the NCPA Hydroelectric Project and (iii) operates the generating and recreational facilities of the NCPA Hydroelectric Project.

Under a separate FERC-issued license for Project No. 11197, with an expiration date coterminous with its license for Project No. 2409, NCPA holds the license to and owns two transmission lines from the NCPA Hydroelectric Project (the 230 kilovolt ("kV"; 1 kilovolt equals 1,000 volts) Collierville-Bellota and 21 kV Spicer Meadow-Cabbage Patch transmission lines).

Financing. NCPA financed the NCPA Hydroelectric Project through the issuance of the NCPA Hydroelectric Project Number One Revenue Bonds, of which approximately $501.1 million were outstanding as of June 30, 2004.

The City's nominal share of debt service is 12%, but the actual percentage share paid by the City is 9.9% due to certain economic defeasance portfolios established in 1998, under which a portion of the City's share of debt service was prepaid. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. The City's share of annual debt service (net of these economic defeasance portfolios) continues to the year 2032 and ranges from $2.4 million to $4.3 million. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City's Entitlement. The City has a 12.00% entitlement share of the generating output of the NCPA Hydroelectric Project.

Operation. The operation of the NCPA Hydroelectric Project is determined by consideration of its storage capacity and available stream flows. The NCPA Hydroelectric Project's average production is estimated to be 550 GWh annually, based on the 108-year record (1895 to 2003) of stream flows on the two rivers supplying water to the project. Using the driest period on record (1976-1977), the NCPA Hydroelectric Project is estimated to produce 180 GWh annually.

For Fiscal Year 2003-04, the NCPA Hydroelectric Project's electricity generation was 75.8 GWh. Although water storage conditions in 2004 were normal, the project was operated at close to minimum levels to reserve generation for load following and ancillary services in 2005. As noted under the subcaption "Western" above, in 2005 Western began operation under a new marketing plan that substantially decreased the amount of energy provided and the flexibility of the Western power supply contracts. The NCPA Hydroelectric Project will provide a portion of the load following services previously provided by the Western resource.

Seismic Considerations. Potential seismic sources in the area of the Stanislaus River Basin have been identified by PG&E that may, if proven to have credibility, affect the NCPA Hydroelectric Project facilities. NCPA and the Tri-Dam project conducted an initial investigation, finding that, for the most part, the new faults shown on the 1994 Fault Activity Map of California closest to the NCPA Hydroelectric Project do not appear to exist. Further studies were conducted by NCPA and Tri-Dam in 2004. No seismic faults were found that affect the stability of the NCPA structures.

McKay's Reservoir Slope Stabilization. In 1997, NCPA began investigating the potential need for stabilizing an area above the intake to the Collierville powerhouse at McKay's reservoir. NCPA initiated geotechnical investigations to determine the extent of the instability, the mechanism of movement, the risk to its facilities and possible stabilization measures. Any rapid failure of this landmass is considered highly unlikely by NCPA's consultants.

NCPA has undertaken stabilization measures including drilling several horizontal wells to remove subsurface water and has installed gauges to measure the movement of the mass. Subsurface water was considered to be the primary cause of the slump and dewatering has significantly reduced the slope movement.

Further efforts to stabilize the slope will be considered after monitoring and evaluation of current efforts. All efforts made to stabilize the slope have been carefully reviewed by and coordinated with FERC, the United States Forest Service, the California Department of Water Resources ("DWR"), and the Division of Safety of Dams.

NCPA Combustion Turbine Project Number One.

Description. NCPA has developed its Combustion Turbine Project Number One (the "NCPA Combustion Turbine Project") consisting of five combustion turbine units, each nominally rated 25 MW. Two of the units are located in the City, two are in the City of Alameda and one is in the City of Lodi.

Financing. NCPA financed the NCPA Combustion Turbine Project through the issuance of the NCPA Combustion Turbine Project Number One Revenue Bonds, of which $24.8 million was outstanding as of June 30, 2004. The debt service on these bonds is approximately $4.3 million annually with a final maturity of August 15, 2010. The City's share in the debt service on these bonds is 13.58%, and constitutes an operating expense of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. The City's share of annual debt service is approximately $600,000 per year. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City's Entitlement. Under a power sale contract, the City has purchased from NCPA a 13.58% entitlement share in the NCPA Combustion Turbine Project. As is typical of reserve and peaking resources, the average cost per kWh of power delivered to participants in the NCPA Combustion Turbine Project is comparatively expensive.

Operation. The NCPA Combustion Turbine Project provides capacity (i) that is economically dispatched during the peak load period to the extent permitted by air quality restrictions and (ii) that is used to meet capacity reserve requirements (which is operated only during emergency periods when other resources are unexpectedly out of service).

NCPA Steam Injected Gas Turbine Generator Project, Unit One.

Description. In 1992, NCPA undertook its multiple capital facilities project consisting of: (i) one Steam Injected Gas Turbine (a "STIG"), Unit One, with a design rating of 49.9 MW located in Lodi, and owned and operated by NCPA, (ii) a second STIG, Unit Two, owned and operated by the Turlock Irrigation District ("Turlock"), located in the City of Ceres, and (iii) certain improvements to the electric system of Lodi (the "Lodi Facilities").

For Fiscal Year 2003-04, the STIG Unit One's electricity generation was 11.4 GWh.

Financing. NCPA financed the NCPA Steam Injected Gas Turbine Generator Project through the issuance of $152.3 million of Multiple Capital Facilities Revenue Bonds, all of which have since been refunded or defeased with a subsequent issue of refunding bonds, approximately $67.2 million of which was outstanding as of June 30, 2004. The annual debt service on these refunding Bonds ranges from $485,000 to $5.9 million, with a final maturity in 2026. The City's share in the debt service on these bonds is 36.55%, and constitutes an operating expense of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. The City's share of annual debt service is approximately $2.0 million per year. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

City's Entitlement. The capacity and energy of STIG Unit One is purchased through a contractual arrangement among the City, Alameda, Lompoc and Lodi, under which the City has purchased from NCPA a 36.55% entitlement share in the NCPA Multiple Capital Facilities Project.

NCPA has entered into arrangements on behalf of the NCPA Multiple Capital Facilities Project Participants to provide for a gas supply for Unit One.

Seattle City Light Power Capacity and Energy Exchange Agreement. NCPA, on behalf of Healdsburg, Palo Alto, Ukiah, Lodi and the City, has negotiated a seasonal exchange agreement with Seattle City Light for 60 MW of summer capacity and energy and a return of 46 MW of capacity and energy in the winter. Deliveries under the agreement began June 1, 1995 and will terminate no earlier than May 31, 2014. The City has a 33.33% share of the benefits and burdens of the seasonal exchange agreement.

Open Market Term Purchase and Sale Agreements. The City enters into various fixed-price purchase or sale contracts on the open market at various times to meet its power supply requirements and hedge its portfolio costs consistent with its risk management policies. These are generally sold or acquired in 25 MW increments on a seasonal or annual basis. Current multi-year open-market contracts include the following:

- In June 2001, the City entered into a fixed-price contract with Morgan Stanley Capital Group, which supplies on-peak power generally in 25 MW increments in varying months through 2004, increases to 50 MW during all on-peak hours in 2005, and further increases to 100 MW during all on-peak hours from 2006 through 2010.

- In July 2003, the City sold 25 MW of on-peak power to Morgan Stanley Capital Group for the period January 2007 through December 2010.

- In April 2005, the City sold 50 MW of on-peak power to Morgan Stanley Capital Group for the period January 2008 through December 2010.

The City has also entered into several short-term purchases for varying terms within 2005 from a number of power suppliers. The short-term purchase terms range from 1 to 3 months.

Future Power Supply Resources. The City expects that it will obtain additional resources from market purchases or investment in generation facilities, either independently (through the Roseville Energy Park, as described below under “CAPITAL PLAN”) or through NCPA or other agencies.

Table 4 below sets forth the City's projected energy requirements and resources for the next 10 fiscal years.

Table 4
Projected Energy Requirements and Resources
Fiscal Years 2004-05 through 2013-14
(GWh)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
City-Owned Generation										
Roseville Energy Park [1]	0.0	0.0	109.8	757.9	737.2	776.1	727.1	766.4	722.2	718.4
Joint Powers Facilities										
NCPA Geothermal Project	84.5	83.7	85.6	84.5	82.2	80.1	78.0	76.2	73.2	71.8
NCPA Hydroelectric Project	77.6	70.9	85.1	85.7	85.0	84.8	84.9	85.0	85.6	85.2
NCPA Combustion Turbine No. 1	0.1	0.4	0.9	0.9	1.4	2.1	1.8	1.5	0.9	0.9
NCPA Steam Injected Gas Turbine	30.9	40.9	37.0	41.4	42.0	44.4	44.3	38.4	36.1	31.5
Joint Powers Facilities Subtotal:	193.0	195.8	208.7	212.6	210.6	211.4	209.1	201.0	195.7	189.4
Long-Term Purchases and Exchanges										
Western	271.3	152.8	153.1	153.4	153.1	153.1	153.1	153.4	153.1	153.1
Forward Purchases	641.4	533.6	708.4	491.2	491.8	491.8	246.4	0.0	0.0	0.0
Seattle City Light	(6.5)	(6.0)	(8.0)	(8.3)	(8.0)	(8.0)	(8.0)	(8.3)	(8.0)	(8.0)
Energy 2001 Landfill Gas		12.6	12.6	12.6	12.6	21.6	12.6	12.6	12.6	12.6
Long-Term Purchases and Exchanges Subtotal:	906.2	693.0	804.5	403.0	280.5	280.5	219.3	157.8	157.7	157.7
Long Term Sales										
Forward Sales			(61.6)	(246.0)	(368.4)	(368.4)	(184.8)			
Net Short-Term Market Purchases (Surplus Sales)	95.5	366.3	184.4	(11.5)	192.9	205.6	369.1	44.54	523.2	551.0
Total Energy Resources:	1194.8	1255.2	1307.3	1362.0	1421.3	1473.7	1524.5	1570.6	1598.8	1616.6
Total Energy Requirements:	1194.8	1255.2	1307.3	1362.0	1421.3	1473.7	1524.5	1570.6	1598.8	1616.6

[1] See "THE PROJECT" and "CAPITAL PLAN."
Source: City of Roseville.

Power Supply Risk Management

The Electric System has in place a rigorous risk management program to ensure that customers will, to the best extent possible, be insulated from the volatility of supply prices. The Electric System established a Risk Oversight Committee (ROC), risk management policies and procedures. The ROC meets quarterly to review energy trading activities and to ensure their adherence to the risk management policies.

Currently, the City purchases all of its annual energy requirement to serve retail customers from its contract with Western, its participation in NCPA generation projects and long-term contracts, thereby providing resources to meet its load requirement, as well as providing operating reserves. All purchases are made to meet forecasted load requirements. Generally, within the limits of its risk management policies, the City purchases or sells energy that is deficit or surplus to its retail customer needs within the short-term economy energy market using the scheduling and dispatch services of the NCPA.

The short-term risk management measures limit the amount of hedged and unhedged supply such that the City's exposure to changes in market prices are limited as follows:

Budget Cost exposure:

- Prior to fiscal year: Limit market price exposure for the fiscal budget year to 5% or less of the total purchase power cost based on forward portfolio exposure costs calculated as of March of the current year based on a "budget" load forecast.

- During fiscal year: Limit market price exposure to no more than 5% of annual purchased power cost budget. Maintain monthly and quarterly cost exposure ratios less than 15% and 30% respectively.

Limit Open Volume:

- Portfolio open volume will be no more than +/- 10% of forecast (representing a 15-month analysis and exposure horizon) load on a rolling 12 month basis.

The long-term risk management strategy provides a ceiling for the percentage of unhedged energy (electricity and natural gas) to meet expected loads as follows:

Rolling Year	Minimum Hedged Supply	Maximum Unhedged Supply
1	90%	10%
2	80	20
3-5	70	30
6-10	30	70

The policy requires that the City purchase forward electric contracts and/or forward gas contracts to fulfill its long-term hedged supply requirement. In the event of decreases in expected sales levels, the policy may require that the City sell forward electric gas and/or electric contracts. Allowed instruments in the hedging program include:

- Electric forward sales or purchases with authorized counterparties
- Electric tolling arrangements with qualified counterparties
- Bi-lateral Gas contracts with qualified counterparties
- Gas futures, Floors and Caps through the NYMEX or other approved market
- Prepaid Gas Supply

The City's natural gas procurement strategy will hedge the price and volumetric risk of planned annual, seasonal or monthly power plant generation through the purchase or sale of financial futures or forward over-the-counter hedging contracts. The City will purchase natural gas for the current month's expected operation at a monthly index price delivered at the PG&E City Gate. It will mitigate the volumetric risk of daily dispatch variation through the purchase or sale of natural gas at the daily index price.

Regional Transmission Facilities

ISO Controlled Grid. NCPA Project generation and most market purchases are delivered over the ISO Controlled Grid to the electric system of Western, to which the City is physically interconnected. Western energy purchases are delivered to Roseville solely over Western transmission facilities.

Western had three long-term contracts (Contracts 14-06-200-2947A (2947A), 14-06-2002948A (2948A), and 14-06-200-2949A (2949A)) with PG&E which expired December 31,

2004. In response to the expiration of these contracts, Western began an evaluation of their regulatory options post-2004. The result of this evaluation was the decision by Western to form a contract-based sub-control area within the existing SMUD control area, effective January 1, 2005. As a direct-connected load on Western's transmission system, Roseville became a participant in the new Western sub-control area.

Since Roseville ceased being a load on the ISO Controlled Grid with the operation of the Western sub-control area, the Metered Subsystem ("MSS") Agreement which the City entered into with the ISO effective September 1, 2002 became moot and has been cancelled. Roseville's participation in the NCPA MSS Aggregator Agreement has also been terminated. The City continues to employ NCPA as its Scheduling Coordinator to schedule energy from NCPA and Roseville resources to serve Roseville loads.

NCPA Geysers Transmission Project.

Ownership and Description. In order to meet certain obligations required of NCPA to secure transmission and other support services for the NCPA Geothermal Project, NCPA and its transmission project participants (including the City) undertook the "Geysers Transmission Project," which includes (a) an ownership interest in PG&E's 230 kV line from Castle Rock Junction in Sonoma County to the Lakeville Substation, (b) additional firm transmission rights in this line, and (c) a central dispatch facility (see "– Dispatch and Scheduling" below).

Financing. NCPA financed the Geysers Transmission Project through the issuance of Transmission Project Number One Revenue Bonds, which were outstanding in the principal amount of approximately $5.5 million as of June 30, 2004. The City's share of debt service is approximately $60,000 per year.

City's Entitlement. The City is entitled to a 14.18% share of the Geysers Transmission Project transfer capability, and is responsible for 14.18% of debt service on the Transmission Project Number One Revenue Bonds, which constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See "ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness."

TANC California-Oregon Transmission Project.

Ownership and Description. Fourteen Northern California cities and districts and one rural electric cooperative, including the City, are members or associate members of a California joint powers agency known as the Transmission Agency of Northern California ("TANC").

TANC, together with the City of Vernon, California ("Vernon"), Western, three California districts and authorities and PG&E (collectively, the "COTP Participants") own the California-Oregon Transmission Project ("COTP"), a 339-mile long, 1,600 MW, 500 kV transmission power project between Southern Oregon and Central California. The COTP was placed in service on March 24, 1993, at a cost of approximately $430 million, and was financed through a combination of bonds and notes issued by TANC.

City's Entitlement. Under Project Agreement No. 3 for the COTP (the "TANC Agreement"), the City is entitled to 2.313% of TANC's share of COTP transfer capability (approximately 29.35 MW). In return, the City has severally agreed to pay, on an unconditional take or pay basis, 2.295% of the construction costs of the COTP, including debt service, and 2.313% of TANC's COTP operating and maintenance expenses. The City's share of annual debt service continues to the year 2024 and is approximately $700,000 per year. These obligations constitute operating expenses of the Electric System payable on a basis senior to payments under the Installment Purchase Contract. See “ELECTRIC SYSTEM FINANCIAL INFORMATION – Outstanding Indebtedness – Senior Indebtedness.”

City Use of COTP. The City uses its rights in the COTP to make economy power purchases for the Electric System and to deliver its share of the Seattle City Light contract energy.

Regulatory Changes. COTP is one of three 500 kV transmission lines which together make up the California Oregon Intertie (“COI”). The Coordinated Operating Agreement which governed the coordinated operations of the three lines expired December 31, 2004. A replacement agreement, termed the Interim Operations Agreement (“ICOA”), was accepted by FERC effective January 1, 2005. TANC has initiated the process of transferring the COTP to the jurisdiction of the SMUD control area, with the goal of completing the process prior to December 31, 2005. At that time the ICOA will be terminated.

Tesla-Midway Transmission Service. The southern physical terminus of the COTP is near PG&E's Tesla Substation in the San Francisco Bay Area. The COTP is connected to Western's Tracy and Olinda Substations. TANC has arranged for PG&E to provide TANC and its members with 300 MW of firm bi-directional transmission capacity in its transmission system between its Tesla Substation and the Midway Substation (the "Tesla-Midway Service") under an agreement known as the South of Tesla Principles.

The City's share of this Tesla-Midway Transmission Service is 5 MW. The City utilizes its allocation of Tesla-Midway Transmission Service for firm and non-firm power transactions when available and economic to do so.

City Distribution System

The City owns and operates the electrical distribution system serving retail customers within the City's boundaries. The distribution system is connected to the Western system at the two connection points, the 230-kV Berry Street Receiving Station and the 230-kV Fiddyment Station. The distribution system consists of over 130 miles of overhead lines, 514 miles of underground lines and 14 substations. The City performs continued maintenance on its distribution system to sustain service reliability.

Dispatch and Scheduling

The City participates in the NCPA Power Pool. In accordance with the NCPA pooling agreement, NCPA schedules and dispatches the pool members' generation resources to meet the pool members' loads on an economic dispatch basis from NCPA projects and long- and short-term power supply contracts. NCPA provides such dispatch and scheduling services from its dispatch control center located at its headquarters in the City.

Energy Efficiency and Conservation

AB 1890, the electric utility deregulation law, required the establishment of public benefit programs for investor owned and public power utilities through 2001. On September 30, 2000, the governor signed into law SB 1194 and AB 995, which extend the requirement to support public benefit electricity programs through January 1, 2012. The City funds these programs at 5% of gross revenues (approximately $4.7 million per year based on Fiscal Year 2003-04 gross revenues).

Roseville Electric has developed a full portfolio of public benefits programs since 2001, addressing the four areas of concentration required by state law: low income assistance programs, renewable energy production, advanced electric technology demonstration and research and development, as well as energy efficiency programs. During 2003 Roseville Electric was named winner of the California Municipal Utility Association award for community service programs for the third consecutive year.

Residential and commercial energy efficiency offerings focus on summer period consumption reduction and include programs for both existing facilities and new construction. In 2003, the public benefits budget was enhanced through funds made available by the California Energy Commission via special legislation addressing the electric utility industry. These funds were in support of advanced metering for the larger commercial/industrial consumer, photovoltaic power system buy-down funds, as well as innovative energy efficiency programs targeting peak demand reduction.

Plans for 2005 include enhanced energy efficiency programs for commercial new construction, a utility education center as part of the new Mahany Library facility, and plans for three new photovoltaic projects at municipal facilities.

Insurance

The Electric System's insurance needs are handled by the Risk Management Division of the City's Human Resources Department. The City, including the Electric System, is self-insured for up to $500,000 for all insurance needs including casualty and liability and up to $250,000 for workers' compensation. The City has also joined with a group of other municipalities to participate in two joint powers authorities, the California Joint Powers Risk Management Authority, that provides excess coverage up to $25,000,000 for casualty and liability, and the Local Agency Workers' Compensation Excess Joint Powers Authority, for excess coverage up to $50,000,000 for workers' compensation.

Due to the size of the project, the City expects to obtain a separate insurance policy for the Roseville Energy Park upon completion of the facility.

CAPITAL PLAN

Projected Capital Improvement Plan

The City's currently anticipated capital improvement plan for the Electric System encompasses both improvements to the City's electricity distribution system and the development and construction of the Roseville Energy Park, which is to be financed with the proceeds of the 2005 Certificates and further described herein. See "THE PROJECT" and Appendix B.

As shown in the Capital Plan below, the City is forecasting electric system capital spending in excess of $255 million over the next five years.

Table 5
Capital Improvement Plan Summary

Fiscal Year	Distribution Projects (2004 Certificates Proceeds)	Roseville Energy Park (2005 Certificates Proceeds)	Other (1)
Prior Years	$16,039,000	$ 43,269,000	$ 4,601,000
2005-06	12,450,000	79,780,000	5,572,000
2006-07	5,718,000	52,063,000	6,080,000
2007-08	5,870,000	-0-	12,650,000
2008-09	-0-	-0-	11,070,000
2009-10	-0-	-0-	8,800,000
Totals:	$40,077,000	$175,112,000	$48,773,000

(1) Includes projects funded by developer fees and annual operating funds
Source: City of Roseville

The City is causing the 2005 Certificates to be executed and delivered to finance the construction and acquisition of the Roseville Energy Park, a power generation plant that is designed to employ current technology for clean, fuel-efficient power. The City is pursuing the Roseville Energy Park to provide stable electric prices with a highly reliable and environmentally responsible system. The local generation facility is expected to provide several long-term benefits to Roseville Electric and the community, including increased flexibility, reliability, price stability and independence from the regional transmission grid during any future energy shortages. See "THE PROJECT" and "APPENDIX B – INDEPENDENT ENGINEER'S REPORT" hereto.

RATE SETTING AND RATE REGULATION

Electric Rates

Rate-Setting Procedure. Under the City Charter and State law, the City has the exclusive jurisdiction to set electric rates within its service area by ordinance, which requires a majority vote of the City Council. These rates are not subject to review by the California Public Utilities Commission or any other state or federal agency.

The City Council reviews Electric System rates periodically and makes adjustments as necessary.

The City Council is also authorized by the City Charter to set charges, pay for and supply all electric power to be furnished to customers according to such schedules, tariffs, rules and regulations as are adopted by the City Council. The City Charter provides that the City Council will have the power to charge equitable rates for the electric services furnished and for building up the electric properties so as to conserve their value and increase their capacity as needed by the City.

In addition, the City Charter provides for the maintenance of the Electric Fund for the Electric System into which is deposited receipts from the operations of the Electric System and from which are payable the costs and expenses of the Electric System.

Service Charges and Demand Charge as of April 2005. The City's monthly residential electric rates currently include a $5.00 service charge plus $0.0779 per kWh consumed up to 500 kWh, and $0.1039 per kWh for consumption in excess of 500 kWh.

For non-residential customers, the monthly service charge ranges from $6.50 to $150.00 plus $0.0632 to $0.0825 per kWh consumed. Additionally, some non-residential customers are eligible for discounts ranging from 2% to 3.5% for primary service delivery and high load factors.

Certain non-residential users are also subject to a demand charge ranging from $2.19 per kW to $3.25 per kW.

Ten-Year History of Rate Adjustments. Over the past ten years, the City's retail electric rates have increased an average of 1.5% annually, well below the rate of inflation. Following is the City's rate change history:

- April 2005 – revenue rate increase of 5% on all residential and commercial customers.
- *January 2004* - revenue neutral rate changes: tiered rates for residential customers and customer rate class consolidation for commercial customers.
- *July 2002* - 4% rate rebate, based upon total monthly electric charges, to all electric customers, which lasted from September 2002 through August 2003.
- *December 2001* - 5% increase for residential and 7.5% increase for commercial.
- *October 2000* - revenue neutral rate realignment among the unbundled charges by residential and commercial rates.
- *January 2000* - revenue neutral rate adjustment to unbundled residential and commercial rates.
- *July 1997* - revenue neutral rate adjustment, increasing residential rates 7% and decreasing business rates an average of 3.5%.

Additionally, on May 8, 1996, the City adopted Resolution No. 96-148, which provides for, among other policies, the establishment of a rate stabilization fund, in order to remain competitive under industry-wide restructuring of the electric industry. Such policies also provide for the recovery of capital costs of the City's electric generating assets.

Rate Comparison

The City's current retail electric rates are among the lowest in California and over 40% lower than other retail electric rates being charged in the Sacramento region. Table 6 below sets forth a comparison between average electric rates paid by City customers and PG&E customers.

Table 6
Electric Rate Comparison with PG&E
(cents/kWh)

Customer Type	Roseville Electric Rates [1]	PG&E Rates [2]	% Difference
Residential	9.58	13.7	43%
Small Commercial	8.72	16.03	84
Medium Commercial	8.68	14.37	66
Large Commercial/Industrial	6.70	10.99	64
System Average	8.41	13.5	61%

[1] Based on Fiscal Year 2005-06 retail sales forecast dated January 2005, which includes the City's April 1, 2005 rate increase.
[2] Based on average rates per PG&E's proposed settlement, published January 1, 2005.
Source: City of Roseville.

Electricity Rate Regulation

No Current Direct Regulation. The authority of the City to impose and collect rates and charges for electric power and energy sold and delivered is not currently subject to the regulatory jurisdiction of the California Public Utilities Commission, and presently neither the California Public Utilities Commission nor any other regulatory authority of the State of California nor FERC limits or restricts such rates and charges. See also "SPECIAL RISK FACTORS – Rate Regulation."

California Energy Commission. The California Energy Commission is authorized to evaluate rate policies for electric energy as related to goals of the Energy Resources Conservation and Development Act and make recommendations to the Governor, the Legislature and publicly owned electric utilities.

ELECTRIC SYSTEM FINANCIAL INFORMATION

Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Electric System is accounted for as an enterprise fund. Enterprise funds are used to account for operations (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The Electric Fund uses the accrual method of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

Investments are stated at cost. Inventories are valued at weighted average method. Capital assets are recorded at historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

Audited Financial Statements

The City's Annual Financial Report is audited by Maze & Associates, Walnut Creek, California (the "Auditor"), in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly the financial position of the various funds maintained by the City. The reports include certain notes to the financial statements which may not be fully described below. Such notes constitute an integral part of the audited financial statements.

Copies of these reports for prior Fiscal Years are available on the City's website, www.roseville.ca.us. *The website address is given for reference and convenience only and the current accuracy of information contained therein cannot be assured; nothing on the website is a part of this Official Statement or incorporated into this Official Statement by reference.*

The City's Annual Financial Report for Fiscal Year 2003-04 is attached as APPENDIX C to this Official Statement.

The City has not requested nor did the City obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the Electric System. In addition, the Auditor has not reviewed this Official Statement.

Outstanding Indebtedness

Parity Indebtedness.

Certificates of Participation. The 2005 Payments are secured on a parity with the 1997 Payments, the 1999 Payments, the 2002 Payments and the 2004 Payments, which are further described below:

	Original Date of Execution and Delivery	Original Principal Amount	Currently Outstanding Principal Amount	Debt Service Range	Final Maturity
1997 Payments	Nov. 13, 1997	$11,880,000	$635,000	$329,613-340,275	Feb. 1, 2007
1999 Payments	Aug. 18, 1999	21,630,000	2,135,000	$595,025-597,145	Feb. 1, 2009
2002 Payments	Dec. 18, 2002	40,385,000	30,980,000	$986,241-6,217,185	Feb. 1, 2024
2004 Payments	July 13, 2004	39,940,000	39,940,000	$1,640,225-4,234,500	Feb. 1, 2034

See "THE 2005 CERTIFICATES – Payment Schedule" for the schedule of combined 1997 Payments, 1999 Payments, 2002 Payments and 2004 Payments. See also "Appendix A hereto.

Payment Agreement. In connection with the 2002 Certificates (which represent interest calculated at a variable rate), the City has entered into a Payment Agreement with Morgan

Stanley Capital Services, which is an interest rate swap agreement under which the City makes payments that are calculated by reference to a fixed rate and receives payments that are calculated by reference to a variable rate, all in connection with making the 2002 Payments. The Payment Agreement constitutes a “Parity Payment Agreement” under the Installment Purchase Contract, payments on which are made on a parity with all Payments under the Installment Purchase Contract.

Senior Indebtedness. The City participates in certain joint powers agencies, including NCPA and TANC, through which the City owes a share of debt service on debt issued by those joint powers agencies. See “THE ELECTRIC SYSTEM – Sources of Power Supply and “-Regional Transmission Facilities.”

Obligations of the City, as well as its other agreements with TANC and NCPA, constitute operating expenses of the Electric System payable on a senior basis to any of the payments required to be made under the Installment Purchase Contract, including the 2005 Payments securing the 2005 Certificates and the Parity Obligations. See “SECURITY FOR THE 2005 CERTIFICATES – Outstanding Senior and Parity Obligations.”

The agreements with NCPA and TANC are on a "take or pay" basis, which requires payments to be made whether or not projects are operable, or whether output from such projects is suspended, interrupted or terminated. Certain of these agreements contain "step up" provisions obligating the City to pay a share of the obligations of a defaulting participant and granting the City a corresponding increased entitlement to electricity (generally, the City's "step-up" obligation is limited to 25% of the City's scheduled payments on such obligations).

The City's participation and share of debt service obligation (without giving effect to any "step up" provisions) for each of the joint powers agency projects in which it participates are shown in the following table.

Table 7
City Share of
Outstanding Joint Powers Agencies Debt
As of June 30, 2004
(Dollar Amounts in Millions)

	Outstanding Principal [1]	Roseville Participation	Roseville Share of Outstanding Principal	Appx. Annual Debt Service Range
NCPA				
Geothermal Project [2]	$ 217.3	7.880%	$17.12	$0.3 to 4.5
Geysers Transmission Project [3]	5.5	14.180	0.78	Constant at 0.06
Hydroelectric Project [4]	501.1	12.000	60.13	2.7 to 4.7
Combustion Turbine Project No. 1 [5]	24.8	13.580	3.37	Constant at 0.6
STIG Unit One [6]	67.2	36.550	24.53	1.5 to 2.2
TANC [7]				
Bonds	407.7	2.295	9.36	30.5 to 30.9
Notes	32.4	2.295	0.74	1.0
TOTAL	1256.0		116.03	36.66 to 42.30

[1] Includes fixed-rate debt and variable-rate debt, a portion of which is subject to swap agreements.
[2] See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Geothermal Project."
[3] See "THE ELECTRIC SYSTEM – Regional Transmission Facilities – NCPA Geysers Transmission Project."
[4] Although the City's participation share in this debt is 12%, the actual share of debt service is 9.9% due to certain economic defeasance portfolios previously established with NCPA. See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Hydroelectric Project Number One."
[5] See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Combustion Turbine Project Number One."
[6] See "THE ELECTRIC SYSTEM – Sources of Power Supply – NCPA Steam Injected Gas Turbine Generator Project, Unit One."
[7] See "THE ELECTRIC SYSTEM – Regional Transmission Facilities – TANC California-Oregon Transmission Project."
Source: City of Roseville.

Rate Stabilization Fund

The City Council adopted a policy establishing, among other policies, a Rate Stabilization Fund to hedge for price volatility. Amounts in the Rate Stabilization Fund are anticipated to be used to pay down supply expenses to keep the City's electric rates stable. Amounts in the Rate Stabilization Fund are not pledged as security for the Bonds, but interest earnings on the Rate Stabilization Fund are considered Revenues under the Trust Agreement, and funds in the Rate Stabilization Fund may be included in Adjusted Annual Revenues for purposes of determining compliance with the Rate Covenant. See "SECURITY FOR THE CERTIFICATES – Rate Stabilization Fund" for a further description of the Rate Stabilization Fund.

The Rate Stabilization Fund had a balance of approximately $71 million as of February 28, 2005, which includes an approximate $25 million deposit made in September 2004 from the Electric Operating Fund. A five-year history of balances in the Rate Stabilization Fund is included in Table 8 below and projected balances are included in Table 9. The City estimates that under current annual revenue estimates, the Rate Stabilization Fund is expected to be sufficient to pay for currently anticipated contingencies related to power supply costs.

Historic Revenues, Expenses and Debt Service Coverage

Table 8 presents a five-year summary of the revenues, expenses, and debt service coverage for the City's Electric Fund for Fiscal Years 1999-00 through 2003-04. This table is based on historic operating results of the Electric System, but is presented on a cash basis consistent with the definitions of Revenues and Maintenance and Operation Costs as defined in the Installment Purchase Contract, and as such, does not match the audited financial statements of the Electric System.

Table 8 also includes a five-year history of balances in the Rate Stabilization Fund, and calculates debt service coverage both with and without taking into account the Rate Stabilization Fund balance.

During Fiscal Year 2003-04, the Electric System's operating costs declined primarily due to reduced energy costs. Additionally, operating revenues increased from the prior year primarily due to customer growth and increased electricity consumption.

During Fiscal Year 2001-02, operating costs increased due to significant changes in the electric power market. The cost increases were attributable primarily to a drop in market prices that reduced offsetting revenues to NCPA's costs. NCPA's sale of excess power at higher prices had previously offset NCPA's costs and, thus, lowered the City's payments to NCPA. See footnote 6 to Table 8.

Table 8
Electric Fund
Statement of Revenues and Expenses
Fiscal Years 1999-00 through 2003-04
(Dollars in Thousands)
(Fiscal Year Ended June 30)

	1999-00	2000-01	2001-02	2002-03	2003-04
Revenues					
Charges for Services	$63,331	$70,953	$71,908	$77,602	$87,719
Sale of Wholesale Power [1]	-0-	6,187	335	1,958	6,320
Other	158	427	155	346	349
Total Revenues	63,489	77,567	72,398	79,906	94,388
Operating Expenses:					
Purchased Power [2]	42,231	44,974	61,022	51,962	49,816
Distribution/Operations	9,291	11,551	12,146	11,917	11,244
Administration	1,478	671	1,869	2,137	2,504
Indirect Costs [3]	1,971	2,320	2,359	2,832	3,946
Other Administrative Transfers [4]	651	732	1,639	771	783
Total Operating Expenses	55,622	60,248	79,035	69,619	68,293
Net Revenue	7,867	17,319	(6,637)	10,287	26,095
Debt Service:					
1997 COPs	1,850	1,850	561	448	334
1999 COPs	986	1,135	1,549	1,074	560
2002 COPs	-0-	-0-	-0-	910	5,906
Total Debt Service	2,836	2,985	2,110	2,432	6,800
Adjusted Net Revenue:					
Net Revenue	7,867	17,319	(6,637)	10,287	26,095
Transfer from Rate Stabilization Fund	-0-	-0-	-0-	2,826 [5]	507 [5]
Transfer from NCPA GOR [6]	-0-	-0-	11,224	-0-	-0-
Plus Interest Revenue (excluding Unrealized Gain/(Loss))	4,237	4,960	3,127	2,502	2,039
Plus Subventions/Grants	-0-	-0-	1,775	51	-0-
Adjusted Net Revenue:	$12,104	$22,279	$9,489	$15,666	$28,641
Debt Service Coverage Ratio [7]	4.27	7.46	4.50	6.44	4.21
Rate Stabilization Fund Cash Balance	$53,826	$57,326	$48,358	$47,544	$48,684
Debt Service Coverage Ratio Including Rate Stabilization Fund Cash Balance [8]	23.25	26.67	27.42	25.99	11.37

[1] Represents sale of electricity on the open market. See "THE ELECTRIC SYSTEM– Sources of Power Supply."

[2] Increase in the cost of purchased power in Fiscal Year 2001-02 resulted primarily from (a) reserve credits for power purchases held at NCPA totaling $4.2 million credited against 2000-01 power expenditures, thereby reducing 2000-01 reported expenses; these credits were shown as expenses in 2001-02, increasing 2001-02 reported expenses; and (b) to increased energy costs without a corresponding increase in charges for services.

[3] Represents payments to the City as reimbursement for the Electric System's share of certain overhead expenses.

[4] Represents payments to the City for corporation yard rent, the Electric System's share of GIS system costs, and remodeling expenses.

[5] Used to fund a one-time rebate to ratepayers. See "RATE SETTING AND RATE REGULATION – Electric Rates.

[6] The City periodically deposits funds in the General Operating Reserve ("GOR") maintained by NCPA in accordance with the contractual relationship between the City and NCPA. In Fiscal Year 2001-02 the City determined that amounts in the GOR exceeded its contractual requirement, and transferred $11.224 million from the GOR to the Electric System operating fund, leaving a balance of $1.5 million in the GOR.

[7] Decline in Net Revenues and resulting decline in debt service coverage ratio in Fiscal Year 2001-02 is attributable primarily to increased energy costs without a corresponding increase in charges for services. See Footnote 2.

[8] Funds on deposit in the Rate Stabilization Fund may be counted for purposes of determining compliance with the Rate Covenant. See "– Rate Stabilization Fund" above and "SECURITY FOR THE CERTIFICATES – Rate Stabilization Fund."

Source: City of Roseville.

Projected Operating Results

Table 9 sets forth the projected revenues, expenses and debt service coverage of the Electric System for the current Fiscal Year and the next four Fiscal Years, based on the Net Revenues available under the Installment Purchase Contract and the Electric System's debt service on the 2005 Certificates and the Prior Certificates. The assumptions used in these projections are as follows:

Electric Rates. A 5% rate increase was approved by the City Council and became effective on April 1, 2005.

Local Economy. Residential and commercial vacancy rates will remain stable, and no major state or local economic recessions occur.

New Development. The development of the property annexed to the City in October 2004 within the West Roseville Specific Plan (WRSP) area will develop in phases beginning in late 2006, adding approximately 8,000 dwelling units through Fiscal Year 2012. Another annexation near the WRSP, known as the MOU Remainder Area, is expected to bring over 7,000 additional dwelling units and over 100 additional acres of commercial development. Some vacant land owned by Hewlett Packard is under review for rezoning to over 100 upper end dwelling units. All major planned projects (including the planned Justice Center and Shea Center, Roseville Highlands, Stone Point, and other developments) will be built out as scheduled. See "THE ELECTRIC SYSTEM – Service Area, Customer Base and Demand."

Customer Demand. Major current customers will not reduce electricity load. Projected growth in electricity load demand ranges from 2% to 4% annually from Fiscal Year 2004-05 through 2009-10.

Expenses. Increases in the cost of distribution, public benefits, other operating expenses of 3% per year, and increases in indirect costs of 4% per year.

During the current Fiscal Year, the Electric System's operating costs increased primarily due to increased energy costs. The biggest driver was the expiration, on December 31, 2004, of Roseville Electric's long-term power supply agreement with the Western. A new, 20-year Base Resource contract replaces the expired contract. It is estimated that the City will receive 60% less power from Western resources under the new contract. Replacing the power that will no longer be provided by Western results in cost increases of approximately 40% for replacement power beginning in January 2005. The term of the Base Resource contract extends through December 31, 2024. See "THE ELECTRIC SYSTEM – Sources of Power Supply – Western" above. Additionally, two contracts which provided for delivery of 50 MW of energy at a cost lower than replacement cost also expired on December 31, 2004. In addition to power supply cost increases, costs for distribution, retail services and other operating costs increased.

Table 9
Projected Revenues, Expenses and Debt Service Coverage
(Dollars in Thousands)

	Estimated 2004-05	Projected 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09	Projected 2009-10
Operating Revenues						
Charges for Services [1]	$94,348	$101,092	$107,075	$116,662	$125,502	$130,266
Sale of Wholesale Power	1,663	-0-	5,024	17,144	25,171	25,114
Transfer from Rate Stabilization Fund	4,000	9,000	-0-	-0-	-0-	-0-
Other [2]	300	325	330	335	340	345
Total Operating Revenues:	100,311	110,417	112,429	134,141	151,013	155,725
Operating Expenses						
Power Supply	59,543	67,567	75,435	82,582	95,847	96,720
Transmission	3,363	3,041	5,393	3,272	3,528	3,976
Distribution [3]	10,204	11,000	11,344	11,698	12,063	12,440
Public Benefits	4,620	3,926	4,044	4,165	4,290	4,419
Indirect Costs [4]	4,579	4,997	5,247	5,509	5,785	6,074
Administrative	2,807	2,684	2,765	2,847	2,933	3,021
Total Operating Expenses	85,116	93,215	104,227	110,074	124,446	126,650
Non-Operating Revenues						
Interest	1,781	2,150	2,200	2,250	2,300	2,350
Net Revenues Available for Debt Service	$16,976	$19,352	$10,402	$26,317	$28,867	$31,425
Debt Service						
1997 COP Payments	338	340	340	-0-	-0-	-0-
1999 COP Payments	587	587	586	584	585	586
2002 COP Payments [5]	5,837	6,329	1,026	1,370	1,372	1,978
2004 COP Payments	1,069	1,944	2,274	2,269	2,269	2,267
2005 COP Payments [6]	-0-	-0-	-0-	8,353	9,319	10,255
Total Debt Service	$7,831	$9,200	$4,226	$12,576	$13,545	$15,086
Debt Service Coverage Ratio:	2.17	2.10	2.46	2.09	2.13	2.08
Rate Stabilization Fund Cash Balance [7]	$70,000	$60,000	$64,000	$64,000	$64,000	$66,000
Debt Service Coverage Ratio Including Rate Stabilization Fund Cash Balance [7]	11.11	8.63	17.60	7.18	6.86	6.46

[1] Includes approved 5% rate increase effective April 2005.
[2] Represents miscellaneous revenue including reconnection fees and reimbursement from other City departments.
[3] Includes traffic signal and streetlight maintenance costs
[4] Includes indirect costs and other transfers such as facility lease payments reimbursed to the City.
[5] The 2002 Payments are calculated based on a variable interest rate. The 2002 payments shown in this table are calculated based on the fixed interest rate set in accordance with the Payment Agreement entered into with respect to the 2002 Certificates. See "– Outstanding Indebtedness" above.
[6] Represents Parity Payments with respect to 2005 Certificates.
[7] Funds in the Rate Stabilization Fund may be included for purposes of determining compliance with the Rate Covenant. See "– Rate Stabilization Fund" above and "SECURITY FOR THE CERTIFICATES – Rate Stabilization Fund." Balance for 2004/05 includes $25 million from the operating fund.
Source: City of Roseville.

Investment Policy

The cash attributable to the Electric System must be invested in accordance with the City's Investment Policy. Pursuant to the Investment Policy, the City strives to maintain a level of investment of all idle funds, less required reserves, as near 100% as possible, through daily and projected cash flow determinations. Idle cash management and investment transactions are the responsibility of the City Treasurer and permitted investments include the following:

(1) Government obligations
(2) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments
(3) Forward Delivery Agreements
(4) Obligations of the State of California
(5) Repurchase Agreements
(6) Bankers' Acceptances
(7) Commercial paper
(8) Medium-term corporate notes
(9) FDIC insured or fully collateralized time certificates of deposit
(10) Negotiable certificates of deposit or deposit notes
(11) State of California's Local Agency Investment Fund
(12) Insured savings accounts
(13) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission
(14) Shares in a California common law trust

Criteria for selecting investments and the order of priority are:

- Safety-Preservation of principal and interest;
- Liquidity-Ability to convert investment to cash at any moment in time; and
- Yield-Potential dollar earnings on an investment.

The City's cash management system is designed to accurately monitor and forecast expenditures and revenues, thus enabling the City to invest funds to the fullest extent possible. The City attempts to obtain the highest yield when selecting an investment, provided the criteria for safety and liquidity are met.

The following tables show the investments in the pooled funds of the City as of April 2005.

City of Roseville Pooled Investment Fund

City Pooled Investment Fund			
Certificates of Deposit	$ 1,500,000	$ 1,500,000	$ 1,500,000
Corporate Notes	11,500,000	11,542,110	11,538,724
Federal Agency Coupon Securities	149,479,000	151,669,562	148,384,181
Treasury Coupon Securities	97,896,000	97,528,972	96,205,993
Money Market Funds	17,305,097	17,305,097	17,305,097
LAIF	35,000,000	35,000,000	35,000,000
Total	$312,680,097	$314,545,741	$309,933,995

Distribution of Investments	
Medium-Term Corp Notes	3.167%
Money Market Funds	4.748
Certificates of Deposit	0.412
US Govt & Agency Obligations	51.186
US Treasury Notes and Bills	30.886
LAIF	9.602
Total	100.000%

The pooled funds of the City include an amount allocable to Roseville Electric, as follows:

Roseville Electric Portion of Pooled Fund

	Par	**Cost**	**Market Value**
Electric Rate Stabilization Fund	$20,533,172	$20,533,172	$20,533,172
Electric Fund	772,774	772,774	772,774
Electric Rehabilitation Fund	4,903,396	4,903,396	4,903,396

In addition to the portion of the pooled funds of the City allocable to Roseville Electric, additional moneys of the Rate Stabilization Fund are invested as shown below. The total :

Rate Stabilization Fund Investment Summary

	Maturity Date	Total Par Amount	Cost	Market Value
US Agencies (FHLMC/ FHLB, FNMA)	Various – 6/05-2/07	34,720,000	34,906,137	34,582,618
US Treasuries	Various – 6/05-2/07	15,085,000	15,051,593	14,840,351
City Pool		20,533,172	20,533,172	20,533,172
RSF TOTAL		$70,338,172	$70,490,902	$69,956,142

SPECIAL RISK FACTORS

The following discussion of risks is not meant to be an exhaustive list of the risks associated with the purchase of the 2005 Certificates, which are described elsewhere in this Official Statement.

Payment of principal and interest with respect to the 2005 Certificates depends primarily upon the City's payments of the 2005 Payments under the Installment Purchase Contract. Some of the events which could prevent the City from making the 2005 Payments are set forth below.

Failure to Develop or Operate Project as Planned

The development of the Project could be subject to cost overruns, delays, or even a failure to achieve completion and commencement of commercial operation due to a wide variety of factors both within and beyond the control of the City, including without limitation labor disputes, catastrophic events such as fires, explosions, earthquakes, floods or similar events, or adverse regulatory changes. Even if completed and placed in commercial operation, the Project could fail to perform up to its design capability in terms of fuel efficiency, reliability, capacity or output. Material delays in the Project schedule, a failure to complete the Project, or a failure of the Project to live up to performance, efficiency or reliability expectations, would have no impact on the legal right of the owners of the Certificates to receive full and timely payment of the principal thereof and the premium, if any, and interest thereon.

Regulatory Risk

It is possible that future legislative or regulatory changes could subject the rates and or service areas of the City to the jurisdiction of the CPUC or to other limitations or requirements.

Possible Assertion of Regulatory Authority by FERC. FERC could potentially assert jurisdiction over rates of licensees of hydroelectric projects (such as NCPA) and customers of such licensees (such as the City) under Part 1 of the Federal Power Act, although it has not as a practical matter exercised or sought to exercise such jurisdiction to modify rates that would legitimately be charged.

If it did assert such jurisdiction, the result might have some significance for the City through the NCPA Hydroelectric Project, though there is a question as to whether FERC has jurisdiction to modify rates for municipalities which are authorized to set their own rates. Even if FERC were to assert jurisdiction over the services and charges associated with the NCPA Hydroelectric Project, it is unlikely that any reasonable rates and charges would be found to be contrary to applicable federal regulatory standards.

Under the Energy Policy Act, FERC has the authority, under certain circumstances and pursuant to certain procedures, to order any utility (municipal or otherwise) to provide transmission access to others at FERC-approved rates. FERC also has jurisdiction to regulate those rates and has asserted that jurisdiction in Minnesota Municipal Power Agency v. Southern Minnesota Municipal Power Agency, 66 FERC 61,223 (1994) and 68 FERC 61,060 (1994). However, FERC's asserted jurisdiction over municipal rates applies only to transmission service ordered by FERC under Section 211 of the Federal Power Act (as amended by the Energy Policy Act), and does not extend to the rates for power sales.

To the extent that the City makes use of any open access transmission tariff filed by a FERC jurisdictional utility pursuant to FERC Order 888, the City triggers certain reciprocal obligations under the tariff, including the obligation to provide open access transmission service to certain other utilities, to make information about its facilities available on a computer bulletin board and to separate its transmission personnel from its marketing personnel.

Fuel Risk

Increases in fuel supply, transmission and storage costs, or the failure of counterparties in its natural gas arrangements, pose a financial risk to the City. In addition, the City does not currently have firm gas supply and transmission arrangements in place to meet all of the Project's fuel supply needs and is therefore exposed to price volatility for such commodities and services. To mitigate such risks, the City has developed a fuel supply management strategy focused on reliability and price risk management. "See "THE PROJECT."

Projections and Assumptions

The conclusions contained in the Independent Engineer's Report are based on a number of projections and assumptions set forth therein and on the City's costs modeling of the Project. These projections and assumptions are subject to risks and uncertainties, including risks and uncertainties outside the control of the Authority or the City. The accuracy of such projections and assumptions is subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from such projections and assumptions. Differences in actual results from projections may be difficult to recognize in a timely manner. Material differences could result in a variety of unpredictable consequences which could adversely affect the Project. Although the Authority and the City believe that the conclusions contained in the Independent Engineer's Report and the assumptions and projections upon which the conclusions are based are reasonable, no assurance can be given that any such projections will be realized or that the assumptions will prove to be correct. Neither the Authority nor the City has undertaken an independent investigation of all of the assumptions, projections, conclusions and other matters stated in the Independent Engineer's Report. The Authority and the City have relied on the Independent Engineer's expertise in the matters covered in the Independent Engineer's Report. The Underwriters and the financial advisors and counsel named in this Official Statement have also relied on the Independent Engineer's expertise in the matters covered in the Independent Engineer's Report.

Limited Obligations

The 2005 Payments under the Installment Purchase Contract are limited obligations of the City and are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to make the 2005 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Installment Purchase Contract to pay the 2005 Payments solely from Net Revenues. There is no assurance that the City can succeed in operating the Electric System such that Net Revenues in the future amounts projected in this Official Statement will be realized.

Limitations on Remedies and Limited Recourse on Default

The ability of the City to comply with its covenants under the Installment Purchase Contract and to generate Net Revenues sufficient to pay principal of and interest with respect to the 2005 Certificates may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Failure by the City to pay the 2005 Payments required to be made under the Installment Purchase Contract constitutes an event of default under the Installment Purchase Contract and the Trustee is permitted to pursue remedies at law or in equity to enforce the City's obligation to make such 2005 Payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the 2005 Payments, there is no assurance that the City would have sufficient funds to pay the accelerated 2005 Payments.

Furthermore, the remedies available to the owners of the 2005 Certificates upon the occurrence of an event of default under the Installment Purchase Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Purchase Contract and the Trust Agreement, the rights and obligations under the Installment Purchase Contract and the Trust Agreement 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 limitations on legal remedies against cities in the State of California. The opinion to be delivered by Special Counsel concurrently with the execution and delivery of the 2005 Certificates will be subject to such limitations and the various other legal opinions to be delivered concurrently with the execution and delivery of the 2005 Certificates will be similarly qualified. See "APPENDIX F – PROPOSED FORM OF SPECIAL COUNSEL OPINION."

If the City fails to comply with its covenants under the Installment Purchase Contract, fails to pay principal of and interest due with respect to the 2005 Certificates or fails to pay the 2005 Payments, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the 2005 Certificates.

Initiatives

In recent years several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State Legislature will not at some future time approve additional limitations which could affect the ability of the City to implement rate increases which could reduce Net Revenues and adversely affect the security for the 2005 Certificates.

Tax Exemption

The City has covenanted in the Installment Purchase Contract that it will take all actions necessary to assure the exclusion of interest with respect to the 2005 Certificates from the gross income of the Owners of the 2005 Certificates to the same extent as such interest is permitted to be excluded from gross income under the Internal Revenue Code of 1986. If the City fails to comply with this tax covenant, the interest component of the 2005 Payments evidenced by the 2005 Certificates may be includable in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS."

Seismic Considerations

The services area of the Electric System, like much of California, is subject to seismic activity that could result in interference with its operation of the Electric System. In addition, other active and potentially active seismic faults cross the regional transmission facilities through which the City obtains power.

No assurance can be given that a future seismic event will not materially adversely affect the operation of the Electric System.

Possible Future Federal Deregulation and Tax Legislation

Many bills have been introduced in the United States House of Representatives and the United States Senate to deregulate the electric utility industry on the federal or state level. Many of the bills provide for open competition in the furnishing of electricity to all retail customers (i.e., retail wheeling). In addition, various bills have been introduced which would impact the issuance of tax-exempt bonds for transmission and generation facilities.

No prediction can be made by the City as to whether any of these bills or any similar federal bills proposed in the future will become law or, if they become law, what their final form or effect would be. Such effect could be material to the City. However, the Internal Revenue Service has recently issued new rules that will preserve the tax-exempt status of bonds issued to finance transmission facilities, where control is turned over to an Independent System Operator or Regional Transmission Organization, subject to certain conditions.

Future Changes to the Electric Utility Industry

The electric utility industry in general has been, or in the future may be, affected by a number of other factors which could impact the financial condition and competitiveness of many electric utilities and the level of utilization of generating and transmission facilities. Such factors include, among others, the following:

(a) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements other than those described above;

(b) changes resulting from conservation and demand-side management programs on the timing and use of electric energy;

(c) changes resulting from a national energy policy;

(d) effects of competition from other electric utilities (including increased competition resulting from mergers, acquisitions, and "strategic alliances" of competing electric and natural gas utilities and from competitors transmitting less expensive electricity from much greater distances over an interconnected system) and new methods of, and new facilities for, producing low-cost electricity;

(e) the proposed repeal of certain federal statutes that would have the effect of increasing the competitiveness of many IOUs;

(f) increased competition from independent power producers and marketers, brokers and federal power marketing agencies;

(g) "self-generation" or "distributed generation" (such as microturbines and fuel cells) by industrial and commercial customers and others;

(h) issues relating to the ability to issue tax-exempt obligations, including severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects and transmission service from transmission line projects financed with outstanding tax-exempt obligations;

(i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities;

(j) changes from projected future load requirements;

(k) increases in costs and uncertain availability of capital;

(l) shifts in the availability and relative costs of different fuels (including the cost of natural gas);

(m) sudden and dramatic increases in the price of energy purchased on the open market that may occur in times of high peak demand in an area of the country experiencing such high peak demand, such as has previously occurred in California;

(n) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity;

(o) other legislative changes, voter initiatives, referenda and statewide propositions;

(p) other political risks impacting the City's rates or other operational or financial matters;

(q) effects of changes in the economy; and

(r) effects of possible manipulation of electric markets.

Any of these factors (as well as other factors) could have an adverse effect on the financial condition of any given electric utility, including the Electric System.

The City cannot predict what effects such factors will have on the business operations and financial condition of the Electric System, but the effects could be significant. The foregoing is a brief discussion of certain of these factors. This discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date hereof. Extensive information on the electric utility industry is, and will be, available from the legislative and regulatory bodies and other sources in the public domain.

Legal Proceedings

A number of legal proceedings are currently pending that relate to the deregulation of the California electric utility industry and other matters affecting the City and the electric utility industry in general. Adverse rulings in certain of these cases may affect the NCPA's and the City's power costs or result in refunds payable by NCPA and the City to the State or other entities. The City is unable to predict the outcome of such litigation, investigations and proceedings.

THE AUTHORITY

The Authority was established under Sections 6500 et seq. of the California Government Code and a Joint Exercise of Powers Agreement originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville.

The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority is the City Council of the City.

TAX MATTERS

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel, subject, however to the qualifications set forth below, under existing law, the portion of installment payments designated as and comprising interest and received by the owners of the 2005 Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the delivery of the Installment Purchase Contract in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of execution and delivery of the 2005 Certificates.

If the initial offering price to the public (excluding bond houses and brokers) at which a 2005 Certificate is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each 2005 Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of 2005 Certificates with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such 2005 Certificates.

In the further opinion of Special Counsel, interest payable with respect to the 2005 Certificates is exempt from California personal income taxes.

Owners of the 2005 Certificates should also be aware that the ownership or disposition of, or the accrual or receipt of interest with respect to, the 2005 Certificates may have federal or state tax consequences other than as described above. Special Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Installment Purchase Contract and the 2005 Certificates other than as expressly described above.

OTHER INFORMATION

Certain Legal Matters

The validity of the Installment Purchase Contract and certain other legal matters are subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Special Counsel. Certain matters will also be passed upon for the City by Jones Hall as disclosure counsel. Certain legal matters will be passed upon for the City by the City Attorney, and for the Underwriter by Nixon Peabody LLP, San Francisco, California.

Professional Fees

Payment of the compensation of Special Counsel, Disclosure Counsel, the Underwriter and the Trustee are contingent upon the execution and delivery of the 2005 Certificates.

Continuing Disclosure

The City will covenant for the benefit of the holders and beneficial owners of the 2005 Certificates to provide certain financial information and operating data relating to the City, the Electric System and the 2005 Certificates (the "Annual Report") by not later than 7 months after the end of the City's Fiscal Year, or January 31 of each year based on the City's current Fiscal Year ending on June 30, commencing January 31, 2006 with the report for the 2004-05 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material.

The City will file, or cause to be filed, the Annual Report with each Nationally Recognized Municipal Securities Information Repository, and with the appropriate State information depository, if any. The City will file, or cause to be filed, the notices of material events 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 G – FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

Under the City's continuing disclosure undertaking made in connection with the execution and delivery of the Prior Certificates, the City is obligated to provide an annual report by January 31 of each year. The City's annual continuing disclosure report with respect to the Prior Certificates due on January 31, 2004, was not filed until February 19, 2004, due to delays in collecting the necessary information.

Absence of Litigation

There is no action, suit or proceeding known to be pending or threatened, restraining or enjoining the execution, delivery or sale of the 2005 Certificates or the execution of the Trust Agreement or the Installment Purchase Contract, or in any way contesting or affecting the validity of the foregoing or any proceedings of the City or the Authority taken with respect to any of the foregoing.

RATINGS

It is expected that, at closing, Moody's Investors Service ("Moody's") will assign the 2005 Certificates a rating of "Aaa," Standard & Poor's ("S&P"), a Division of the McGraw-Hill Companies, will assign the 2005 Certificates a rating of "AAA," and Fitch Ratings ("Fitch") will assign the 2005 Certificates a rating of "AAA," in each case conditioned upon the issuance of the Municipal Bond Insurance Policy by the Insurer. Moody's, S&P and Fitch have also assigned respective underlying ratings on the 2005 Certificates of "A1", "A+", and "A+".

These ratings reflect only the views of the respective rating agencies, and an explanation of the significance of this rating should be obtained from the respective rating agencies. There is no assurance that these ratings will continue for any given period of time, or that these ratings will not be revised downward or withdrawn entirely by the respective rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the 2005 Certificates.

UNDERWRITING

Morgan Stanley & Co. Incorporated, as representative of the underwriters of the 2005 Certificates (the "Representative") has agreed, subject to certain conditions, to purchase the 2005A Certificates at a price of $56,204,448.66 (which is equal to the initial principal amount of the 2005A Certificates, less underwriter's discount of $223,606.29, and plus a net original issue premium of $3,528,054.95), and, as representative of itself, Bear Stearns & Co. Inc. and Citigroup Global Markets Inc. has agreed, subject to certain conditions, to purchase the 2005B Certificates at a price of $89,664,573.44 (which is equal to the initial principal amount of the 2005B Certificates less underwriter's discount of $335,426.56), and the 2005C Certificates at a price of $59,776,382.28 (which is equal to the initial principal amount of the 2005C Certificates less underwriter's discount of $223,617.72).

The purchase contracts under which the Representative is purchasing the 2005 Certificates provides that the Underwriters will purchase all of the 2005 Certificates if any are purchased. The obligation of the Underwriters to make such purchase is subject to certain terms and conditions set forth in the contracts of purchase.

The public offering prices of the 2005 Certificates may be changed from time to time by the Underwriters. The Underwriters may offer and sell 2005 Certificates to certain dealers and others at a price lower than the offering price stated on the inside cover page of this Official Statement.

EXECUTION

The City has duly authorized the execution and delivery of this Official Statement.

CITY OF ROSEVILLE

By: /s/ Russ Branson
Administrative Services Director/City Treasurer

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APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF ROSEVILLE

Financial and economic data for the City of Roseville are presented in this Appendix for information purposes only. The Certificates are not a debt or obligation of the City, but are a limited obligation secured solely by the funds held under the Trust Agreement.

The City of Roseville is located in Placer County, in California's Sacramento Valley near the foothills of the Sierra Nevada mountain range, about 16 miles northeast of Sacramento and 110 miles east of San Francisco. The City, with a population estimated to be approximately 102,191 at January 1, 2005, is the largest city in Placer County, as well as the residential and industrial center of the County.

The City has warm summers typical of central California, with an average July temperature of 77 degrees. Winter temperatures are moderate; the average January temperature is 46 degrees. The temperature drops below freezing an average of eight days per year. Rainfall averages 20 inches annually and falls mostly during the winter.

There is a wide variety of land uses within the City. Most of the City's residential neighborhoods are located west of Interstate Highway 80; industrial facilities, including Hewlett-Packard, NEC Electronics, Inc. and Roseville Telephone Company are concentrated in the north Roseville area.

Municipal Government

The City was incorporated on April 10, 1909 and is a charter city. The City operates under the council-manager form of government, with a five-member City Council elected at large for staggered four-year terms. At each election, the council member receiving the most votes is appointed mayor pro-tempore for two years and becomes mayor for the final two years.

City services include, among others, police and fire protection, library services, street maintenance, and parks and recreation. The City also owns two golf courses and provides its own electricity, water, sewer and refuse services to its citizens.

Population

The City's population has increased substantially over the past five years. The 2005 population estimate represents a 3.85% annual growth rate, just above Placer County's overall annual growth rate of 3.07%. The City's recent growth in population is shown below.

City of Roseville
Population
2001 through 2005

Year	City of Roseville	Placer County	State of California
2001	82,200	255,100	34,367,000
2002	85,800	265,700	35,000,000
2003	93,300	283,500	35,612,000
2004	96,900	292,100	36,144,000
2005	102,191	305,675	36,810,358

Source: California State Department of Finance.

Employment and Industry

The following table summarizes the civilian labor force, employment and unemployment, as well as employment by industry, in the Sacramento Metropolitan Statistical Area (which is comprised of Sacramento, Placer, El Dorado and Yolo Counties) for the years 2000 through 2004.

Sacramento Metropolitan Statistical Area
(Sacramento, Placer, El Dorado and Yolo Counties)
Civilian Labor Force, Employment and Unemployment
(Annual Averages)

	2000	2001	2002	2003	2004
Civilian Labor Force (1)	906,100	932,300	964,400	990,500	1,000,800
Employment	867,200	890,700	911,500	934,400	950,600
Unemployment	38,900	41,600	52,900	56,100	50,200
Unemployment Rate	4.3%	4.5%	5.5%	5.7%	5.0%
Wage and Salary Employment: (2)					
Agriculture	4,000	4,000	3,400	7,500	7,400
Natural Resources and Mining	900	900	800	700	700
Construction	52,900	59,500	61,300	66,500	70,400
Manufacturing	51,600	49,800	47,000	46,300	47,100
Wholesale Trade	25,000	25,800	25,600	26,300	26,400
Retail Trade	89,600	91,600	92,700	94,900	96,900
Transportation, Warehousing and Utilities	23,500	23,300	22,400	21,900	23,000
Information	18,500	22,300	23,100	21,900	20,900
Finance and Insurance	38,400	38,700	41,300	44,800	45,200
Real Estate and Rental and Leasing	13,600	13,700	13,900	14,600	14,900
Professional and Business 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
Federal Government	15,500	12,800	12,700	12,900	12,400
State Government	101,200	106,200	108,200	106,700	102,300
Local Government	94,000	99,100	105,900	106,600	106,400
Total, All Industries	801,100	822,900	835,600	853,500	863,600

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.
Source: State of California Employment Development Department.

Major Employers

The following table sets forth the largest employers in the City.

CITY OF ROSEVILLE
Major Employers
June 30, 2004

Employer Name	No. of Employees
Hewlett-Packard	3,803
Kaiser Permanente	3,000
Sutter Roseville Medical Center	1,800
Union Pacific Railroad	1,294
City of Roseville	1,046
Roseville Joint Union High School District	982
Pride Industries	800
NEC Electronics	725
SureWest Communications	683
State Farm Insurance	560

Source: City of Roseville.

The following table sets forth the largest employers in the County of Placer as of January 2005.

COUNTY OF PLACER
Major Employers
January 2005

Employer Name	Location	Industry
ADVENTIST HEALTH	Roseville	MARKETING PROGRAMS & SERVICES
ALPINE MEADOWS SKI RESORT	Alpine Meadows	SKIING CENTERS & RESORTS
AUBURN AREA ANSWERING SVC	Auburn	PAGING & ANSWERING SERVICE
CLUB CRUISE	Auburn	TRAVEL AGENCIES & BUREAUS
COHERENT INC	Auburn	LASERS-MEDICAL-MANUFACTURERS
COHERENT INC	Auburn	LASERS-MEDICAL-MANUFACTURERS
CTECH SYSTEMS	Roseville	COMPUTERS-SERVICE & REPAIR
FORMICA CORP	Rocklin	PLASTICS-HIGH PRESSURE LAMINATES (MFRS)
FUTURE FORD	Roseville	AUTOMOBILE DEALERS-NEW CARS
HEWLETT-PACKARD CO	Roseville	COMPUTER & EQUIPMENT DEALERS
HOME DEPOT	Roseville	HOME CENTERS
MOUNTAIN PEOPLES WAREHOUSE INC	Auburn	HEALTH FOOD PRODUCTS-WHOLESALE
MWB BUILDING CONTRACTORS	Rocklin	BUILDING CONTRACTORS
NEC ELECTRONICS USA INC	Roseville	SEMICONDUCTORS & RELATED DEVICES (MFRS)
OLYMPIC ICE PAVILLION HIGH CMP	Olympic Valley	SKATING RINKS
ORACLE CORP	Rocklin	COMPUTER SOFTWARE
PLACER COUNTY SHERIFF	Auburn	SHERIFF
Q & D CONSTRUCTION INC	Loomis	CONSTRUCTION CONSULTANTS
RESORT AT SQUAW CREEK	Olympic Valley	RESORTS
ROSEVILLE GOLFLAND-SUN SPLASH	Roseville	AMUSEMENT PLACES
SIERRA COMMUNITY COLLEGE DIST	Rocklin	SCHOOLS-UNIVERSITIES & COLLEGES ACADEMIC

Source: State of California Employment Development Department

Construction

The following table shows residential and non-residential building permits issued, for calendar years 2000 through 2004.

City of Roseville
Building Permit Valuation
(Valuation in Thousands of Dollars)

	2000	2001	2002	2003	2004
Permit Valuation					
New Single-family	$943,358.1	$356,214.1	$526,365.7	$384,045.3	$251,956.9
New Multi-family	119,207.0	61,930.6	78,999.5	42,747.2	7,863.7
Res. Alterations/Additions	32,390.0	2,455.9	2,649.5	2,374.4	3,781.0
Total Residential	1,094,955.0	420,600.6	608,014.8	429,166.9	263,601.6
New Commercial	43,818.8	50,213.0	105,953.3	91,323.3	88,982.1
New Industrial	15,237.0	6,214.0	2,922.5	3,883.9	13,600.2
New Other	17,908.4	11,554.4	22,969.7	23,697.7	25,404.3
Com. Alterations/Additions	65,857.6	40,608.4	34,272.8	37,062.9	43,987.8
Total Nonresidential	142,821.7	108,589.8	166,118.3	155,967.7	171,974.3
New Dwelling Units					
Single Family	4,745	1,456	2,300	1,467	1,105
Multiple Family	1,634	762	914	474	93
TOTAL	6,379	2,218	3,214	1,941	1,108

Source: Construction Industry Research Board, Building Permit Summary.

Residential Development. As of July 1, 2003, the City had 31,708 housing units; approximately 75% are single family detached, 20% are apartments and 5% are duplexes and mobile homes. A total of 2,564 building permits, including building permits for 820 apartment units, were issued by the City's Building Division in Fiscal Year 2002-03. The highest monthly total was in April 2003 with 283 single family permits issued. All 820 apartment permits were issued in October 2002. The North Roseville Specific Plan Area is now the most active location for homebuilders in the City with well over 1,000 permits issued. The Stoneridge Specific Plan is seeing steady growth as well.

Commercial Development. The City's has over 9.8 million square feet of developed commercial space on 1,147 acres as of June 30, 2003. Developers built 895,869 square feet of commercial space in 2002-03. New development activity includes national retailers and grocers. Target opened its second store in Roseville and EXPO Design Center's opening was the third store in Roseville opened by the Home Depot chain. Safeway and Ralph's opened additional stores as well.

The City also has over 5.2 million square feet of developed office space as of June 30, 2003. Included is the Sutter Roseville Medical Center, Secret Ravine Medical/Dental Center and Sutter Roseville Medical Center Ambulatory.

Taxable Sales

During the first quarter of calendar year 2004, reported total taxable sales in the City were reported to be $836,986,000, a 15.8% increase over total taxable transactions of $722,783,000 that were reported during the first quarter of calendar year 2003. Taxable transactions in the City now exceed $2 billion annually. A summary of taxable transactions in the City is shown below. Annual figures for 2004 are not yet available.

City of Roseville
Taxable Transactions
Calendar Years 1999 through 2003
(Dollars in thousands)

	1999	2000	2001	2002	2003
Apparel stores	$ 32,672	$ 67,603	$ 110,463	$ 118,936	$128,694
General merchandise stores	216,270	306,446	370,924	418,267	467,494
Food stores	56,650	64,750	66,469	75,978	93,286
Eating and drinking places	114,344	140,862	177,347	195,011	214,558
Home furnishing and appliances.	46,138	59,436	82,000	96,700	108,737
Building material and farm implements	127,130	146,088	174,920	217,298	251,148
Auto dealers and auto supplies	767,375	879,626	938,034	1,026,213	1,125,482
Service stations	60,337	84,345	90,944	89,200	114,336
Other retail stores	187,597	273,708	341,119	376,465	412,610
Retail Stores Totals	1,608,513	2,022,864	2,352,220	2,614,068	2,916,345
All Other Outlets	404,427	372,430	404,367	374,189	372,114
TOTAL ALL OUTLETS	$2,012,940	2,395,294	2,756,587	$2,988,257	$3,288,459
TOTAL NUMBER OF PERMITS	2,482	2,637	2,967	3,348	3,909

Source: California State Board of Equalization.

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APPENDIX B

INDEPENDENT ENGINEER'S REPORT

Independent Engineer's Report for the Roseville Energy Park

Presented to:

Roseville Electric
Reliable Energy · Dependable Service

May 18, 2005

Presented By

Navigant Consulting, Inc.
3100 Zinfandel Drive
Rancho Cordova, CA 95670
916.631.3200

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NAVIGANT CONSULTING

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INTRODUCTION

Presented herein is the Independent Engineer's Report ("Report") of Navigant Consulting, Inc. ("NCI") with respect to the plans of Roseville Electric ("RE") to develop, engineer, procure, construct, start up, fuel, operate and maintain the Roseville Energy Park, a new nominal 120 megawatt combined-cycle natural gas-fired power generating plant and appurtenant facilities to be built on a site in the City (the "Project"). The Project consists of two natural gas-fired combustion turbine generators ("CTGs"), two heat recovery steam generators ("HRSGs") each with supplemental duct firing and a selective catalytic reduction pollution control system, a steam turbine generator ("STG"), a control and administrative building, a wet mechanical-draft cooling tower, a re-circulating water system, main step-up transformers and switchgear.

Output from the Project will be used to serve the native load of RE customers. RE has experienced significant load growth over the past several years. RE intends that the Project will contribute to a portfolio of low-cost energy resources for RE customers and in doing so it will provide additional capacity for the overall northern California region.

NCI has been retained by RE to prepare this Report in support of debt that will be issued by the City of Roseville ("City") to finance the cost of development, engineering, procurement and construction of the Project. The debt will be system certificates of participation ("Certificates"), such that the City can rely on all RE revenues for payment of debt service, not just on the revenues of the Project. The Certificates are described in the Official Statement of RE (the "Official Statement") to which this Report is appended. The entire Official Statement, including any and all appendices to the Official Statement, should be read in its entirety for an understanding of RE and the Certificates.

The specific tasks that RE has requested NCI to perform include the following:

- Review the design and technology proposed for the Project in order to determine if it is tested and proven technology which has been successfully implemented in other projects;
- Review the forecast construction costs and schedule of the Project to determine if they are reasonable;
- Review the proposed management and staffing plan for the Project, including resumes of key individuals, to determine if adequate technical expertise, training, and structure will be provided to perform the required O & M activities, including natural gas procurement;
- Review the forecast availability and reliability levels for the Project as forecast by RE to determine if they are reasonable;
- Review the configuration and design of the Project to determine if they will allow the facility to be reasonably flexible in its dispatch under expected or typical natural gas and wholesale energy market prices;

- Review load forecasts provided by RE to determine if the capacity and expected generation from the Project will be compatible with RE's expected retail electric load, given the wholesale electricity and natural gas market uncertainties;

- Review the natural gas interconnection proposed for the Project, along with the upstream gas distribution and/or transmission facilities, to determine if the natural gas supply and transmission connections are sufficient for scheduled production at the Project facility;

- Review the electric interconnection proposed for the Project, along with the interconnected distribution and/or transmission facilities, to determine if transmission accessibility is good and additional investment to connect to the transmission and/or distribution grid is minimal in relation to the cost of the facility;

This Report presents a summary of our relevant findings and conclusions concerning these areas as of the date of this Report. The extent of the conclusions presented herein is limited to the scope of work specified to NCI by RE. RE has not requested that NCI review the terms of any contract for equipment or services, the capability, experience, financial strength or solvency of any major equipment supplier or contractor, the adequacy of guarantees, warranties, liquidated damages and other commercial terms of the contracts, the adequacy of the environmental permitting or other regulatory approvals, the legality of any agreement, the natural gas and wholesale power market prices forecast by RE, the operation and maintenance costs of the Project forecast by RE, nor the adequacy of Project revenues to contribute to payment of debt service on the Certificates to be issued by RE.

NCI is a nationally recognized firm of management consultants, engineers, economists, and regulatory specialists headquartered in Chicago, Illinois, with offices throughout the United States, including a major office in Sacramento, California, that provides in-depth expertise on the power market in California and the western United States. NCI's Energy Practice provides services to energy firms and public agencies, including but not limited to electric and gas utilities, power producers, fuel suppliers and power marketers. Typical services include power generation siting, permitting, contracting, power market forecasting and analysis, transmission and distribution system planning, generation strategy and operational improvement, generating asset acquisition/divestiture support and related services.

This Report relies on certain documents, analyses and information provided to NCI or published by RE, Siemens, various federal and state agencies and other third parties. While NCI believes these sources to be reliable, except as otherwise noted herein, they have not been independently verified for either accuracy or validity, and no assurances are offered with respect thereto. NCI has assumed that all contracts and agreements that have been relied upon in the conduct of its investigations will be fully enforceable in accordance with their terms and conditions. NCI makes no representations or warranties, and provides no opinion concerning the enforceability or legal interpretations of such contractual and legal requirements.

This Report has been prepared solely for RE for the purposes set forth in the Report and the Report may not be used for any other purpose. In particular, this Report does not express any recommendation, opinion, or advice as to the wisdom, desirability, or prudence of the issuance, sale, or purchase of the Certificates or as to the action any person should take in connection with the offer, issuance, purchase, or sale of the Certificates. NCI and its employees are independent contractors providing professional services to RE and are not officers, employees, or agents of RE. NCI and its employees are not and shall not be considered to be fiduciaries of RE, any purchaser or offeree of the Certificates, or any other person named in this Report or the Official Statement. NCI's compensation for preparation of this Report is based upon fees for labor and expenses and is not related to, or contingent upon, the sale of the Certificates or construction of the Project. This Report and the Official Statement, including all appendices, should be read in their entirety.

THE PROJECT

The Project will be a nominal 120 megawatt (MW) natural gas-fired power plant to be located on 8.9 acres of land adjacent to and north of the Pleasant Grove Wastewater Treatment Plant (the "PGWWTP"), within the existing City of Roseville (the "City") limits. The site is owned by the City. The Project will have the ability to generate up to approximately 160 MW of power during summer peak demand conditions through the use of duct burners in the heat recovery steam generators.

Power generation equipment for the Project will be based on two SGT-800 combustion turbine-generators (CTGs) manufactured by Siemens Demag Delaval Turbomachinery, Inc. ("Siemens"). Each will be equipped with dry low-NOx ("DLN") combustors to control oxides of nitrogen (NOx) emissions and evaporative coolers for inlet air to help maintain output during high ambient temperature conditions. Each CTG will have a nominal generating capacity of 45 MW. Exhaust from the CTGs will be passed through heat recovery steam generators (HRSGs) equipped with duct burners, selective catalytic reduction (SCR) and oxidation catalysts (to control NOx and carbon monoxide (CO) emissions, respectively), and a 120 foot tall exhaust stack. Steam from the HRSGs will be admitted to a single condensing steam turbine generator (STG) with a nominal capacity of 80 MW. The CTGs, HRSGs, STG and all related support equipment and systems will be provided by Siemens under a Power Island Equipment ("PIE") supply agreement (the "PIE Contract").

The Project will also include 13.8 kV to 60kV generator step up transformers for each CTG and the STG, main steam, auxiliary steam, condensate and feedwater, cooling tower and circulating water, water treatment, fire protection, natural gas compression, and fire/service water systems, and demineralized water storage tanks (the "BOP Equipment"). There will also be a common services building including the control room, administrative office space, shop facilities and space for water treatment systems. The BOP Equipment, the common services building, and all other systems (other than the PIE and ZLD System), buildings and equipment, and all labor and supervision necessary to engineer, construct, startup and test the Project will be provided by an engineering procurement and construction contractor ("EPC Contractor") to be retained by the City under terms of an EPC Contract.

Output from the generator step up transformers will be delivered to a new switchyard to be constructed at the Project site. The switchyard will in turn be connected to an existing circuit of the RE 60 kV grid which will be re-conductored. The RE 60 kV grid is interconnected to the 230kV transmission system of the Western Area Power Administration ("Western") at the Fiddyment substation, approximately 4 miles southwest of the Project site. The engineering, procurement and construction of the switchyard at the Project site, the 60kV circuit, and all other related improvements will be provided by RE.

The Project will include a Water Treatment and Zero Liquid Discharge System ("ZLD System") that will accept cooling tower blowdown water and process it into fresh makeup water to be returned to the cooling tower while rejecting concentrated minerals into a salt cake for off site disposal. The ZLD system will be supplied by Aquatech International, Inc. under a ZLD supply agreement with RE (the "ZLD Contract").

The City of Roseville will provide tertiary-treated, recycled water from the PGWWTP to meet the cooling and other process makeup, landscape irrigation, and fire fighting requirements of the Project. Water for potable uses will initially be provided from an existing well located on the Project site. The potable water distribution system of the City will eventually be extended to serve the area surrounding the Project site.

The Project will be fueled solely by pipeline quality natural gas. Natural gas will be delivered to the site via a new 10-inch diameter, 1.5 mile pipeline to be designed, constructed, and owned by Pacific Gas & Electric, Inc. ("PG&E"). PG&E is the local distribution company for all natural gas in the Roseville area. The pipeline would extend from a new distribution feeder main to be installed by PG&E that is necessary due to residential and commercial load growth in the west Roseville area. Gas supply pressure at the Project site would range from 100 psig to 500 psig depending upon local gas load and operating conditions. The Project will include three 50% capacity natural gas compressors to, when necessary, boost this pressure to the range of inlet pressure required by the CTGs (approximately 375 psig). When required, one or two compressors will be in service with the third on standby to provide reliable gas supply to the CTGs.

TECHNOLOGY

The Project will utilize combined-cycle combustion turbine ("CCCT") power generation technology in the form of two CTGs, two HRSGs and one STG (a "2 x 1" configuration). The combined cycle classification is derived from the fact that two distinct thermal-power cycles (the combustion turbine and the steam turbine) are utilized in a single integrated unit. CCCT technology is the most popular type of generating technology for new gas or oil-fired plants in the U.S. today due to its relatively low capital-construction costs and high fuel efficiencies in comparison to conventional plants that utilize steam boilers. The thermal cycle design of the Project will be based on a two pressure, non-reheat steam cycle with a high degree of duct firing. The Project will also be designed to provide operational flexibility and high reliability due to the frequency of cycling.[1]

COMBUSTION TURBINE GENERATORS

Each CTG will be a Siemens model SGT-800 equipped with 3rd generation Dry Low NOx (DLN) combustors, inlet air filtration and evaporative cooling systems, lube oil, fire protection, starting and water wash systems, and an 1800 rpm 13.8 kv air cooled generator.[2] The SGT-800 model was formerly manufactured by Alstom as the GTX-100. Siemens purchased the combustion turbine product line of Alstom in 2003. The first machine entered service in 1999. As of May 2004, 28 units have been sold, 11 of which are in commercial operation. Seven (7) of these had accumulated more than 15,000 hours of operation, one with more than 22,000.[3] Two of these are located in the U.S., including a single unit in

[1] Roseville Electric Park, Design Basis

[2] Power Island Equipment Specification, Appendix O

[3] Development and Operating Experience with GTX100 - A Siemens 45 MW Industrial Gas Turbine for Various Applications, Jan Wikner, Siemens Westinghouse, PowerGen International, May 2004.

simple cycle service in Chaska, Minnesota and a single unit in combined cycle service in Redding, California. Two new units are scheduled to enter combined cycle service in Vernon, California during the summer of 2005.[4] Competing combustion turbine models in this size range include the General Electric LM6000 and the TurboPower Marine FT-8. The LM6000 has been in service since the early 1990's with more than 490 units sold.[5] However, the LM6000 would have a higher heat rate than the SGT-800 in combined cycle configuration (approximately 7,500 versus 7,100 Btu/kwh respectively on a higher heating value basis).[6] RE evaluated use of the LM6000 for the Project, and found that use of the LM6000 would result in a higher Project heat rate (lower fuel efficiency) and higher life cycle cost. Therefore, the LM6000 was rejected in favor of the SGT-800[7].

Siemens has reported a reliability and availability of 99% and 95.8%, respectively, for the eleven (11) SGT-800 units in operation during the period of June 2003 through May 2004. From January 2000 through August 2004, only two engine failures were reported. One was due to a loose honeycomb seal on a second stage turbine vane, the other due to a material deficiency (excessive carbon contamination) on a first stage turbine blade. Inspections during early 2004 revealed excess wear and contamination on one unit due to failure of the air inlet filtration system (which is external to the CTG), and minor combustion system problems which were all easily repaired. [8]

HEAT RECOVERY STEAM GENERATORS

Each HRSG will be a duct-fired, two pressure, non-reheat, natural circulation, drum type with horizontal gas flow, complete with main steam isolation valves, feedwater stop and check valves, relief valves, and a continuous and intermittent blowdown system. Vogt Power International will supply the HRSGs under subcontract to Siemens. Each HRSG will also include an aqueous ammonia type SCR catalyst system provided by one of several pre-approved suppliers (Mitsubishi, Peerless, Hitachi, Hamon, Cormetech, Haldor Topsoe), and CO catalyst to be supplied by Englehard or other suppliers as approved by RE.[9] Each HRSG will be fed condensate from two 100% capacity, electrically driven, multistage, centrifugal boiler feed pumps. The 100% capacity is based on the more stringent requirements of either a) 100% CTG load at the operating condition giving maximum exhaust energy without duct firing, or b) full steam turbine bypass at 100% CTG load. During duct-fired operation, both pumps may be used. Both pumps operating concurrently will be able to provide the maximum feedwater demand during duct-fired operation.[10]

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[4] Siemens Power Generation, http://www.powergeneration.siemens.com/en/oilgas/drives/gt/sgt800/references/index.cfm

[5] GE Power Systems, LM6000 http://www.gepower.com/prod_serv/products/aero_turbines/en/lm6000.htm

[6] Gas Turbine World, 2004 Handbook

[7] Roseville Electric, Council Communication, Power Island Equipment for the Roseville Energy Park, December 2004.

[8] Development and Operating Experience with GTX100 - A Siemens 45 MW Industrial Gas Turbine for Various Applications, Jan Wikner, Siemens Westinghouse, PowerGen International, May 2004.

[9] Power Island Equipment Specification, Appendix O

[10] Roseville Energy Park, Mechanical Equipment and Systems Specification PSB-S3, section 3.18.

AIR EMISSION CONTROLS

The use of the DLN combustors in the CTGs and the SCR and CO catalysts in the HRSGs, along with the use of natural gas as the only fuel, will allow the Project to achieve the steady state permitted air emission limits as summarized in Table 1 below.[11]

Table 1 - Summary of Project Air Emission Limits

Pollutant	Standard or Method
NOx	2.0 parts per million by volume, dry (ppmvd) @ 15% O2 with a 1 hour averaging time
CO	4.0 ppmvd @ 15% O2 with a 3 hour averaging time
VOCs	2.0 ppmvd @ 15% O2 with a 1 hour averaging time
SO2	Satisfied through use of natural gas
PM-10	Satisfied through use of natural gas
NH3	10 ppmvd @ 15% O2 with a 1 hour averaging time

Virtually all air emissions from the Project will be generated by the PIE. The ability of the PIE to meet these emission limits during steady state operation has been guaranteed by Siemens under the PIE Contract. Air emission testing will be performed prior to final acceptance of the Project from the PIE Contractor to confirm that these emission limits are met.

The NOx standard must be achieved over a 1 hour averaging time. However, under terms of the FDOC and the Conditions of Compliance, the standard will not apply to the first six excursions above this level in any quarter if the excursion was due to rapid load changes beyond the control of RE, shutdown of air inlet fogging, startup of duct burners, or breakdown of the emission control equipment.[12]

NH3 emissions result from ammonia injected into the SCR catalyst during operation that fails to react (known as “ammonia slip”). Slip is expected to be 1 to 2 ppmvd when the Project enters operation, gradually increasing thereafter. Although slip is limited to 10 ppmvd, RE will be required to begin replacing catalyst sections in order to reduce slip beginning in the year when slip exceeds 5 ppmvd.[13]

STEAM TURBINE GENERATOR AND CONDENSER

The STG will be a condensing, non reheat, axial exhaust, condensing unit designed for an inlet pressure of 1300 psig / 922 F, including HP and LP steam stop and control valves, lube oil, Electro-hydraulic Control (EHC), and emergency trip systems. The generator will be a 3000 rpm, 13.8 kV, totally enclosed water to air cooled (TEWAC) 60 Hz synchronous machine with excitation protection and power system

[11] Roseville Energy Park, Final Determination of Compliance, Sacramento Metropolitan Air Quality Management District, November 2004

[12] California Energy Commission, Final Staff Assessment of the Roseville Energy Park, Section 4 – Air Quality, Conditions of Certification AQ-53.

[13] California Energy Commission, Final Staff Assessment of the Roseville Energy Park, December 2004.

stabilizer.[14] The STG will be supplied by Siemens.[15] The steam condenser will be a vacuum deaerating type with a non-condensable gas removal system including an inter-condenser, vacuum breaker, and instrumentation. The condenser will accept 100 percent of the unfired HP and LP steam bypass from the HRSGs to support plant operation following a steam turbine trip.[16]

ELECTRICAL

Output from each CTG and the STG will be stepped up from 13.8 kV to 60kV via separate step-up transformers and delivered to a new switchyard at the site. The switchyard will be an air-insulated, 60 kV breaker and a half configuration with four outgoing lines, and will be connected to an existing 60 kV circuit double-circuit line running adjacent to the Project.[17] The Project will not be black start capable. During Project startup and shutdown, the power required for Project electrical auxiliary systems will be backfed from the 60 kV system through auxiliary transformers. In addition, there will be a 480V, 1000 kVA local distribution feed to supply low-level power to the Project when the 60kV system is shut down. Emergency power will be supplied from a 125VDC battery system and Uninterruptible Power Supply ("UPS") systems, with separate systems for the CTGs and the switchyard. There will also be a 750 kW diesel-fueled emergency generator to furnish power to the auxiliaries required to keep all of the turbines on turning gear, and keep plant lighting, heating, heat tracing, and miscellaneous loads in service when the plant is off-line and disconnected from the utility grid.[18]

WATER TREATMENT AND ZERO LIQUID DISCHARGE

The Water Treatment (demineralizer makeup) System is integral with a ZLD system using High Efficiency Reverse Osmosis (HERO™) technology. Under this technology, cooling tower blowdown is pretreated to an elevated pH level before entering a conventional reverse osmosis (RO) system, resulting in higher silica solubility and reduced scaling of the RO membrane. The first full scale ZLD installation based on the HERO process was installed in the summer of 2001 at the 500 MW Griffith Energy Project in Arizona. It has since been utilized at other combined cycle facilities in Arizona and Mexico, and has been specified for use at a combined cycle plant in Burbank, California.

NATURAL GAS COMPRESSORS

Three, 50% capacity natural gas compressors will be provided, including inlet scrubber, discharge pulsation damper, discharge pressure control system, recycle cooler and compressor controls. The discharge pressure control system will maintain the gas pressure as required by the CTGs. The compressors will be shutdown and gas bypassed whenever PG&E supply pressure is sufficient for the CTGs. When required, one or two compressors will be in service with the third on standby to provide reliable gas supply to the CTGs.

CONTROL AND ADMINISTRATIVE FACILITIES

The Project will be designed as an "outdoor plant" with major equipment located outdoors. A Common Services Building will include areas for administration, the control room, warehouse, shop, and water

[14] Roseville Energy Park, Mechanical Equipment and Systems Specification PSB-S3, section 3.3
[15] PIE Contract, Appendix O, Specification SP003, Steam Turbine Generator, Technical Data by Seller
[16] Roseville Energy Park, Mechanical Equipment and Systems Specification PSB-S3, section 3.6.1
[17] Roseville Energy Park, High Voltage Systems Specification PSB-S6, section 1.0
[18] Roseville Energy Park, Electrical Equipment and Systems Specification PSB-S4, section 2.

treatment. An Electrical Building will include areas for medium and low voltage switchgear, plant battery and UPS, sample panels, and cycle chemical feed equipment.

COOLING TOWER

The cooling tower will be a conventional in-line four cell, wet, mechanical counter-flow tower of fiberglass construction with two speed fans and a drift loss of 0.0005%. The tower will have plume abatement conversion capabilities such that plume abatement can be implemented in the future if winter time ground fog formation becomes persistent. This abatement is required under the CEC Conditions of Certification.

CONTROL SYSTEMS

The control system design will be based on a distributed control system (DCS) architecture. Separate programmable logic controller (PLC) systems will be allowed for the Duct Burner Management System, Water Treatment System, Zero Liquid Discharge ("ZLD") System, Fire Pump Controller, Fuel Gas Compressors, Air Compressors Controller, and Continuous Emission Monitoring ("CEM") System. The CTGs, HRSGs, STG, and other balance of plant equipment will be operated primarily from workstations located in the main control room. The Water Treatment and ZLD Systems will be operated from workstations located in the Water Treatment Area, with selected data linked to the main control room for monitoring. The Power Block (consisting of the CTGs, HRSGs, STG, condenser, boiler feed pumps and all other equipment directly associated with power generation) will be designed so that it can be started and operated at any load point by two operators.

SUMMARY AND CONCLUSIONS REGARDING TECHNOLOGY

The above mentioned technology and design features of the Project are appropriate and typical for a reliable, intermediate loaded combined cycle plant. The Siemens SGT-800 CTG is a relatively new combustion turbine. However, interviews with current SGT-800 owners indicate that the CTG has been performing reliably, that the problems that have occurred have been relatively simple to remedy, and that Siemens has been responsive in providing remedies and retrofitting improvements. Although the averaging time for the NOx emission limit is short, the ability to exclude excursions that are due to rapid load change and duct burner startup provides reasonable protection against limit violations. The technology of the Project is a tested and proven technology which has been successfully implemented in other projects.

CONSTRUCTION COST AND SCHEDULE

CONSTRUCTION COST ESTIMATE

RE has prepared a construction cost estimate for the Project, which is summarized in Table 2 below.

Table 2 - RE Construction Cost Estimate ($000s)

Owner-Furnished Equipment		
Power Island Equipment		55,985
Zero Liquid Discharge and Water Treatment		5,419
Sales Tax		3,784
Total Owner Furnished Equipment		65,188
EPC Contract		
Total EPC Contract (incl Sales Tax and Spare GSU)		78,600
Other Capital Costs by Owner (including $1.348 million of Contingency)		
Switchyard EPC	4,500	
Water Well	100	
Gas Pipeline, Net of PG&E Reinforcement	1,500	
Transmission Interconnection Upgrades	0	
Emission Reduction Credits and Biology Mitigation	3,638	
Owners Development and Permitting Costs	2,764	
Owners Construction Phase Management	2,211	
California Building Official	1,536	
Plan Checks	718	
Owners Engineer, Environmental Consultants	2,286	
Site Support by RE	390	
O&M Staffing During Construction	1,940	
Startup Fuel Net of Power Sales	750	
Furnishing Common Services Building	500	
Purchase of Adjacent Land	1,500	
Total Other Capital Costs by Owner		24,333
Additional Contingency		6,991
Total Capital Costs, excluding Financing Costs		175,112
Overall Contingency		8,339
Overall Contingency (% of Total Capital Cost)		5.0%

The Power Island Equipment and ZLD estimates are based on actual contract prices. The EPC Contract item, which includes civil site work, mechanical, electrical equipment and construction labor, is based on the lowest priced, responsive proposal to perform the EPC Contract recently received by RE in response to a request for proposals issued in early 2005. RE is currently evaluating each of the four EPC proposals received, and plans to execute the EPC Contract with a selected EPC Contractor by June 1, 2005. The EPC Contract item also includes the cost for a spare generator main step up transformer.

Under Other Capital Costs by Owner, the switchyard EPC cost has been estimated by RE. No transmission interconnection costs are shown since the interconnect line, and upgrade of the existing RE 60 kV circuit, will be funded by RE from sources other than the Certificates. The circuit will be upgraded by RE in the spring of 2007 under a separate project to serve increasing load in the area. The gas pipeline cost estimate is based on a capital cost estimate provided by PG&E, less an expected allowance from PG&E of approximately $500,000 based on expected volumes of gas to be delivered (the "Gas Main

Extension Allowance").[19][20] ERCs & Biology Mitigation is the cost to procure 10 tons of NOx ERCs from the SMAQMD Community and Priority Reserve Bank, and to procure 6.5 acres of vernal pools and associated grassland ecosystems.

Owners Development & Permitting Costs are the costs expended to date to apply for and obtain the FDOC, the AFC, and all other necessary permits, plus the estimated costs through commencement of construction. Owners Construction Phase Management are the costs of RE to retain a project manager, assistant project manager, compliance manager, QA/QC inspectors, and a contract administrator. Owners Engineer Environmental Consultants is the cost for engineering and environmental specialists during construction to comply with the CEC conditions of certification. Owner Site Support is the cost of miscellaneous equipment and services that must be retained by the City including cooling tower plume monitoring equipment, telecommunication and site survey benchmarks. CBO – by City (including special inspectors) is the cost for the City of Roseville to perform the Chief Building Official role as required under the CEC Conditions of Certification. O&M Staffing During Construction is the cost to hire, relocate and train the O&M staff as described in more detail elsewhere in this Report. Purchase of adjacent land is the cost allocated by the City of Roseville to RE for the purchase of a 10 acre parcel of land adjoining the Project site, which includes the closest sensitive noise receptor to the Project (a residence and a dog kennel). [21]

Currently, the construction cost estimate does not include the cost of spare parts for the PIE, the BOP Equipment nor the ZLD equipment, other than the cost of a spare generator step up transformer.

CONTINGENCY LEVELS

The construction cost estimate includes amounts that will be set aside to pay for unexpected construction costs if and when they arise ("Contingency"). Unexpected costs for the Project could include higher than expected prices for equipment and services not yet secured, remediation of unforeseen site conditions (e.g. hazardous substances), delay costs due to uncontrollable forces (weather, strike), delay costs due to uncontrollable third parties (PG&E gas line construction, Section 404 Permit delay as discussed more fully under "Need for Section 404 Permit" below), and simply underestimation of costs in error. However, a reasonable level of contingency is still important to cover insurance deductibles, any uninsurable costs, and to avoid the cost and delay of borrowing additional funds (or issuing additional debt) to complete construction.

In the construction cost estimate, Contingency has been embedded in some of the individual line items under Other Costs by Owner. RE has provided a breakdown of the embedded Contingency. Additional Contingency has been added at the bottom of the estimate. The overall Contingency for the Project, including the embedded Contingency amounts, is currently 5.0% ($8.339 million).

COMPARISON OF COST WITH OTHER PROJECTS

Table 3 below compares the total estimated construction cost of the Project to estimated costs of other similar Projects. The projects were selected for comparison because they are CCCT plants under

[19] Letter from Rodney Boschee, PG&E to Russ Nichols, RE, dated October 14, 2003, route Alternative A, prevailing service delivery pressure.

[20] PG&E Rule 15 – Gas Main Extensions

[21] Roseville City Council Meeting, Agenda Item 6-35, February 16, 2005.

construction in urban environments in California. The SCPPA Magnolia project is a 1 x 1 CCCT plant currently under construction in Burbank, California, utilizing a GE 7FA CTG. The Vernon Malburg project is a 2 x 1 CCCT plant currently under construction in Vernon, California, utilizing the SGT-800 CTG. The SVP Von Raesfield Project is a 2 x 1 CCCT plant currently under construction in Santa Clara, California, utilizing the GE LM6000 CTG.

Table 3 - Comparison of Construction Costs

	Capacity (kw) (1)	Construction Cost ($/000s)	Year Financed	Capital Cost ($/kw)
SCPPA Magnolia	328,000	$253,454 (2)	2003	$773
Vernon Malburg	134,000	$142,000 (3)	2003	$1,060
SVP Von Raesfield	147,000	$150,000 (4)	2003	$1,020
The Project	160,000	$175,112	2005	$1,094

(1) California Energy Commission, Status of All Projects

(2) Independent Engineers Report, Magnolia Power Project

(3) Independent Consultants Report, Malburg Generating Station Project

(4) Silicon Valley Power Website

Review of the comparison reveals that the forecast construction cost of the Project, on a $ per kilowatt basis, is consistent with the forecast construction costs of the Vernon Malburg and SVP Von Raesfield projects. The SCPPA Magnolia project has the lowest forecast construction cost likely due to economies of scale available with larger combustion turbines. Although the forecast construction cost of the Project is slightly higher than the Vernon Malburg and SVP Von Raesfield projects, this can be attributed to cost inflation since 2003 and/or other minor differences in project scope.

CONSTRUCTION SCHEDULE

RE has prepared a detailed construction schedule for the Project. The key milestones and dates are summarized in Table 4 below.

Table 4 - Construction Milestones and Scheduled Completion Months

Milestone	Month
Issue Notice to Proceed for PIE	February 2005
CEC Issues Final Decision on AFC	April 2005
Close of Financing	June 2005
Issue Limited Notice to Proceed for EPC	June 2005
Obtain Section 404 Permit	June 2005
Issue Full Notice to Proceed for EPC	August 2005
Deliver HRSGs to Site	March 2006

Milestone	Month
Deliver CTGs to Site	April 2006
Deliver STG to Site	May 2006
Complete Switchyard, Backfeed	September 2006
Complete Gas Pipeline	October 2006
Complete Construction	December 2006
Complete Commissioning	March 2007
Commercial Operation	April 2007

The construction period critical path currently begins with EPC proposal receipt, evaluation and award, continues through EPC engineering and procurement, and then through EPC construction, commissioning and acceptance testing.

Based on this current schedule, the duration for furnishing of the PIE is approximately 13-15 months, and the overall Project construction duration (from EPC full NTP through Commercial Operation) is approximately 20 months. Typical power island supply duration for CCCT projects is 12-16 months, and overall duration from kickoff through commercial operation is 18-24 months.

To help ensure achievement of this schedule, the PIE Contract includes a detailed Milestone Date Schedule that specifies dates after notice to proceed date on which specific drawings and equipment must be delivered by Siemens. Failure to achieve these dates will result in liquidated damages accruing to Siemens at a rate up to $40,000 per day. Schedule related guarantees and liquidated damages are also provided under the EPC Contract and the ZLD Contract. The EPC Contract includes a Substantial Completion Date Guarantee, which is the date on which the Project will be available for commercial operation. Failure to achieve this date will result in liquidated damages accruing to the EPC Contractor at a rate of up to $40,000 per day.

NEED FOR SECTION 404 PERMIT

The federal Clean Water Act (33 United States Code, section 404 et seq.) prohibits the discharge of dredged or fill material into the waters of the United States without a permit. Construction of the Project will result in filling of some existing wetlands and reduction of habitat for some endangered species. Therefore, RE must submit a Section 404 permit application to the U.S. Army Corps of Engineers (USACE), and the USACE must begin consultation with the United States Fish and Wildlife Service (USFWS) towards issuance of a Biological Opinion ("BO") requiring purchase or commitment of mitigating offset wetlands by RE. The USFWS must issue the BO within 135 days from the request for consultation. The BO must be issued prior to the commencement of construction.

Preparation of the permit application is underway. RE has forecast that the permit will be granted in June 2005. However, this will be subject to the findings of the studies and the responsiveness of USFWS staff. Although the USFWS is statutorily required to respond with a final BO within the 135 day period, the often exceed this time limit due to inadequate staffing levels and the priorities of the projects being reviewed. RE is working to expedite the BO by agreeing to retain and pay for biologists as a supplement to USFWS staff. RE has indicated that a delay in permit receipt beyond August 2005 may cause a delay in the commercial operation date of the Project beyond April 2007. It may also cause costs to increase due to price escalation mechanisms in the EPC Contract.

COMPARISON OF SCHEDULE WITH OTHER PROJECTS

Table 5 summarizes the overall construction schedule of the Project with those of the other similar projects.

Table 5 - Comparison of Construction Schedules[22]

Project	Construction Start Date	Commercial Operation Date	Construction Duration (Months)
SCPPA Magnolia	7/21/2003	6/5/2005	23
Vernon Malburg	9/11/2003	8/5/2005	23
SVP Von Raesfield	9/10/2003	3/5/2005	18
The Project	8/1/2005	4/1/2007	20

Source: California Energy Commission, Status of All Projects

The construction durations shown for these other projects are based on status reports filed by the project owner with the CEC during construction. Construction start date is the date on which significant site construction activities commenced (underground utilities, foundations, etc.)

SUMMARY AND CONCLUSIONS REGARDING CONSTRUCTION COST AND SCHEDULE

We believe that the forecast construction costs and schedule of the Project are generally reasonable. The forecast schedule is consistent with other projects, and the schedule related guarantees and liquidated damages provided under the PIE Contract, the EPC Contract and the ZLD Contract will provide adequate incentive to the contractors to meet this schedule. The estimated cost is consistent with that of other similar projects. The Contingency level of 5% is reasonable given that the majority of the construction costs either have been or will soon be committed, but the costs for spare parts have not yet been included, and that the level of the PG&E Gas Main Extension Allowance has not yet been finalized. We believe construction of the Project for the estimated cost and schedule is achievable, barring failure of the USFWS to grant a 404 Permit on a timely basis or other uncontrollable events.

PROJECT MANAGEMENT AND STAFFING

OPERATION AND MAINTENANCE (O&M) STAFFING

RE has prepared an Operation and Maintenance Plan for the Project.[23] Under the plan, RE will be responsible for day-to-day operation and maintenance of the Project. This will be the first generating

[22] California Energy Commission, Energy Facility Status, 3/14/2005, http://www.energy.ca.gov/sitingcases/all_projects.html

plant owned and operated by RE. RE will hire and/or train RE staff as necessary to provide the required O&M services. Key positions in the plan include the following:

- Plant Manager (1) – reporting to the RE Assistant Electric Utility Director of Power Supply, the Plant Manager will be accountable for the effective operation and maintenance of the Project including personnel supervision, planning, budget development, plant accounting, and regulatory reporting.
- Operations Manager (1) – reporting to the Plant Manager, the Operations Manager will be the senior operations and maintenance lead in the day-to-day physical operation of the facility including personnel supervision, operations planning, maintenance planning, contract management, ZLD and consumables management.
- Operators (9) – reporting to the Operations Manager, there will be two operators per shift plus one relief, to cover three daily shifts plus weekend/holidays. Operations will be performed from both the control room and local control stations as provided.
- Instrument & Control (I&C) Technicians (2) – reporting to the Operations Manager, the I&C technicians will be responsible for the maintenance, calibration and repair of plant instrumentation including the distributed control system (DCS), Continuous Emissions Monitoring System (CEMS), ZLD, alarm annunciation and related plant controls systems.
- Plant Mechanic (1) reporting to the Operations Manager, the Plant Mechanic would perform mechanical maintenance on all Project equipment to ensure optimum efficiency, availability, safety, performance and appearance.
- Water Management Facility Supervisor (1) – reporting to the Operations Manager, the Water Management Facility Supervisor will be responsible for demineralized water and ZLD system operations including chemical supply and commodities management.
- Water Management Facility Operators (4) – reporting to the Water Management Facility Supervisor, there will be one operator per shift plus one relief operator.
- Plant Engineer / Maintenance Planner (1) - supporting the Plant Manager and Operations Manager, the planner will provide certain engineering, planning, scheduling and contract management functions including annual budget development, capital improvements, scheduling and the planning of annual and major maintenance events.
- Administrative Technician (1) – supporting the Plant Manager in tasks related to document control and management, report generation, database entry, invoicing, accounts receivable and related tasks.

The plan calls for the operators to support the plant mechanic and I&C technicians in performing daily routine preventative and corrective maintenance. Additional routine and annual maintenance support resources will be obtained via shared or contract services with other divisions of the City, or the Northern California Power Agency ("NCPA"), or other third parties. Major maintenance (such as CTG overhaul) will be provided via contract services with Siemens, NCPA or other third parties. Payroll, human resources, and select accounting/reporting and other functions will be provided by the City.

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[23] Roseville Electric Park, O&M Org Chart Rev 0.ppt

Table 6 presents the planned hiring schedule for this new staff, based on a Project commercial operation date in April 2007. Staff must be available for classroom training to be provided by Siemens and the EPC Contractor prior to Project startup, and field training during startup.

Table 6 - Schedule for Hiring of Operation and Maintenance Staff

	2005		2006			
	Q3	Q4	Q1	Q2	Q3	Total
Plant Manager	1					1
Administrative Technician	1					1
Operations Manager		1				1
Plant Engineer / Maintenance Planner		1				1
Water Management Facility Supervisor			1			1
Power Plant Lead Operator				4		4
Power Plant Operator					5	5
Water Treatment Facility Operator					4	4
Instrument and Control Technician					2	2
Maintenance Technician					1	1
Totals	2	2	1	4	12	21

RE is responsible for hiring operation and maintenance personnel for training by the EPC Contractor and to provide ordinary operating and maintenance support to the EPC Contractor for testing, start-up and commissioning of the Project. Until substantial completion of the Project, the operating personnel provided by RE will provide normal operating maintenance support under the management, supervision, and direction of the EPC Contractor.

NATURAL GAS PROCUREMENT STRATEGY AND STAFFING

Proposed Gas Supply Strategy

RE has developed a natural gas procurement strategy for the Project.[24] The strategy calls for procurement of natural gas from multiple, qualified natural gas suppliers using monthly contracts for expected base load operation, and shorter term contracts for peaking (duct firing) operation and for correcting any monthly gas demand/supply imbalances. Pricing would be based on a floating, "indexed" basis, determined from a public index (such as NYMEX) plus or minus a spread to cover transportation and embedded services. Gas procured on a monthly basis would be pegged to a monthly index, with balancing transactions (purchases and sales) made on a daily basis pegged to the daily index. Financial instruments, such as variable-to-fixed price swaps, caps, and collars would be used to hedge long term and short term price risk.

Natural gas will be procured from suppliers at the "PG&E City Gate" which means at various points of delivery onto the Local Transmission System of PG&E. RE will contract with PG&E for transportation service across the PG&E Local Transmission system to the Project site. Suppliers would be responsible for upstream transportation capacity to reach the PG&E City Gate, as well as performing all necessary

[24] Proposed Roseville Electric Natural Gas Procurement Strategies, December 2004

scheduling and balancing, storage, and other services on the upstream pipelines. RE would not need to hold physical gas nor gas transportation capacity.

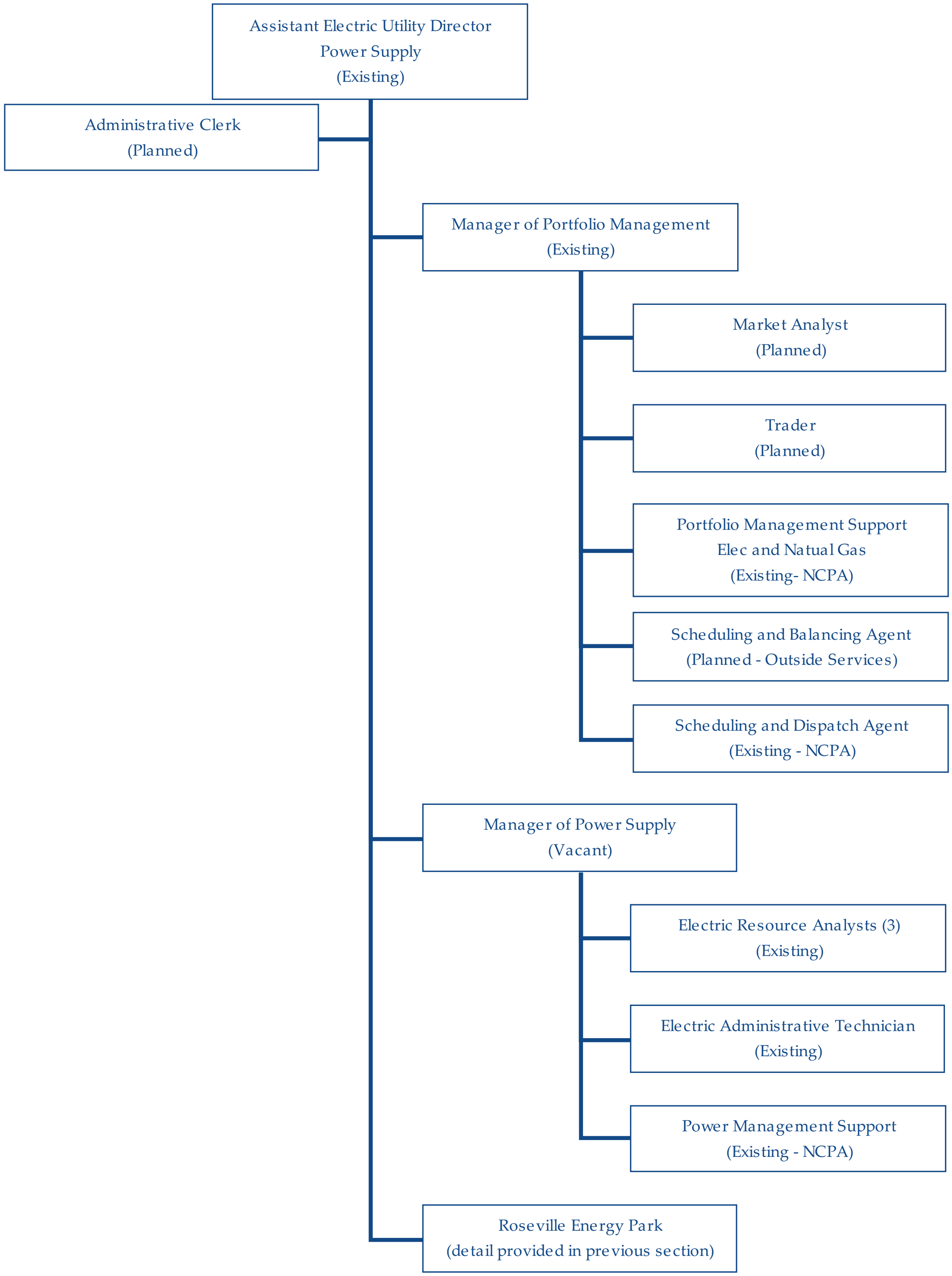
The gas supply contracts will be written to match the forecast requirements of the Project. The actual usage by the Project will vary based on market and operational conditions. This variance will be monitored and managed for RE by a third party Scheduling and Balancing Agent ("SBA"). The SBA will serve as an interface between the electric Scheduling and Dispatch Agent (currently NCPA) and the natural gas suppliers. Daily SBA responsibilities will include monitoring the gas supply contracts, market prices, balancing gas deliveries with contract quantities and managing pipeline conditions. The SBA will report daily spot gas prices to the SDA, nominate gas for delivery based on expected plant operations, purchase gas above contract quantities and market excess gas. The SBA also monitors and reports monthly gas utilization at the plant and reconciles contract deliveries and pricing.

Responsibilities of RE

RE currently does not procure or manage natural gas. Under the proposed Natural Gas Strategy, RE will be required to establish credit risk management policies for gas suppliers including collateral and contracting requirements, develop gas contract terms and conditions, pre-qualify and contract with gas suppliers consistent with the risk management policies, and retain a qualified SBA.

RE is in the process of evaluating organizational changes to perform these responsibilities, including augmentation of the existing Power Supply group with a new Portfolio Management group, allowing integration of natural gas into the overall power supply portfolio for both near term (interfacing with the SBA) and longer term operations. The organization structure, positions and status of hiring is shown in Figure 1 below.

Figure 1 - RE Proposed Wholesale Services Organization[25]



[25] Wholesale Energy Services Organization Chart, March 21, 2005, Tom Green, Roseville Electric.

Under the portfolio management group, RE plans to hire an energy market analyst in 2005 to begin building systems to support natural gas procurement, and an energy trader in 2006 to support natural gas and electricity trading when the Project enters service in the spring of 2007. RE is also considering participation in the NCPA Natural Gas Program that may expand to allow active natural gas acquisition for NCPA members. Staff training has begun to emphasize natural gas acquisition and hedging strategies. Expansion of the NCPA Natural Gas Program will also entail augmented training activity.

Summary and Conclusions Regarding Project Management and Staffing

The Operations and Maintenance Plan for the Project is typical and reasonable for an intermediate loaded combined cycle project. The plan, if successfully implemented by RE, will provide adequate technical expertise, training, and structure to perform the required operation and maintenance activities. The proposed Portfolio Management staffing is also typical and reasonable for gas supply to a relatively small combined cycle plant. RE will be focused primarily on longer term supply portfolio and risk considerations, with the daily marketing, scheduling and balancing functions delegated to the SBA with its specific training, expertise and staffing levels, and economies of scale for the relatively small volumes of gas to be managed for the Project.

Reliability and Availability

Reliability of a power plant is generally defined as the percentage of total hours in a year that a plant is not completely out of service due to equipment failure (a forced outage). Availability is a similar measure, except that the hours of planned maintenance (maintenance outages) are taken into account. Availability is the percentage of hours that at least some portion of the plant is available to serve load. A plant is available even if a portion of it is out of service or shutdown for economic reasons (when cheaper energy is available from other sources).

PIE Reliability Requirements and Features

The PIE Contract includes several reliability requirements that must be met by Siemens.

The PIE must pass a reliability test to be conducted by the EPC Contractor. The Project will be operated for seven (7) consecutive days at varying output levels with no shutdown or startups. The reliability measured over this period must be greater than or equal to 95% while maintaining compliance with specified air emission and sound guarantees (the "Reliability Test Guarantee").[26]

The CTGs must be designed for continuous 24 hour per day operation with potential daily cycling from off-line to full load. Adequate equipment redundancy must be provided such that no single failure of an auxiliary component or system (lube oil pump, CTG enclosure fans, etc.) can result in CTG damage. In addition, Siemens must provide redundancy for all components or systems that are capable of causing a forced outage of the Project in the event of a failure.[27]

The PIE Contract also requires that the PIE be able to reduce load quickly upon separation from the grid (runback). Should the grid connection be lost, the CTG control systems must be able to maintain at least

[26] PIE Contract, Volume 1, Section 6.0

[27] PIE Contract, Appendix O, Specification SP001 (Combustion Turbine), section 5.1.1.

one CTG on-line at the then present residual load.[28] Holding one CTG on line at residual load will allow rapid re-synchronization and loading after the cause of the grid separation is rectified.

In cases where only the STG has separated from the grid, an HP Start-up Vent Valve on each HRSG will be used to bypass steam around the STG directly to the condenser. This will avoid the lifting of HP safety valves, allow the CTGs and HRSGs to stay in service, and allow a rapid re-synchronization and loading after the cause of the STG separation is rectified.[29] The steam surface condenser and accessories must be designed for stable operation from zero to maximum heat load and at 100% turbine bypass operation for up to 250 hours per year.[30]

BALANCE OF PLANT RELIABILITY AND FEATURES

The EPC Contract requires that the Project be designed for an expected reliability of 98% over a 30-year life.[31] The reliability of the BOP Equipment associated with operating the PIE must be equal to or greater than the Reliability Test Guarantee as specified in the PIE Contract. Similarly, the reliability of the equipment associated with operation of the ZLD System must be equal to or greater than the reliability guarantee specified in the ZLD Contract.

The major components of the BOP Equipment and the required level of redundancy for each are summarized in Table 7 below.[32].

Table 7 - Major BOP Equipment Components and Redundancy Level

Component	Quantity
Fuel Gas Compressors (w/upstream filter)	3 – 50% based on total maximum CTG demand
Main Fuel Gas Scrubber/Separator upstream of gas compressors	1 – 100% total plant, with full capacity manual bypass
Circulating Water Pumps	2 – 50% per total plant
Boiler Feedwater Pumps	2 per HRSG based on 100% unfired feedwater flow
Condensate Pumps	3 – 50%
Ammonia Forwarding Pumps	2 – 100%
Uninterruptible Power Supply	1 – 100% total plant (with redundant inverters)
Station Battery (CTGs come with their own)	1 – 100% (covers STG, DCS, etc.)
Standby Generator	1 – 100%

[28] PIE Contract, Appendix O, Specification SP001 (Combustion Turbine), section 5.4.2 c.
[29] PIE Contract, Appendix O, Specification SP002 (HRSG), Technical Data by Buyer
[30] PIE Contract, Appendix O, Specification SP002 (Steam Condenser), section 3.2.4
[31] EPC Contract, Exhibit A, PSB-S1, Design Basis, Section 1.1
[32] EPC Contract, Exhibit A, PSB-S1, Design Basis, Section 1.3

Component	Quantity
CTG Main Step Up Transformers	1 – 100% for each CTG
STG Main Step Up Transformer	1 – 100% for the STG

SPARE PARTS

Obtaining and maintaining a spare parts inventory will be a key component in maintaining overall Project availability.

Under the PIE Contract, Siemens must provide a list of recommended spare parts for one year and five years of operation[33]. RE is responsible for procuring all necessary spares for the PIE. In addition, if Siemens discontinues the manufacture of major components or compatible replacement parts for the Project, Siemens must provide copies of manufacturing drawings to RE so that RE may have the items manufactured for the Project, unless such major components or compatible replacement parts are otherwise available in the competitive market from alternative supplier(s). [34]

For the BOP Equipment, the EPC Contractor is required to identify all necessary spare parts that the EPC Contractor reasonably believes that RE should obtain, up to $250,000 worth of which can be designated as "required". RE will purchase the required spares and other spares so that they will be available for use, if necessary, no later than the beginning of Project commissioning. Any spares used during the commissioning period must be replenished by the EPC Contractor. [35]

AVAILABILITY FORECAST

Under the RE Power Supply Forecast, RE is assuming an annual reliability and availability for the Project of 99% and 90-94%, respectively.[36] The availability forecast is based on a 5% annual scheduled maintenance rate for BOP equipment, plus an additional 1 to 5% for CTG maintenance (which causes the variability in the annual number). Scheduled maintenance for the BOP equipment is based on typical activities for CCCT plants including major equipment inspection and minor repair and replacement of lube oil, filters, motors, control equipment, etc. Scheduled maintenance for the CTGs is based on the recommended maintenance schedule from Siemens. This schedule is summarized in Table 8 below.

[33] PIE Contract, Volume 2, Specification 01301, Power Island Equipment Technical Submittals, section 2.3.2.
[34] PIE Contract, Volume 1, Section 17.31
[35] EPC Contract, Section 4.20
[36] RE, spreadsheet file plantoutput.xls, February 22, 2005

Table 8 - Siemens Recommended CTG Maintenance Schedule[37]

Equivalent Operating Hours	**10,000**	**20,000**	**40,000**	**50,000**
Scope of Work	Borescope inspection of compressor blading, combustion chambers, fuel injectors and turbine blading. Visual inspection of auxiliary systems and electric generator	Borescope inspection of compressor blading, electric generator. Visual inspection of fuel injectors, turbine guide vanes and blades, auxiliary systems and electric generator.	Borescope inspection of electric generator. Visual inspection of fuel injectors, turbine guide vanes and blades, couplings and gears, compressor, auxiliary systems, electric generator	Borescope inspection of compressor blading, electric generator. Visual inspection of fuel injectors, turbine guide vanes and blades, auxiliary systems. Electric generator rotor extraction
Days of Outage	2	13	16	14
Percent of Annual Hours	< 1%	3.6%	4.4%	3.8%

This scheduled maintenance work will likely be performed during spring conditions when the Project is displaced for economic reasons (cheaper energy available from the Western Base Resource Contract and the NCPA hydro resources).

The average annual CTG maintenance rate over all years of the forecast is approximately 3%, resulting in an overall average annual Project availability of 92%. Annual average reliability for CCCT plants for the years 1999 through 2003 has been reported as 98%by the North American Electric Reliability Council ("NERC"). Average annual availability for the same period has been reported as 89%[38] This is based on data from 139 CCCT plants, 54 of which entered service since 2001.

SUMMARY AND CONCLUSIONS REGARDING RELIABILITY AND AVAILABILITY

The levels of reliability and availability of the Project forecast by RE are consistent with the historic levels for CCCT plants as reported by NERC. The reliability requirements of the PIE Contract, including the reliability testing, CTG runback and STG bypass features will support a high level of reliability. The

[37] Siemens, Support Packages Maintenance Program GTX100, Service Product Information Document number 1CS19052, March 2003.

[38] North American Electric Reliability Council, Generating Availability Report, 1999-2003, FOF and AF data for combined cycles

reliability requirements and level of equipment redundancy specified in the EPC Contract generally also support a high level of reliability. RE will purchase a spare main generator step up transformer for the STG. The CTG transformer pads and other features will be designed such that the STG spare, which has a higher rating, could also be used to replace a failed CTG transformer. Provision of a spare main generator step up transformer further supports the ability of the Project to achieve and maintain the reliability and availability levels forecast by RE.

OPERATING FLEXIBILITY

REQUIRED DISPATCH

RE intends that the Project will be a reliable, flexible addition to its generating resource portfolio, able to respond to load changes, replace inflexible market purchases and provide spinning reserve and replacement reserve.

RE has prepared a comprehensive production cost simulation of its generating and contract resources in order to forecast the most economic dispatch of each to meet the forecast loads for each hour for the fiscal years 2005 through 2014 (the "RE Power Supply Forecast"). The RE Power Supply Forecast is further described in the Compatibility with RE Load section of this Report. The RE Power Supply Forecast identifies the number of hours per year that the Project will be dispatched to operate at certain loads. This forecast is generated from a comprehensive production cost simulation of the RE system, taking into account loads and load growth, forecast natural gas and wholesale energy market prices, and the Project design heat rate at peak load (with duct firing), base load (without duct firing) and minimum load conditions. The simulation also considers the Project operating limitations identified under the FDOC and the pending CEC Conditions of Certification. The operating limitations as specified in the proposed CEC Conditions of Certification are calculated based on the hours of operation shown in Table 9 below.

Table 9 - Operating Hour Basis for CEC Conditions of Certification[39]

Parameter	Q1	Q2	Q3	Q4	Total
Base load Hours	1,324	1,094	1,247	1,298	4,963
Peak Load Hours	500	321	849	509	2,179
Total Hours Starting/Shutting Down	89	148	30	94	361
Total Hours	1,913	1,563	2,126	1,901	7,503

These limits are based on the estimated hourly emission rates from all sources at the Project, and the level of allowed overall annual Project emissions (an annual emissions cap). The Project would be able to operate more frequently and with more starts if actual emission rates are less than those assumed in calculating total annual emissions. The annual emissions cap is based on the amount of NOx Emission

[39] California Energy Commission, Final Staff Assessment of the Roseville Energy Park, Section 4 – Air Quality, Conditions of Certification AQ-64, Table 7.3 b and Table 6.3 b.

Reduction Credits (ERCs) that RE will be able to surrender to the Placer County Air Pollution Control District (PCAPCD) prior to Project operation. Surrender of 31.09 tons is required. RE currently holds 23.4 tons of NOx ERCs, and intends to secure the remaining amount required (7.7 tons) by either installing controls at an existing local landfill gas-to-energy facility ("Energy 2001"), or by purchasing them from the SMAQMD Community and Priority Reserve Bank. RE will actually purchase and surrender amounts greater than shown here due to reduction factors that are applied by PCAPCD based on the distance between where the ERCs were created and where the Project is located. The cost to purchase all necessary amounts is included in the RE Construction Cost Estimate shown in Table 2.

REQUIRED PERFORMANCE

Review of the RE Power Supply Forecast reveals that the Project will startup to base load, and transition between base load and peak load operation on a regular basis, and that the Project will need to meet the performance levels shown in Table 10 below over the forecast period.

Table 10 - Required Performance Under the RE Power Supply Forecast

Parameter	Requirement
Maximum Load	170 MW (winter months)
Annual Hot Starts	40 (2011)
Annual Warm Starts	105 (2012)
Annual Cold Starts	39 (2010, 2012)
Longest Continuous Run	360 hours (2011)
Annual Hours at CTG Part Load	26 (2007)
Maximum Ramp Rate (MW per minute)	14

In order to ensure that the Project can meet these performance requirements, performance guarantees for electric output, heat rate and auxiliary loads at both base load and peak load conditions have been provided under the PIE Contract, the EPC Contract and the ZLD Contract. In addition, "functional" performance standards and guarantees have been specified under the PIE Contract and the EPC Contract. The operating flexibility of the Project will depend primarily on its ability to achieve the functional performance standards. These are described in detail below.

PIE FUNCTIONAL SPECIFICATIONS

The PIE is at the heart of the Project. The operating flexibility of the Project will be defined by the ability of the PIE to quickly and reliably respond to dispatch instructions such as startup, hold minimum load, follow load, raise load at a specified rate, hold maximum load and shutdown, all within the physical constraints of the equipment and permitted air emission limits. The PIE Contract includes several functional requirements that must be achieved as part of PIE acceptance. These are described below.

Operating Modes and Ramping

The PIE Contract requires that the CTGs and the STG be equipped with all necessary controls configured for complete start-up, automatic or manual synchronizing, loading, operation and shutdown. The PIE Contract also requires that the PIE be capable of operating as follows:[40]

1. With 2 GTG x 2 HRSG x 1 STG in service, either unfired or duct-fired (when at 100% CTG load);

2. With 1 GTG x 1 HRSG x 1 STG in service, either unfired or duct-fired (when at 100% CTG load);

3. Transitioning between maximum output (both CTGs at full load with duct firing) down to minimum load (only one CTG at 50% load, no duct firing) with all stack emissions in compliance for the entire turndown range and ambient temperature range;

4. Operating with any level of duct firing up to the maximum rating of the duct burner or STG generator with either one or both CTGs in operation across the full range of ambient temperatures;

5. With no duct firing, while achieving a ramp rate of 5 MW per minute on each CTG and 4 MW per minute on the STG;

6. With duct firing, while achieving a ramp rate of 8 MW per minute on the STG;

7. With only 1 CTG operating at 20% of its base load on a continuous basis without combustion system or other instability;

8. With both CTGs at full load, with the STG off line, unfired while bypassing steam flow from the HRSGs to the condenser.

Requirement 1 is necessary to ensure that the Project will achieve the most likely operating condition for summer peak hour operation, with two trains in service and duct firing. Requirement 2 is necessary to ensure achievement of the most likely operating condition during non-summer conditions, with one train in service and duct firing as necessary for reserves. Requirement 3 is necessary to achieve the smooth transition from the maximum load condition to a minimum (non-extreme) load condition, which will occur during summer periods when load diminishes or cheaper energy is available during off peak hours. Requirements 4, 5 and 6 are necessary to ensure the Project can deliver spinning reserve. Requirement 6 will ensure that the normal amount of duct firing capacity (40 MW from the STG when both CTGs are at full load) can be delivered within about 5 minutes, well within the required 10 minute window required for spinning reserves.

Although not expected as part of the forecast dispatch, Requirements 7 and 8 represent situations where the Project has suffered an equipment failure (partial outage), but must remain on line to minimize power outages and/or minimize imbalance energy purchases. Requirement 7 represents an extreme minimum load situation, as would happen if one CTG and portions of the HRSGs and STG systems were not operable for some reason. Operation at this 20% load level is unlikely, since the air emission limits

[40] PIE Contract, Exhibit A-1

specified under the PIE Contract are not valid below 50% CTG load.[41] Requirement 8 represents the situation where the STG has tripped, but can be restarted shortly and therefore the CTGs must remain in service. This would be a temporary operating situation.

Starting and Loading

In addition, the PIE Contract requires that the PIE be capable of the startup performance stated in Table 11.[42]

Table 11- Starting and Loading Requirements for the PIE

Start Type	Time Limit to Full Load, Unfired Mode (minutes)
Hot Start (shutdown less than 8 hours)	60
Warm Start (shutdown between 8 and 48 hours)	120
Cold Start (shutdown more than 48 hours)	200

The Hot Start is representative of 6x16 operation (Monday through Saturday, 6 am to 10 pm) during the summer months if and when the Project can be shutdown overnight in favor of cheaper off peak energy. The Warm Start is representative of 5x16 operation during the non-summer months if and when the Project can be shutdown over the weekend (Saturday morning to Sunday night) in favor of cheaper off-peak energy. The Cold Start is representative of a restart after an annual planned spring maintenance outage, or a forced outage that requires shutdown of the entire Project.

EPC FUNCTIONAL SPECIFICATIONS

The proposed EPC contract includes several functional performance standards for the BOP Equipment (the "BOP Functional Guarantees").[43] These include the following:

- The BOP systems, equipment, and facilities must accommodate cold, warm, and hot startups and shutdowns of the PIE with no more than one (1) control room operator and one (1) auxiliary (outside) operator operating the plant under normal operating conditions, and must allow the Siemens guarantees for cold, warm, and hot startup times can be achieved with no more than an additional twenty (20) minutes required to achieve PIE pre-start conditions.

- The BOP systems, equipment, and facilities must accommodate operation of the PIE and the entire Project within its respective full normal operating range: i.e., from one CTG at minimum load (50%) through base load and peak load conditions

- The BOP equipment must allow the PIE to meet the load ramp rates (up or down) as defined in the PIE Contract.

[41] PIE Contract, Exhibit E, Section 5.0
[42] PIE Contract, Exhibit E, Section 8.0
[43] EPC Contract, Exhibit I, section 3.1, BOP Functional Guarantees

- Transfers of major equipment operation from any equipment item to any other parallel equipment item must be achieved without an interruption in operating load, including boiler feedwater pumps (for same HRSG), circulating water pumps, condensate pumps, and fuel gas compressors.

- The BOP systems, equipment, and facilities must accommodate startup and normal operation of the ZLD System through the full range of plant operating loads, the full range of the ZLD System operating range, and specified ambient conditions.

- The EPC Contractor must also demonstrate that the STG bypass valves and HRSG vent valves meet the required flow and operating times specified in Exhibit A of the EPC Contract.

These BOP Functional Guarantees will be tested (the "Functional Tests") as part of the overall performance testing process for the Project.

Summary and Conclusions Regarding Operating Flexibility

The RE Power Supply Forecast reveals that the Project will startup to base load, and transition between base load and peak load operation on a regular basis. Therefore, the PIE Contract and the EPC Contract require the Project to meet certain functional requirements, such as rate of load change, to demonstrate operating flexibility. The functional requirements for operating flexibility are appropriate and typical for a reliable, intermediate loaded combined cycle plant. They appear to adequately address the performance required of the Project under the RE Power Supply Forecast. The ability of the Project to meet the functional requirements will be tested prior to Project acceptance. If the functional requirements are successfully achieved, the Project should be reasonably flexible in its dispatch under expected or typical natural gas and wholesale energy market prices as represented by the RE Power Supply Forecast.

Compatibility with RE Load

RE Loads

RE provides electric service to more than 41,000 retail and 5,000 commercial customers in the City of Roseville. Since 1999, peak demand and annual energy needs have grown at the rates of 5% and 8% per year, respectively.[44] Peak demand was 294 MW for the fiscal year ended June 30, 2004.[45]

RE has prepared a load forecast, which is summarized in Table 12 below.[46]

[44] Roseville Electric, 2003 Annual Report
[45] Roseville Electric, http://www.rosevilleelectric.org/aboutUs/byTheNumbers.html
[46] Roseville Electric, Forecast Comparison 2006-2014.xls

Table 12 - Forecast Peak Demand and Annual Energy for RE

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Capacity (MW)	337	353	372	390	405	418	423	426	430
Energy (MWh)	1,284,658	1,332,578	1,394,822	1,450,827	1,499,204	1,552,828	1,590,458	1,608,191	1,625,924
Load Factor	43.6%	43.1%	42.7%	42.5%	42.3%	42.5%	42.8%	43.1%	43.2%
Capacity Growth		4.9%	5.3%	4.8%	3.9%	3.2%	1.4%	0.6%	0.9%
Energy Growth		3.7%	4.7%	4.0%	3.3%	3.6%	2.4%	1.1%	1.1%

Peak demand and annual energy are forecast to continue to grow 3 to 5% per year though 2011, slowing to approximately 1% thereafter. The key driver of this growth is population. Annexation of the west Roseville area is forecast to add 16 MW and 66 GWh of demand and energy alone.[47] This new residential and commercial load is forecast to have a higher energy use intensity than similar loads in the past, which also contributes to overall forecast demand and energy growth. Residents and businesses within the City of Roseville must take electric service from RE.

RESOURCES

RE currently has access to a variety of power generating plants and power purchase agreements to meet the demand and energy requirements of its customers. These primary agreements and projects are described below.

- NCPA. RE has participation entitlements to generating plants operated by the NCPA, a joint powers agency of which Roseville is a member. These include four natural gas-fired combustion turbine plants and two geothermal plants. RE is also a participant in the NCPA power pool which provides reserves, access to capacity and energy, and participation in contract purchases and price hedging arrangements.

- Western Area Power Administration ("Western"). RE has a power purchase agreement with Western that is subject to renewal in 2025. The purchase is a "Base Resource Contract", providing RE with approximately 4.5% of the Western Base Resource, which is principally the generating capability of the Central Valley Hydroelectric Project.

- The Morgan Stanley Contracts (MSCs). RE has power purchase and sale contracts with the Morgan Stanley Capital Group, Inc. for peak hour energy (Monday through Saturday, 7 am to 11 pm), consisting of an initial 2001 purchase, a 2003 purchase, a 2003 sale and a 2005 sale. The 2001 purchase currently provides a flat 50 MWH per hour on a 6x16 basis, increasing to 100 MWH per hour in January 2006 through expiration in December 2010 at a flat price of $45.80/MWH. The 2003 purchase provides a flat 25 MWH per hour on a 7x24 basis from January 2005 through December 2005 only at a flat price of $48.25/MWH. The 2003 sale will return 25 MWH per hour on a 6x16 basis back to Morgan Stanley from January 2007 through December 2010 at a flat price of $54.15/MWH. The 2005 sale will return 50 MWH per hour on a 6x16 basis back to Morgan Stanley from January 2008 through December 2010 at a price that is currently under negotiation between RE and a potential purchaser. The net effect of these purchases and sales will be 75 MWH per hour on a 6x16 basis during calendar year 2006, 50 MWH per hour on a 6x16 basis during calendar year 2007, and 25 MWH per hour on a 6x16 basis during the calendar years 2008

[47] Roseville Electric 2003 Resource Plan, Section 3.1

through 2010. Power is delivered onto the CAISO system in NP15. The contract terms do not limit the ability of RE to resell the MSC purchases back into the market.[48]

- Short Term Purchases – RE also purchases energy on a short term basis to meet its load. Purchases can be made from within the SMUD/Western control area, imports from other areas, or from the CAISO system.

SIMULATION AND FORECASTS

As described previously under the Operating Flexibility section of this Report, RE prepared the RE Power Supply Forecast, which is a comprehensive production cost simulation of these generating and contract resources in order to forecast the most economic dispatch of each to meet the forecast loads for each hour for the fiscal years 2005 through 2014. The Project was introduced into the mix in the simulation month April 2007. For the Project, certain assumptions were made with respect to natural gas prices, heat rate, variable operating and maintenance costs, forced and scheduled outage rates, and quarterly limits on operating hours and starts necessary to comply with air emission limits specified in the FDOC and CEC Conditions of Certification. For the NCPA and Western resources, assumptions were made as to operating costs and energy availability. For the short term purchases, a forecast of wholesale power market prices was made.

Table 13 below summarizes the wholesale power market price forecast and the natural gas price forecast by RE. The gas price forecast is based on recent NYMEX futures contract prices. A basis differential is applied to account for delivery at the PG&E City Gate, and a flat $0.25/MMBtu is added to account for the cost of delivery across the PG&E distribution system. The electric price forecast is based on market price survey information from a market survey consultant, which is then disaggregated into weather adjusted monthly and daily peak/off peak components.

Natural gas prices are forecast to decline as drilling levels increase, new production capacity comes on line, and LNG imports increase in response to current high prices. However, prices are forecast to stabilize and increase after 2011 in response to the higher exploration and development costs associated with smaller and deeper gas deposits in the remaining domestic gas resource base. Electricity prices are forecast to decline consistently, due primarily to the decline in natural gas prices.

[48] Transaction Confirmation between City of Roseville Electric and Morgan Stanley Capital Group, Inc., June 13, 2001. Letter Agreements dated July 15, 2003 between the City of Roseville and Morgan Stanley Capital Group, Inc.

Table 13 - RE Wholesale Power Price and Natural Gas Price Forecasts

	Average Annual Energy Price Peak Hour ($/MWH)	Average Annual Energy Price Off Peak Hour ($/MWH)	Average Annual Gas Price ($/MMBtu)
2006	$61.32	$44.89	$6.29
2007	$59.50	$43.47	$5.98
2008	$59.00	$43.08	$5.69
2009	$57.49	$41.98	$5.42
2010	$56.52	$41.27	$5.24
2011	$55.67	$40.65	$5.21
2012	$54.84	$40.10	$5.22
2013	$54.01	$39.44	$5.21
2014	$53.20	$38.86	$5.22

In the simulation, operation of the Project was optimized against wholesale market prices. During simulation hours when the wholesale power market price was greater than the variable operating cost of the Project (fuel cost and variable O&M cost), the generation level of the Project was increased to either base load or peak load (including duct firing) depending upon the price level. Similarly, the MSCs were modeled as flexible purchase and sale arrangements. It was assumed that the peak energy delivered under the MSC purchases, which must be taken by RE, could be resold into the spot market in any peak hour. This approach resulted in either sale or purchase of energy by RE depending upon RE load at the time. Sales were considered short term sales to third parties at the then forecast wholesale power market spot price.

A graphic summary of the monthly energy sources and uses is shown in Figure 2 below. Figure 3 summarizes the sources and uses on a demand (average energy) basis, for each of three maximum demand months; prior to commercial operation of the Project (July 2006), immediately after commercial operation of the Project (July 2007), and one year after commercial operation of the Project (July 2008).[49]

[49] Plexosinput_05_01_LRB_pivot.xls, tab PTgen.

Figure 2 - RE Forecast Energy Sources and Uses – Energy Basis

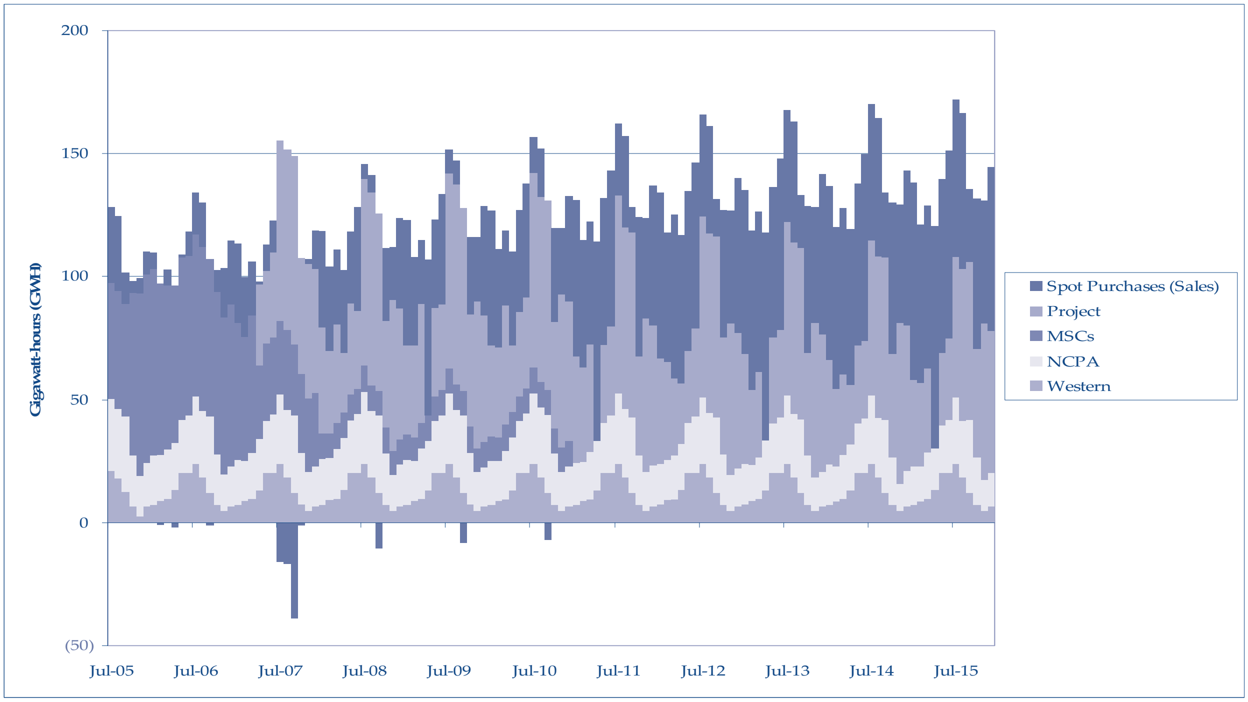
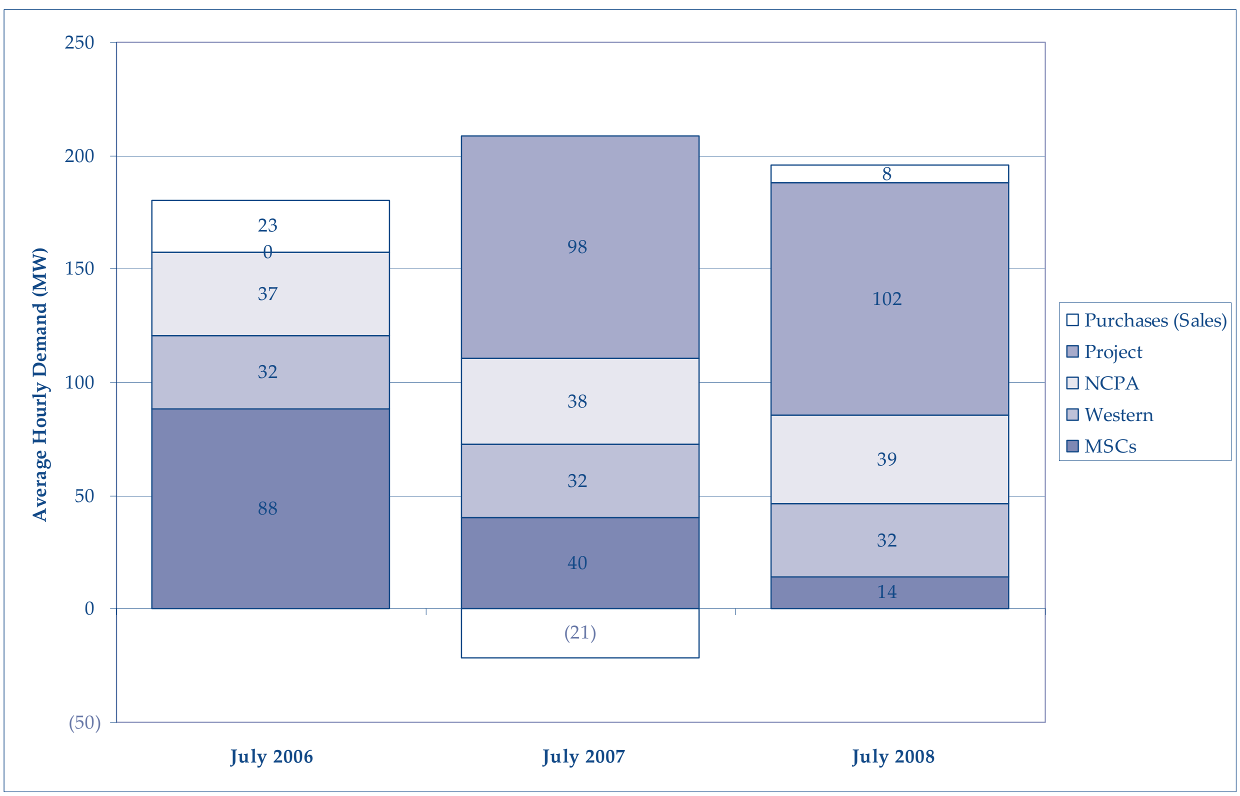


Figure 3 - RE Forecast Energy Sources and Uses – Demand Basis



Review of Figure 2 reveals that after entering commercial service in April 2007, the Project is expected to displace spot purchases that RE would otherwise have to make during the summer of 2007 to compensate for the reduction of the MSCs (the 2005 sale) and to serve load growth. RE would displace spot purchases from the market whenever the variable operating cost of the Project is less than the cost of spot power, thus reducing overall power cost to RE. Beyond just displacing purchases, the Project is forecast to allow resale of the MSCs (25 MW) into the market during the summer months of 2007, and a lesser amount during the late summer months of 2008 and 2009. Revenues from these sales would also serve to reduce the overall power supply cost for RE. Displacement of spot purchases would also result in reduced transmission charges for importing purchases from the Western and CAISO systems. Nevertheless, even with operation of the Project, RE is forecast to be a net purchaser of spot power in the years following the summer of 2007.

Operating Reserves and Transmission Congestion

RE is part of the SMUD/Western control area. The control area must maintain reserves equal to the larger of 7 percent of its load or its single largest contingency. RE is apportioned a share of the single largest contingency within the SMUD/Western control area, and the Project is not expected to change the apportionment to RE. The operating reserve charges payable by RE should not increase significantly due to addition of the Project.

RE has a network service agreement with Western that allows import and export of up to 300 MW of power between the Western and RE systems. Imports will consist of spot purchases from the Western system, or the CAISO system via Western. Congestion on paths connecting the CAISO and Western systems has occurred in the past, particularly during spring and early summer months when Central Valley Project generation was at a high level. Such congestion, if it were to occur again, could reduce the amount or increase the price of RE spot purchases. However, the Project should serve to mitigate this risk. RE should be able to displace the spot purchases with increased operation of the Project, to the extent that Project capacity is available and Project operating hours/emissions are available under the annual air emission limits. With respect to exports, the Project should not exacerbate any congestion conditions. Exports through 2010 are forecast to come through re-sale of the MSCs. Energy from the MSCs is delivered to RE on the CAISO system, and therefore can be re-sold by RE to purchasers on the CAISO system without utilizing the Western system.

Summary and Conclusions Regarding Compatibility with RE Load

In performing this review, we have relied on results from production cost modeling performed by RE and have not performed our own independent modeling. The RE results indicate that the capacity and expected generation from the Project will be compatible with RE's expected retail electric load. Although the capacity of the Project will be nearly 50% of the forecast 2006 RE load, it is expected to drop to approximately 33% by 2014 as load grows in the RE service territory. The Project will allow some energy from the MSCs to be resold into the spot market, earning revenues that will reduce the overall power supply cost for RE. The Project will also allow displacement of higher cost spot market purchases, resulting in reduced transmission import costs and lower overall power supply costs for RE. Transmission rights on the Western system should be adequate for all forecast RE imports and exports. Although congestion between the Western and CAISO systems has been known to occur in the late spring and early summer months, RE should be able to mitigate any impact on its spot purchases through increased operation of the Project.

NATURAL GAS SUPPLY AND TRANSPORTATION

The Project will be interconnected to line 123 of the Pacific Gas & Electric ("PG&E") natural gas system. PG&E provides natural gas service to residential, commercial and industrial customers throughout the RE service area and the whole of northern California. PG&E considers line 123 as part of its "Local Transmission System". The PG&E Local Transmission System is in turn interconnected upstream to the higher pressure PG&E intra-state gas transmission system, which PG&E defines as its "Backbone Transmission System". PG&E further defines the points around the PG&E gas service area where the Local Transmission System connects to the Backbone Transmission System as the "PG&E City Gate" point of delivery. The Backbone Transmission System runs north to the Oregon border and south to the Arizona border. At the borders, the Backbone Transmission System receives natural gas from upstream inter-state pipeline systems, which are in turn interconnected to major natural gas producing regions in Alberta, Wyoming, New Mexico and southern Colorado.

Natural gas supply to the Project will be purchased by RE from qualified, natural gas suppliers or marketers at the PG&E City Gate. From there, the gas will be transported by PG&E across their Local Transmission System to the Project under terms of its standard tariff G-EG for gas transportation service to electric generators. As an electric generating plant, the Project will be a "non-core" customer of PG&E. PG&E customers are divided into core and non-core classes. Core customers are typically residential and small commercial customers that rely on PG&E for all gas supply and transportation. Non-core customers are larger commercial and industrial customers that procure gas from independent suppliers and use the PG&E system for transportation and related services only.

ADEQUACY OF SUPPLY

California is a major consumer of natural gas. Consumption is forecast to increase approximately one percent per year through 2013 as population continues to grow and additional natural gas fired generating plants enter service. California relies upon imports to meet 85 percent of its demand for natural gas. Today's high natural gas prices reflect declining supplies and increased competition from other states to satisfy the regional natural gas demand. In addition, the cost of producing natural gas has been increasing because existing sources of supply are located in resource basins that are maturing. Major new supplies must be sourced from more distant basins using new drilling and recovery technologies. These include unconventional resources and resources located in artic regions of North America. Liquefied natural gas imports will also begin to play a role in meeting demand as receiving terminals planned for Baja, Mexico and other locations enter service.

In its latest 20 year outlook, the U.S. Energy Information Administration ("EIA") has estimated that proved reserves of natural gas in the lower 48 U.S. as of December 2003 were more than 189 trillion cubic feet ("TCF"). The EIA forecasts that reserves will continue to be discovered, and will increase to 207 trillion cubic feet by 2008 and level off thereafter. Current demand is approximately 22 TCF per year, 19 TCF of which is supplied from domestic production, the balance from Canadian and LNG imports. Canadian and LNG imports will increase significantly over the next 20 years to meet demand. Reserves and imports are forecast to equal nearly 10 years of production on an annual basis for the next 15-20 years.[50] Based on these EIA forecasts, there should be adequate supplies of natural gas available in the lower 48 U.S. States to fuel the Project for the next 20 years.

ADEQUACY OF TRANSPORTATION

In response to a preliminary application for service, PG&E performed a System Impact Study to assess the configuration and costs of the gas interconnection necessary to serve the Project. RE requested up to 1,500 MMBtu/hour of gas on a year-round basis. PG&E studied several alternative routes and delivery pressures. Concurrent with the study, PG&E performed an "investment plan" for meeting gas load growth in the Sacramento valley region. Results from the study and the investment plan indicate that PG&E would need to build a new distribution feeder main and a new 10 inch diameter pipeline from that main to the Project site. The new distribution feeder main would be required to serve load growth in the Roseville area irrespective of the interconnection of the Project.[51]

In general, PG&E maintains its gas transmission and distribution systems to serve the sum of core demand on a 1 in 10-year cold winter day and the maximum daily contract quantities in all firm non-core customer contracts over the winter. PG&E will expand the quantity of non-core firm service in an area if sufficient non-core customers sign long-term contracts that ensure revenues to justify investment in the area. They will also expand non-core firm service if they feel they can no longer guarantee the firmness of transmission without adding facilities.

Under its standard operating rules, PG&E does not guarantee the availability or pressure of natural gas it delivers. When operational conditions exist such that supply is insufficient to meet demand and deliveries to core customers are threatened, PG&E may divert gas supply in its system from non-core customers to core customers and curtail deliveries to non-core customers. During a curtailment, non-core customers that exceed the maximum allowed usage will be subject to a noncompliance charge. In order to protect its system, PG&E may temporarily shut off gas service to any non-core customer that fails to comply with the local curtailment.[52]

If curtailment were to occur, the Project would be forced to reduce load or shutdown depending upon the level of allowed demand specified in the curtailment notice from PG&E. The duration of such curtailment would likely vary from one day (in the case of a supply demand imbalance) to several days in the case of physical system failure. RE would be required to schedule power from its other non-gas fired resources, particularly if the curtailment affected large areas of the PG&E gas transportation system including the NCPA combustion turbine plants. PG&E has not provided any information on past curtailments in the area nor the probability of future curtailments.

PG&E has recently increased its ability to deliver gas from the portion of its Backbone Transmission System in northern California by 180 million cubic foot per day (MMCFD), bringing total deliverability on the PG&E system to over 3.5 billion cubic feet (BCF) per day. In addition, 26 BCF of new gas storage facilities have recently entered service on the PG&E system in northern California, significantly improving supply reliability. The CEC has estimated that with these improvements, the PG&E system capacity reserve ("slack capacity") is about 20%, and will be sufficient to meet PG&E customer needs

[50] U.S. Energy Information Administration, Energy Outlook 2005.

[51] Letters from Rodney Boschee of PG&E to Russ Nichols of RE, dated August 2003 and September 2004.

[52] PG&E Gas Rule 14, Sections H and I.

though at least 2013, after which additional capacity expansions may be required. [53] Upstream of the PG&E system, more than 2 BCF of new transportation capacity has been added on various interstate pipelines since 2001.[54]

SUMMARY AND CONCLUSIONS REGARDING NATURAL GAS INTERCONNECTION AND SUPPLY

The supply and transportation of natural gas to the Project will likely be sufficient for the planned operation of the Project. Although natural gas prices have risen significantly over the past few years, this is pulling more reserves into production and attracting new sources of supply (such as LNG) which are forecast to be more than adequate to meet demand, including that of the Project. As a non-core transportation customer of PG&E, the Project will face curtailment in favor of core customers during periods when demand is highest (typically an extreme cold winter day) or a major system failure has occurred. However, the expansion of the distribution system in the vicinity of the Project coupled with recent improvements in upstream capacity should reduce the risk of such events to a low level.

ELECTRIC INTERCONNECTION AND ACCESS

The Project will be interconnected to the 60 kV distribution network of RE along an existing 60 kV circuit running between the Fiddyment and Foothills substations. RE intends to upgrade the circuit (bundling conductors) prior to operation of the Project in the spring of 2007. RE also intends to add a second 230/60 kV transformer at Fiddyment in order to serve growing loads in the area. At Fiddyment, the circuit is interconnected to the 230 kV transmission network of the Western Area Power Administration (Western). Western performed a Detailed Facility Study to assess the impact of adding 160 MW of generation from the Project.

DETAILED FACILITY STUDY

Western studied the addition of the Project assuming a 2006 Heavy Summer base case with the RE load at 320 MW. Power flow studies were performed for N-1 and N-2 contingency conditions. Short circuit studies of the RE system were also performed. With respect to dynamic system studies, Western chose to rely on studies it had performed in the past for a proposed 900 MW plant in the same general location.

Results of the N-1 studies indicate that for the 26 key elements of the system, addition of the Project would reduce the overloads on all but four. The four include two Elverta-Hurley 230 kV circuits, and the 60 kV circuit between the Project and Fiddyment. Western must re-rate the Elverta-Hurley circuits and study other components in order to increase their ratings and reduce these overloads. Western has successfully completed the re-rating from an engineering standpoint and is expecting confirmation from their maintenance group soon. With respect to the 60 kV circuit to Fiddyment, a Remedial Action Scheme will be implemented to reduce Project output to match the emergency rating of the line (145 MVA) under N-1 conditions.[55] N-2 studies indicated that addition of the Project would reduce overloads on all key elements. Dynamic studies indicate that the Project would have no adverse impact on the stable

[53] 2003 Integrated Electricity Report, Natural Gas Market Assessment, California Energy Commission, August 2003.

[54] California Energy Commission, Natural Gas in California, Infrastructure Projects completed since 2001, http://www.energy.ca.gov/naturalgas/index.html

[55] Roseville Energy Park - Power Generation Facility - Detailed Facility Study, Western Area Power Administration, December 2003, page 4

operation of the system following the key outage events modeled. Short circuit studies indicated that all of the existing RE circuit breakers would be capable of handling the increase in fault level with the Project on line.

Western concluded that the load serving capability in the Sacramento Valley Area would increase with the addition of the Project and that the Project would have no negative impact on the existing system.

Summary and Conclusions Regarding Electric Interconnection and Access

The proposed electric interconnection of the Project will provide good access to both the RE 60 kV distribution system and the Western 230 kV transmission system. Past interconnection studies of small combustion turbines with relatively light-weight generators have shown potential instability problems due to the tendency to accelerate very rapidly during faults. Western has therefore agreed to perform a new dynamic stability analysis prior to finalizing the generator protective relay/exciter systems for the Project.

Summary and Conclusions

This Report summarizes our review and analyses of the Project to the date of this Report. Our analyses and conclusions are limited to the specific scope of work specified by RE, and are based on our review of the information provided to us by RE, information we have obtained from other sources in the public domain, and our collective experience in development, permitting, construction and operation of CCCT plants. Although we believe our reliance on this information to be reasonable for the purposes of this Report, additional relevant information may come to light in the future, actual future conditions and events may differ from those assumed, and information provided to us may prove to be inaccurate, any of which could render our conclusions inaccurate or misleading. NCI undertakes no obligation to update or revise this Report to reflect any events or circumstances that occur after the date of this Report.

Our conclusions concerning the specific aspects of the Project addressed in this Report are as follows:

1. The Project includes tested and proven technology, which has been successfully implemented in other projects. The technology and design features of the Project are appropriate and typical for a reliable, intermediate loaded combined cycle plant. The Siemens SGT-800 CTG is a relatively new combustion turbine. However, interviews with current SGT-800 owners indicate that the CTG has been performing reliably, that the problems that have occurred have been relatively simple to remedy, and that Siemens has been responsive in providing remedies and retrofitting improvements. Although the averaging time for the NOx emission limit is short, the ability to exclude excursions caused by rapid load change and duct burner startup provides reasonable protection against limit violations.

2. The Project construction schedule and cost estimates are reasonable. The estimated cost is consistent with that of other similar projects. The forecast schedule is also consistent with other projects, and the schedule related guarantees and liquidated damages provided under the PIE Contract, the EPC Contract and the ZLD Contract will provide adequate incentive to the contractors to meet this schedule. The estimated cost is consistent with that of other similar projects. The Contingency level of 5% is reasonable, given that the majority of the

construction costs either have been or will soon be committed, the costs for spare parts have not yet been included, and the level of the PG&E Gas Main Extension Allowance has not yet been finalized. We believe construction of the Project for the estimated cost and schedule is achievable, barring failure of the USFWS to grant a 404 Permit on a timely basis or other uncontrollable events.

3. The proposed Project management and staffing levels should provide technical expertise and operational performance consistent with industry standards, including the procurement of natural gas for the facility. The proposed Operations and Maintenance staffing for the Project is typical and reasonable for an intermediate loaded combined cycle project. The plan, if successfully implemented by RE, will provide adequate technical expertise, training, and structure to perform the required operation and maintenance activities. The proposed Portfolio Management staffing is also typical and reasonable for a relatively small combined cycle plant. RE will be focused primarily on longer term supply portfolio and risk considerations, with the daily marketing, scheduling and balancing functions delegated to the SBA with its specific training, expertise and staffing levels, and economies of scale for the relatively small volumes of gas to be managed for the Project.

4. The Project is reasonably expected to meet the availability and reliability levels forecast by RE. The levels of reliability and availability of the Project forecast by RE are consistent with the historic levels for CCCT plants as reported by NERC. The reliability requirements of the PIE Contract, including the reliability testing, CTG runback and STG bypass features will support a high level of reliability. The reliability requirements and level of equipment redundancy specified in the EPC Contract generally also support a high level of reliability. RE will purchase a spare main generator step up transformer for the STG. The CTG transformer pads and other features will be designed such that the STG spare, which has a higher rating, could also be used to replace a failed CTG transformer. Provision of a spare main generator step up transformer further supports the ability of the Project to achieve and maintain the reliability and availability levels forecast by RE.

5. The RE Power Supply Forecast reveals that the Project will startup to base load, and transition between base load and peak load operation on a regular basis. Therefore, the PIE Contract and the EPC Contract require the Project to meet certain functional requirements, such as rate of load change, to demonstrate operating flexibility. The functional requirements for operating flexibility are appropriate and typical for a reliable, intermediate loaded combined cycle plant. They appear to adequately address the performance required of the Project under the RE Power Supply Forecast. The ability of the Project to meet the functional requirements will be tested prior to Project acceptance. If the functional requirements are successfully achieved, the Project should be reasonably flexible in its dispatch under expected or typical natural gas and wholesale energy market prices as represented by the RE Power Supply Forecast.

6. The capacity and expected generation from the Project appears to be compatible with RE's expected retail electric load, given the wholesale electricity and natural gas market uncertainties. In performing this review, we have relied on results from production cost modeling performed by RE and have not performed our own independent modeling.

Although the capacity of the Project will be nearly 50% of the forecast 2006 RE load, it is expected to drop to approximately 33% by 2014 as load grows in the RE service territory. The Project will allow some energy from the MSCs to be resold into the spot market, earning revenues that will reduce the overall power supply cost for RE. The Project will also allow displacement of higher cost spot market purchases, resulting in reduced transmission import costs and lower overall power supply costs for RE. Transmission rights on the Western system should be adequate for all forecast RE imports and exports. Although congestion between the Western and CAISO systems has been known to occur in the late spring and early summer, RE should be able to mitigate any impact on its spot purchases through increased operation of the Project.

7. Natural gas supply and transmission connections are sufficient for scheduled production at the Project. Although natural gas prices have risen significantly over the past few years, this is pulling more reserves into production and attracting new sources of supply (such as LNG) that are forecast to be more than adequate to meet demand, including that of the Project. As a non-core transportation customer of PG&E, the Project will face curtailment in favor of core customers during periods when demand is highest (typically an extreme cold winter day) or a major system failure has occurred. However, the expansion of the distribution system in the vicinity of the Project coupled with recent improvements in upstream capacity should reduce the risk of such events to a low level.

8. Transmission accessibility for the Project is good and additional investment to connect to the transmission and/or distribution grid is minimal. The proposed electric interconnection of the Project will provide good access to both the RE 60 kV distribution system and the Western 230 kV transmission system. Past interconnection studies of small combustion turbines with relatively light-weight generators have shown potential instability problems due to the tendency to accelerate very rapidly during faults. Western has therefore agreed to perform a new dynamic stability analysis prior to finalizing the generator protective relay/exciter systems for the Project.

END OF REPORT

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APPENDIX C

AUDITED FINANCIAL STATEMENTS

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C-1

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2004

CITY OF ROSEVILLE
TRADITION·PRIDE·PROGRESS

CITY OF ROSEVILLE, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004

Prepared by
FINANCE DEPARTMENT

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INTRODUCTORY SECTION

INTRODUCTORY SECTION:

FINANCIAL SECTION:

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CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2004

FINANCIAL SECTION (Continued):

SUPPLEMENTAL INFORMATION SECTION:

C-4

CITY OF ROSEVILLE, CALIFORNIA
Comprehensive Annual Financial Report
For The Year Ended June 30, 2004

STATISTICAL SECTION:

CITY OF
ROSEVILLE
TRADITION·PRIDE·PROGRESS

Finance
311 Vernon Street
Roseville, California 95678-2649

December 3, 2004

Honorable Mayor, Members of the City Council and City Manager:

This document, the second Comprehensive Annual Financial Report (CAFR) of the City of Roseville, is for the fiscal year ended June 30, 2004. The report was prepared by the Finance Department in conjunction with the City's independent auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. The data, as presented, is accurate in all material aspects; and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The organization of the financial report follows the guidelines set forth by the Government Finance Officers' Association (GFOA) of the United States and Canada.

The report is divided into three sections:

I. Introductory section, including this letter of transmittal, list of City elected officials, and City's organizational chart.

II. Financial section, including the auditors' report by Maze & Associates, the City's independent certified public accountants, management discussion and analysis, the basic financial statements, notes to the financial statements, required supplemental information and the combining financial statements for non-major funds.

III. Statistical section, including a number of tables and graphs of unaudited data depicting 10 years of financial history about the City and information on its overlapping governmental debt.

A separate single audit report has been prepared in conformity with the provisions of the Federal Single Audit Act amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments."

Finally, it is highly recommended that all readers of this report review the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) in this CAFR's financial section.

THE REPORTING ENTITY AND ITS SERVICES

This report reflects the entity concept prescribed by generally accepted accounting principles. It combines the financial statements of the Redevelopment Agency of the City of Roseville (the "Agency"), the Roseville Finance Authority (the "Authority"), and the City of Roseville Housing Authority (the "Housing Authority") with those of the City to constitute a single reporting entity. In accordance with the criteria of the Government Accounting Standards Board (GASB) Statement 14, the basic financial statements include the financial activity of the City, the Agency, the Authority, and the Housing Authority. The Agency, the Authority, and the Housing Authority are separate legal entities from the City, are controlled by the City, and have the same governing board. The Agency issues it own component unit financial statements. Separate financial statements for the Authority and the Housing Authority are not issued.

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Roseville is a charter law city of the State of California. The City was incorporated in 1909 and operates under a Council-Manager form of government. The City's political and legislative body is the City Council and is empowered by the City's charter to formulate citywide policy, including a fiscal program, City services, and appointment of the City Manager and City Attorney. There are five City Council members who are elected at-large for staggered four-year terms, and the Mayor is determined by which member received the highest number of votes in the previous election.

Roseville is a full-service City providing a full range of municipal utility and services. These include: police; fire; community development; parks and recreation; public libraries; planning; building and public facility inspection; engineering; streets; electric, water, wastewater and solid waste utilities; redevelopment; housing and general administrative services.

Residents of the City desiring to assist the City Council in forming government policy may do so by serving on a City commission, Committee, or Board. The commissions, committees, and boards act in an advisory capacity to the City Council. They are: Planning Commission; Parks and Recreation Commission, Cultural Arts Commission, Public Utilities Commission, Roseville Grants Advisory Commission, Senior Citizen Commission, Transportation Commission, Campaign Finance Reform Committee, Design Committee, Board of Appeals/Hearing Examiners, Library Board, Growth Management Visioning Committee, and the Personnel Board.

ECONOMIC CONDITION, OUTLOOK AND ACTIVITY

The City of Roseville has seen strong and continued economic growth through the recent downturns in the State and National economies. Roseville's diverse land use has helped to continue a growth pattern that has resulted in continued economic strength for the City. In addition to a strong housing market, Roseville enjoys the convenience of being a regional shopping destination for both general retail goods as well as automobiles, with 650,000 square feet of retail space being added in 2004. The City's office market, once small and stagnant, is one of the strongest sub-markets in the region, with 520,000 square feet of office space being added in 2004.

The industrial development segment of the City grew slightly in 2004 with 250,000 square feet of new space—predominantly mini-storage and small business parks—added during the year. Of the City's two main industrial companies, Hewlett Packard has reduced jobs over the last several years, while NEC has stabilized its employment in large part by expanding their customer base in the electronic area to include the automotive industry.

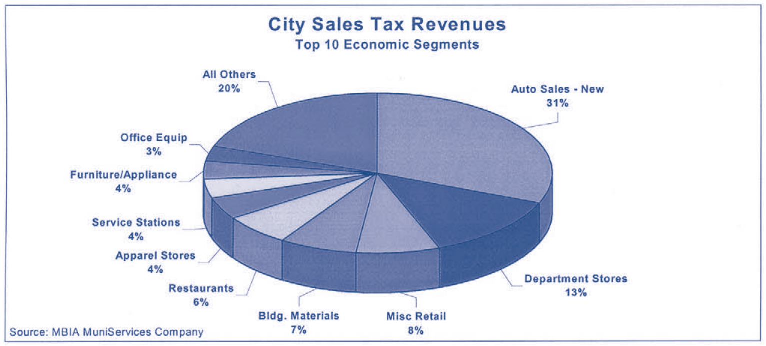
The City's total employment grew during the year. This year the City has had a net increase of 1,521 jobs to bring the total to 71,893. The City's ability to attract jobs and residents has been the foundation of the City's economic success.

The City has become a regional health care center. It is expected that this segment of the economy will continue to grow.

Overall, the City appears to be in a favorable position to continue attracting jobs, retail establishments, and new residents for the next several years. This growth increases and strengthens the City's tax base and increases the diversity of revenue generation.

Top Ten Sales Tax Generators by Economic Segment

The chart below provides an overview of the City's sales tax revenue by economic segment. All sectors have grown proportionately in the last fiscal year. Sales taxes increased $3.3 million in fiscal year 2004. An important note is that while automobile sales represent a significant portion of the City's tax base, this segment is less dominant of total sales as the City has diversified and stabilized its sales tax base.



Major Activity in the City

Many of the major activities initiated in fiscal year 2004 are consistent with the City Council's direction to focus on projects and funding that provide economic stability within the community and enhance the City's long-term financial condition while maintaining high levels of service to the older parts of the community. Projects were initiated in:

- Public works—re-routing of a major interchange to ease traffic and an increase in overall road system maintenance
- Water—upgrade of the water treatment plant reservoir and replacement of a major storage tank
- Wastewater—opening of Pleasant Grove treatment plant
- Electric—an electric generation power plant that is going through the approval process

Private development has continued at a growing pace. The table below provides a summary of the City's major development activity in 2004.

Development Type	Number of Permits	New Square Feet Occupied
Single-Family Residential	1,278	
Multi-Family Development	570	
Industrial Development		250,634
Commercial Development		658,593
Business Professional		520,658

Additionally, an annexation of 3,000 plus acres of land to the west of the existing City has been approved. This development will add 8,400 new residential units and several hundred acres of additional commercial development to the City.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurances regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The Finance Department staff remains committed to improving the City's accounting system; to maintain the City's internal accounting controls to adequately safeguard assets; and to provide reasonable assurances of proper recording of financial transactions. Budgetary control is directed by the City Council by ordinance when the budget is adopted each year. Expenditures may not legally exceed appropriations at the department level by major summary category. The City utilizes the encumbrance system as a management control technique to assist in controlling expenditures. Periodic reports of revenue, expense, and investment activity are prepared and distributed to the City Council and City departments to monitor spending in relation to the budget. At fiscal year-end, open encumbrances are reported as reservations of the fund balance. The City's accounting records are organized and operated on a "fund" basis, which is the basic fiscal and accounting entity in governmental accounting. Each fund is classified by category and fund type:

	Category Fund Type
Governmental Funds:	General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Permanent Funds
Proprietary Funds:	Enterprise Funds and Internal Service Funds
Fiduciary Funds:	Agency Funds and Endowment Private-Purpose Trust Fund

Governmental Funds: The basic financial statements necessary to fairly present the financial position and operating results from major governmental funds are: the balance sheet, and the statement of revenues, expenditures and changes in fund balance. These funds are maintained using the modified accrual basis of accounting, which is more thoroughly explained in the Notes to the Financial Statements.

Proprietary Funds: Generally accepted accounting principles applicable to private commercial business are applicable to proprietary funds of a government agency. The basic financial statements required to present the financial position and operating results from major proprietary funds are the statement of net assets; statement of revenues; expenses, and changes in net assets; and the statement of cash flows. The full-accrual basis of accounting is utilized as explained in the Notes to the Financial Statements.

Fiduciary Funds: Fiduciary funds are used to account for assets held by a government agency acting as a trustee or agent for individuals, assessment districts, organizations, other governmental units, or other funds of the same entity. The modified accrual basis of accounting is used as explained in the Notes to the Financial Statements.

CASH MANAGEMENT

The City has a formal investment policy, which is subject to annual review and approval by the City Council. Available cash for operations was invested in the State Treasurer's Local Agency Investment Fund (LAIF), corporate notes, money market funds, commercial paper, and government securities. Restrictions on the maturity and percentage of the investments and categorization of credit risk are discussed in the Notes to the Basic Financial Statements. The City's portfolio is invested mainly in Federal Agency Issues, and U.S. Treasury Coupons. The average annual yield was 2.20% on the City's month-end average investment balances. This compared with a return of 2.87% in the prior year. Investment income includes appreciation in the fair value of investments. Increases in fair market value during the current year do not necessarily represent trends that will continue nor is it an available financial resource, especially in the case of temporary changes in the fair value of investments that the City intends to hold to maturity.

INDEPENDENT AUDIT

Each year the City requires an independent annual audit of the City's financial records, the results of its operations, and cash flows. This report includes the opinion of the City's independent auditors, Maze & Associates, for the basic financial statements of the City. In addition, a separately issued document contains the auditors' reports on the internal control structure and compliance with applicable laws and regulations related specifically to the single audit.

AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Roseville for its comprehensive annual financial report for the fiscal year ended June 30, 2003. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

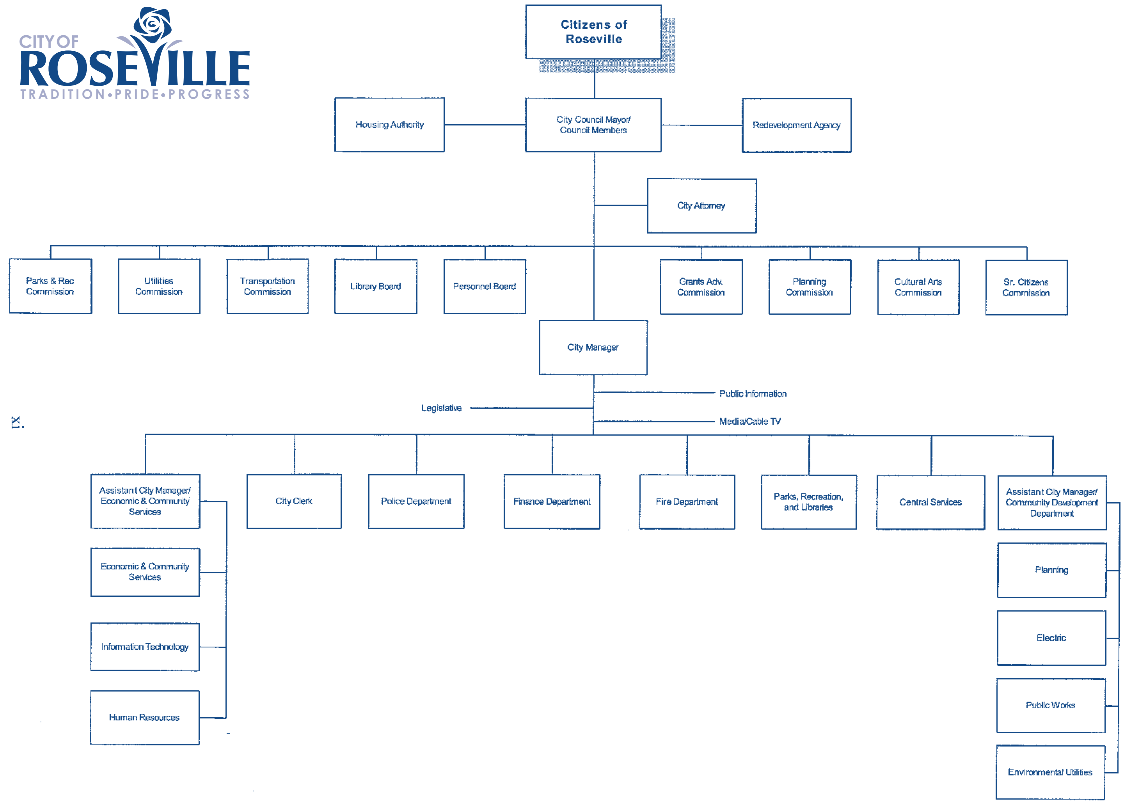
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

I extend my appreciation to the entire staff in the Finance Department and other departments who assisted in the process of compiling the information for this report. In addition, I extend a special "thank you" to the City's Accounting Division staff and our external auditors who contributed long hours to make this document possible. Their efforts and continued dedication are greatly appreciated. I sincerely thank the Mayor, members of the City Council and City Manager, for their support, interest, and integrity in directing the financial affairs of the City in a responsible, professional, and progressive manner.

Respectfully submitted,

Russell Cochran Branson
Finance Director/Treasurer



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CITY OF ROSEVILLE

ELECTED OFFICIALS

JUNE 30, 2004

Mayor	Frederic C. Rockholm
Mayor Pro-tem	Regina Garbolino
Council Member	John B. Allard
Council Member	Jim Gray
Council Member	Richard Roccucci

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Roseville, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

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

President

Executive Director

FINANCIAL SECTION

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
1931 San Miguel Drive - Suite 100
Walnut Creek, California 94596
(925) 930-0902 • FAX (925) 930-0135
E-Mail: maze@mazeassociates.com
Website: www.mazeassociates.com

INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS

Honorable Mayor and City Council
City of Roseville, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, California (City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, California as of June 30, 2004 and the respective changes in the financial position and cash flow, where applicable, thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit 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 basic financial statements. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and Statistical Section have not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze & Associates

December 3, 2004

A Professional Corporation

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion provides readers of the City of Roseville's financial statements a narrative overview and analysis of the financial activities of the City of Roseville for the fiscal year ended June 30, 2004. Please read this document in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

The City remained strong economically, even with continuing weaknesses in certain aspects of the State's economy. Overall, general fund tax revenues increased, business activities were healthy and growing, and revenues for capital expenditures grew at the pace of development. The City's financial highlights are presented below:

FISCAL YEAR 2004 FINANCIAL HIGHLIGHTS

Financial highlights of fiscal year 2004 include the following:

Entity-wide:

- The City's total net assets were $1.8 billion as of June 30, 2004. Of this total, $756 million were Governmental assets and $1.05 billion were Business-type assets.
- Governmental revenues include program revenues of $62.7 million and general revenues and transfers of $86.9 million for a total of $149.6 million.
- Governmental expenses were $107 million.
- Business-type program revenues and interest revenue were $202.8 million while Business-type expenses, special items, and transfers were $148 million.

Fund Level:

- Governmental Fund balances decreased to $189.2 million in fiscal year 2004, down $12.6 million from the prior year.
- Governmental Fund revenues decreased to $123 million in 2004, down $32.3 million from the prior year after reclassifying Community Facility District contributions from Other Financing Sources to Governmental Revenues. This was primarily due to the receipt of bond proceeds from the Community Facility Districts in 2003.
- Governmental Fund expenditures increased to $140.6 million in fiscal year 2004, up $12.8 million from the prior year. This increase was primarily due to the expenditure of Community Facility District funds for facility construction projects scheduled for fiscal year 2004, as the magnitude of these projects vary year to year.
- Other Financing Sources provided a net of $4.9 million in fiscal year 2004, down $20.9 million from 2003 due to, for the most part, receipt of Redevelopment bond proceeds in 2003.

General Fund:

- General Fund revenues of $81.9 million were $1.3 million higher than the prior year.
- General Fund expenditures of $88.3 million represented a decrease of $1.3 million over the prior year.
- Other Financing Sources showed a net transfer out of $1 million in fiscal year 2004 compared to a net contribution of $17.6 million into the fund in the prior year.
- The General Fund balance of $42.1 million as of June 30, 2004 is down from fiscal year 2003's fund balance of $49.6 million.

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OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report is divided into six parts:

1) Introductory section, which includes the Transmittal Letter and general information,
2) Management's Discussion and Analysis (this part),
3) The Basic Financial Statements, which include the Government-wide and the Fund financial statements, along with the Notes to these financial statements,
4) Required Supplemental Information,
5) Combining statements for Non-major Governmental Funds and Fiduciary Funds,
6) Statistical information

The Basic Financial Statements

The Basic Financial Statements comprise the Entity-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

The Entity-wide Financial Statements provide an overview of the City's activities, and are comprised of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the City as a whole, including all of its capital assets and long-term liabilities on the full-accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the City's revenues and all of its expenses, also on the full-accrual basis, with the emphasis on measuring net revenues or expenses of each the City's major functions. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the City's activities are grouped into either Government Activities or Business-type Activities, as explained below. The amounts in the Statement of Net Assets and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities for the City.

The Fund Financial Statements report the City's operations in more detail than the entity-wide statements and focus primarily on the short-term activities of the City's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the City and are presented individually, while the activities of Non-major Funds are presented in summary, with subordinate schedules presenting the detail for each of these other funds. Major Funds are explained below.

The Fiduciary Statements provide financial information about the activities of the Community Facilities Districts and certain other entities, for which the City acts solely as agent. The Fiduciary Statements provide information about the cash balances and activities of these Districts and other entities. These statements are separate from, and their balances are excluded from, the City's financial statements.

The Entity-wide Financial Statements

Entity-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City.

The Statement of Net Assets and the Statement of Activities present information about the following:

- ***Governmental Activities***—All of the City's basic services are considered to be governmental activities. These services are supported by general City revenues such as taxes, and by specific program revenues such as user fees and charges.

  The City's governmental activities also include the activities of three separate legal entities, the Redevelopment Agency of the City of Roseville, the Roseville Finance Authority, and the City of Roseville Housing Authority. The City is financially accountable for these entities.

- ***Business-type Activities***—The City's enterprise activities of electric, water, wastewater, solid waste, golf course, local transportation, and school-age child care are reported in this area. Unlike governmental activities, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major Funds summarized and presented only in a single column. Subordinate schedules present the detail of these Non-major Funds. Major Funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of City's activities.

In the City's case, the Redevelopment Agency of the City of Roseville Fund and the Community Facilities District Projects Fund are the only Major Governmental Funds in addition to the General Fund.

All seven of the City's Enterprise Funds are reported as Major Funds.

Fund Financial Statements include governmental and proprietary funds as discussed below.

Governmental Fund Financial Statements are prepared on the modified accrual basis. This means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Enterprise and Internal Service Fund Financial Statements are prepared on the full-accrual basis, and include all of their assets and liabilities, current and long-term.

Since the City's Internal Service Funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the Fund level. Internal Service Funds may not be Major Funds because their revenues are derived from other City Funds. These revenues are eliminated in the Entity-wide Financial Statements and any related profits or losses are returned to the activities which created them, along with any residual net assets of the Internal Service Funds.

Comparisons of Budget and Actual financial information are presented only for the General Fund and the Redevelopment Agency of the City of Roseville Fund, as required by GASB 34.

Fiduciary Statements

The City's fiduciary activities are reported in the separate Statements of Fiduciary Net Assets and the Agency Funds' Statement of Changes in Assets and Liabilities. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

This analysis focuses on the net assets and changes in net assets of the City as a whole. Tables 1, 2 and 3 focus on the City's Governmental Statement of Net Assets and Statement of Activities, while Tables 4, 5 and 6 focus on the City's Business-type Statement of Net Assets and Statement of Activities.

Governmental Activities

Table 1
Governmental Net Assets at June 30
(in Millions)

	2004	2003
Cash and Investments	$238.5	$238.6
Other Assets	32.9	32.7
Capital Assets	561.6	523.7
Total Assets	**833.0**	**795.0**
Long-Term Debt Outstanding	33.1	34.3
Other Liabilities	43.6	46.9
Total Liabilities	**76.7**	**81.2**
Net Assets:		
Invested in Capital Assets, Net of Debt	540.7	501.8
Restricted	142.4	148.1
Unrestricted	73.2	63.9
Total Net Assets	**$756.3**	**$713.8**

The City's governmental net assets amounted to $756.3 million as of June 30, 2004, an increase of $42.5 million over 2003. This increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The City's net assets as of June 30, 2004 comprised the following:

- Cash and investments comprised $211.2 million in the city treasury and $27.3 million of restricted cash and investments. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 3 to the financial statements.

- Receivables comprised $15.6 million of current receivables, along with deferred receivables of $4.8 million and notes receivable of $7.5 million that are due over longer periods of time, as explained in Notes 5 and 6 to the financial statements.

- Capital assets of $561.6 million, net of depreciation charges, includes all of the City's infrastructure as well as other capital assets used in governmental activities, as discussed in Note 8.

- Current liabilities—including accounts payable, claims, and other amounts due currently—totaled $30.0 million.

- Accrued compensated absence liabilities payable to employees of $9.6 million, as explained in Note 1G to the financial statements.

- Developer agreement payable of $2.3 million, explained in Note 7B to the financial statements.

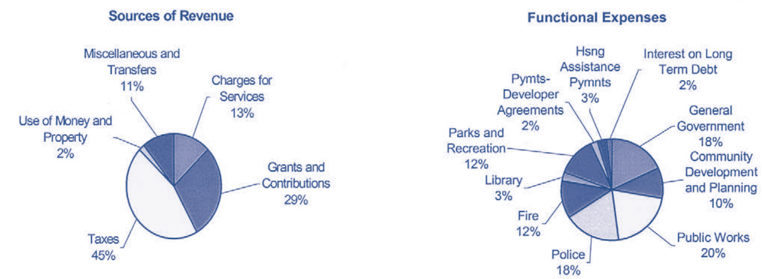
- Long-term debt of $33.1 million, of which $31.9 million is due in future years and $1.2 million is due currently, as detailed in Note 9.

- Net assets invested in capital assets net of related debt of $540.7 million, representing the City's investment in infrastructure and other capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.

- Restricted net assets totaling $142.4 million, only may be used to construct specified capital projects, for debt service, or for community development projects. The restrictions on these funds cannot be changed by the City.

- Unrestricted net assets is that part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The City had $73.2 million of unrestricted net assets as of June 30, 2004. While these assets are technically unrestricted, most of these assets are designated for a specific use.

Fiscal Year 2004 Government Activities



As the Sources of Revenue Chart above shows, $67.9 million, or 45% of the City's fiscal year 2004 governmental activities revenue, came from taxes, while $43.6 million or 29% came from grants and contributions, $19.1 million, or 13%, came from charges for services, and the remainder came from a variety of sources, as shown above.

The Functional Expenses Chart above includes only current year expenses; it does not include capital outlays, which are added to the City's capital assets. As the Chart shows, general government is $19.3 million, or 18% of total government expenses, community development and planning is $10.4 million, or 10%, public works is $21.6 million, or 20%, police is $19.3 million, or 18%, fire is $12.8 million, or 12%, parks and recreation is $13.3 million, or 12%, and other governmental programs and functions are the remaining 10%.

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The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized below.

Table 2
Changes in Governmental Net Assets
June 30
(in Millions)

	Governmental Activities 2004	2003
Expenses		
General Government	$19.3	$19.5
Community Development and Planning	10.4	9.3
Public Works	21.6	31.3
Police	19.3	17.6
Fire	12.8	11.6
Library	2.8	2.8
Parks and Recreation	13.3	12.7
Community Facilities Districts	0	23.8
Payments Under Developer Agreements	2.6	2.4
Housing Assistance Payments	3.1	2.5
Interest on Long Term Debt	1.8	2.3
Total Expenses	**107.0**	**135.8**
Revenues		
Program Revenues:		
Charges for Services	19.1	16.2
Operating Grants and Contributions	8.5	7.0
Capital Grants and Contributions	35.1	72.5
Total Program Revenues	**62.7**	**95.7**
General Revenues:		
Taxes	67.9	68.1
Use of Money and Property	3.0	6.9
Miscellaneous	0.4	1.3
Transfers	15.6	12.0
Total General Revenues and Transfers	**86.9**	**88.3**
Total Revenues	**149.6**	**184.0**
Change in Net Assets	**$42.6**	**$48.2**

During 2003, capital assets valued at $23.8 million were transferred from the Community Facilities Districts to the City's Enterprise Funds. This transfer did not recur in 2004, accounting for the majority of the $28.8 million decrease in expenses.

As the Sources of Revenue Chart and **Table 2** above show, $62.7 million, or 42% of the City's fiscal year 2004 governmental revenue, came from program revenues and $86.9 million, or 58%, came from general revenues such as taxes and interest.

Program revenues were composed of charges for services of $19.1 million that include permit revenues, fees, and charges used to fund expenses incurred in providing services; $8.5 million of operating grants and contributions which include gas tax revenues, housing, and police grants; and capital grants and contributions of $35.1 million that consist mainly of street project grants, developer impact fees restricted to capital outlay and contributions from community facilities districts to be used to build infrastructure in those districts. Capital grants and contributions decreased $37.4 million due to, for the most part, receipt of bond proceeds in 2003.

General Revenues-Taxes showed a minor decrease of $0.2 million. While property and sales taxes increased $7.7 million, the loss of utility users tax of $6 million, the reduction of $1.2 million from the restructuring of the motor vehicle in-lieu taxes, and minor decreases of $0.7 million for franchise, motor fuel taxes, and other taxes caused an overall net decrease. General revenues are not allocable to programs and are used to pay the net cost of governmental programs.

Table 3 presents the net (expense) or revenue of each of the City's governmental activities, including interest on long-term debt. Net expense is defined as total program cost less the revenues generated by those specific activities.

Table 3
Governmental Activities
June 30
(in Millions)

	Net (Expense)/Revenues from Services 2004	2003
General Government	($15.0)	($14.9)
Community Development and Planning	(3.9)	(4.0)
Public Works	5.8	9.5
Police	(16.9)	(14.7)
Fire	(9.1)	(7.7)
Library	(2.6)	(2.6)
Parks and Recreation	(1.6)	(1.5)
Community Facilities Districts	2.9	0.1
Payments Under Developer Agreements	(2.6)	(2.4)
Housing Assistance Payments	.4	0.5
Interest on Long Term Debt	(1.8)	(2.3)
Totals	**($44.4)**	**($40.0)**

Business-type Activities

The Statement of Net Assets and Statement of Activities present a summary of the City's Business-type Activities that are composed of the City's enterprise funds.

Table 4
Business-Type Net Assets at June 30
(in Millions)

	2004	2003
Cash and Investments	$149.9	$134.2
Other Assets	148.5	148.7
Capital Assets	949.3	736.6
Total Assets	**1,247.7**	**1,019.5**
Long-Term Debt Outstanding	165.3	172.9
Other Liabilities	26.4	20.4
Total Liabilities	**191.7**	**193.3**
Net Assets:		
Invested in Capital Assets, Net of Debt	774.6	560.1
Restricted	89.4	85.3
Unrestricted	192.0	180.8
Total Net Assets	**$1,056.0**	**$826.2**

The net assets of business-type activities increased to $1.056 billion in fiscal year 2004, an increase of $229.8 million. The majority of this increase is simply the addition of existing utility assets on the City's books as required under provisions of GASB 34. The majority of increases in net assets occurred in the Water, Wastewater, and Electric Funds, as shown in Table 6.

Table 5
Changes in Business-Type Net Assets
June 30
(in Millions)

	Business-Type Activities	
	2004	2003
Expenses		
Electric Fund	$69.6	$71.5
Water Fund	15.7	12.8
Wastewater Fund	18.1	18.6
Solid Waste Fund	11.6	10.9
Golf Course Fund	2.4	2.6
Local Transportation Fund	3.8	3.4
School-Age Child Care Fund	3.8	3.8
Total Expenses	**125.0**	**123.6**
Revenues		
Charges for Services	142.4	122.8
Operating Grants and Contributions	6.7	4.4
Capital Grants and Contributions	52.6	88.8
Total Program Revenues	**201.7**	**216.0**
Use of Property and Money	1.1	5.6
Special Item	(7.4)	(13.3)
Transfers	(15.6)	(12.0)
Loss from sale of assets	(0.2)	0.0
Changes in Net Assets	**$54.6**	**$72.5**

Business-type program revenues and interest revenue were $202.8 million while Business-type expenses, special items, and transfers were $148.2 million 2004. Each program is discussed in the Proprietary Funds section below.

Table 6 summarizes the financial activity of the business-type programs, the detail of which is discussed under the Proprietary Funds section below.

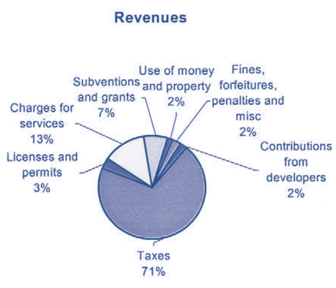
Table 6
Changes in Business-Type Net Assets
(in Millions)

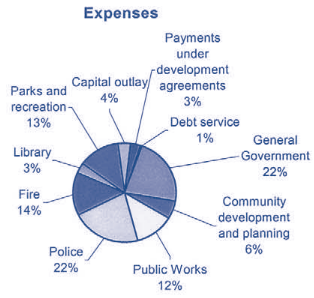
	Net (Expense)/Revenues From Services	
	2004	2003
Electric Fund	$35.7	$18.7
Water Fund	10.3	30.6
Wastewater Fund	23.0	38.3
Solid Waste Fund	3.1	2.9
Golf Course Fund	1.2	(0.1)
Local Transportation Fund	3.3	1.9
School-Age Child Care Fund	.2	0.0
Totals	**$76.8**	**$92.3**

Analyses of Major Governmental Funds

General Fund

Fiscal Year 2004 General Fund Activity





General Fund revenues increased $1.3 million this fiscal year due primarily to increases in charges for services. Actual revenues exceeded budgeted amounts by $4 million, as taxes, charges for services and subventions and grants came in greater than targeted, even with an increase to the final budget of $2.7 from the original budget. Taxes, while showing a slight decrease overall, actually increased in both property and sales taxes ($2.2 million and $3.3 million, respectively), however the City lost utility user taxes as discussed in Note 13C amounting to $6 million in 2003. Property taxes' assessed valuations rose 14.9%, driven by new construction. Sales tax revenues increased across the board, as sales increases were reported in all major sectors resulting in part from continued addition of new retail stores surrounding the Galleria regional mall and the Highway 65 corridor. Charges for services increased ($1.6 million) as departments implemented/increased fees to more directly match their expenditures.

General Fund expenditures were $88.3 million, a decrease of $1.2 million from the prior year. Expenditures were $11.3 million less than budgeted; however, as most departments expended less than budgeted, due to cost-cutting measures triggered from the loss of utility users taxes. The original budget was increased by $4.5 million from encumbrances carried over from fiscal year 2003. The sources of these budget savings included general government, community development, and public safety salaries being budgeted at the top step; vacancies in the police department; and projects anticipated for 2004 that have been carried over to fiscal year 2005.

Other financing sources and uses reported net outflows of $1.1 million in fiscal year 2004, compared with net inflows of $17.5 million in the prior year. Transfers out of the General Fund were $19.3 million, in fiscal year 2004, compared with net transfers in of $17.3 million in the prior year. One of the major reasons for the increase in transfers out was setting aside funds in an internal service fund to offset future post-retirement health insurance.

As of June 30, 2004, the General Fund's fund balance totaled $42.0 million, including $17.8 million reserved almost entirely for encumbrances and advances to other funds, $16.8 million designated for economic reserve and capital improvements and $6.9 million in unreserved, undesignated balances. Only the unreserved portion of fund balance represents available liquid resources, since the reserved portion is represented by non-cash assets or by open purchase orders. The designated portion of fund balance has been set aside by City Council, which may alter or reverse its decisions with respect to designated fund balances at any time.

Redevelopment Agency of the City of Roseville

This Fund accounts for the Redevelopment (RDA) activity including capital projects in the downtown redevelopment area funded by tax allocation bonds. The majority of the bond proceeds from the 2003 tax allocation bonds remain unspent. In addition the RDA owes other City funds $13.7 million, which will be repaid from future tax increment revenues.

Community Facilities District Projects

This Fund accounts for capital expenditures on community facilities districts in the City. The purpose of these districts is to finance the construction of capital improvements within the boundaries of each district, through the contribution of Mello-Roos bond proceeds. The improvements are contributed to the City, which in turn acquires and pays for these facilities from the developers who actually construct the improvements. In fiscal year 2004, the Fund received $2.6 million in such contributions from property-owners and developers, and expended $26.9 million in capital outlay on facilities in community facilities districts, which included contributions and bond proceeds received in prior years. The largest projects underway in fiscal year 2004 were improvements to the Stone Point, Stoneridge East, Woodcreek East, and Crocker Ranch areas.

Other Governmental Funds

These funds are not presented separately in the Basic Financial statements, but are individually presented as Supplemental Information.

Proprietary Funds

Electric Fund

Net assets of the Electric Fund increased $20.5 million in fiscal year 2004 to a total of $248.4 million. Operating income for fiscal year 2004 is $26.2 million, an increase of $16.3 million from 2003. Electric retail sales increased by $10.1 million due to increased customers, the rate rebate originally established in September 2002 ended in August 2003, and wholesale power sales rose to $4.4 million in 2004. In addition, purchased power expenses decreased by $2.1 million over 2003 levels, which was due to market fluctuations in the power market. The Electric Department recorded a special item of $7.4 million to account for the possible SCS tariff charges being imposed by PG&E (see note 15). Overall electric rates remained unchanged in 2004; however, there may be a rate increase in 2005.

Of the fund's Net Assets of $248.4 million, $155.4 million was invested in capital assets, $9.4 million was restricted and $83.6 million was unrestricted.

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Water Fund

Net assets of the Water Fund increased $8.5 million in fiscal year 2004. Along with a $175.2 million GASB 34 adjustment for recording infrastructure assets, this increased total assets to $328 million. Operating revenues increased $2.9 to a total of $11.8 million in fiscal year 2004 due to a rate increase in August 2003, while expenses also increased $3.1 million to a total of $14.4 million. Most of this increase for expenses was due to increased depreciation from the additions to infrastructure. There was a resulting operating loss of $2.6 million, including $5 million for depreciation and amortization. However, capital connection fees were $11 million (a decrease of $1.7 million, as growth has stabilized), and contributions from developers were $3.2 million in fiscal year 2004 while net transfers out were $2.4 million.

As of June 30, 2004, the Fund's Net Assets were $328 million, of which $272.9 million was invested in capital assets, $2.6 million was restricted for debt service and $52.5 million was unrestricted as to use.

Wastewater Fund

Operating revenues increased in fiscal year 2004 $1.6 million to a total of $14.7 million due for the most part to a rate increase in August 2003. Operating expenses increased slightly to $15.6 million, up $0.8 million. The net result was a small operating loss of $0.9 million, of which $5.5 million was depreciation. Other items that affected net assets were: connection fees of $9.5 million (down $2.5 million as growth has stabilized); capital contributions of $8.1 million and $5.6 million, respectively from developers and South Placer Wastewater Authority; net non-operating revenues of $0.7 million; a loss of $0.2 million from capital assets; and net transfers out of $2.8 million. Contributions from the South Placer Wastewater Authority are in the form of construction expenditures to build a new wastewater treatment plant and other infrastructure. The total increase to net assets was $20 million for fiscal year 2004 to a total of $455.2 million. As of June 30, 2004, of the Fund's Net Assets were $455.2 million, $326.6 million was invested in capital assets, $69 million was invested in South Placer Wastewater Authority, and $59.6 million was unrestricted.

Solid Waste Fund

Revenues and expenses remained relatively flat in fiscal year 2004 at $14.7 million and $11.6 million, respectively. As a result, net operating income decreased slightly by $314,000 to $3.1 million. Net transfers out were $1.6 million. The total net assets from 2003 were $38,000 and with an increase of $1.4 million; the ending balance for 2004 was $1.47 million.

Golf Course Fund

Revenues and expenses remained relatively flat in fiscal year 2004 at $2.4 million and $2.0 million, respectively. There was also a contribution of $1.1 million from the Northwest Community Facilities District Fund. As a result, the Fund's net assets increased to $8.1 million. The Fund is financed in part by advances from other City funds; as a result, it has a deficit in its unrestricted net assets, partially offsetting the $10.2 million it has invested in capital assets, net of the related debt.

Local Transportation Fund

Net assets of the Fund increased $3.2 million in fiscal year 2004 to a total of $14.3 million. While there was a $3.2 million operating loss in fiscal year 2004, this was more than offset by the $6.5 million in grants and subsidies received for the operations of the City's transit program. As of June 30, 2004, the Fund's Net Assets were $14.3 million, of which $6.6 million was invested in capital assets and $7.6 million was restricted for use in local transportation.

School-Age Child Care Fund

Net assets of the Fund declined $0.12 million in fiscal year 2004 to a total of $0.55 million. Since both revenues and expenses were up $0.2 million, the decline in net assets was due in part to additional transfers out for indirect costs. As of June 30, 2004, the Fund's Net Assets were $0.55 million. $0.99 million were invested in capital assets, which leaves a negative $0.44 million in unrestricted net assets.

CAPITAL ASSETS

GASB 34 requires the City to record all its capital assets including infrastructure, that were not recorded in prior years. Infrastructure includes roads, bridges, signals and similar assets used by the entire population.

In fiscal year 2002, the City started recording the cost of its infrastructure assets and computed the amount of accumulated depreciation for these assets based on their original acquisition dates. As mentioned earlier, the City continued to review its historical infrastructure balances (as allowed by GASB 34) and this year's statement includes adjustments to capital assets. The cost of infrastructure and other capital assets recorded on the City's financial statements was as shown in Table 7 below:

Table 7
Capital Assets at Year End
(in Millions)

	Balance at June 30, 2004
Governmental Activities	
Land	$ 12.1
Streets (modified)	153.6
Parks (modified)	52.2
Landscaping (modified)	23.8
Construction in Progress	41.6
Buildings	81.1
Improvements	4.1
Equipment	44.3
Bike Paths	6.6
Bridges	45.6
Culverts	18.9
Curb, Gutter, Sidewalk, & Median Curbs	114.4
Drain Inlets	18.1
Flood Control Improvements	15.5
Soundwall	15.5
Stormdrains	45.5
Traffic Signals	18.1
Less: Accumulated Depreciation	(149.2)
Governmental Activity Capital Assets, Net	**$561.8**

	Balance at June 30, 2004
Business-Type Activities	
Land	$ 13.7
Landscaping (modified)	0.6
Construction in Progress	157.8
Buildings	10.6
Improvements	10.7
Machinery and Equipment	12.2
Bike Paths	1.1
Plant and Substations	137.7
Distribution	760.2
Less: Accumulated Depreciation	(155.4)
Business-Type Activity Capital Assets, Net	**$949.2**

Detail on capital assets, current year additions and construction in progress can be found in Note 8.

The City depreciates all its capital assets over their estimated useful lives, as required by GASB 34, except for streets, parks and landscaping, which are reported using the Modified Approach allowed under GASB 34. The purpose of depreciation is to spread the cost of a capital asset over the years of its useful life so that an allocable portion of the cost of the asset is borne by all users. Additional information on depreciable lives may be found in Note 8 to the financial statements. The Modified Approach requires the City to employ an asset management system that maintains a current inventory of these assets, estimates annual costs to maintain them, and assesses the condition of the assets in a replicable way.

The City uses a computerized Pavement Management System to track the condition levels of each of the street sections. The City has adopted a policy of maintaining arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5, which means that, on average, the City's streets must be maintained at no less than 70% of pavement in perfect condition.

At June 30, 2004, the City's streets averaged 7.6 PQI for arterial and collector roadways and 7.6 PQI for residential roadways. The City expended $2.9 million on preservation of its streets in fiscal year 2004 and plans to spend $6.5 million in fiscal year 2005.

The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping. The City has adopted a policy of maintaining parks and landscaping at an average Ground Management Index (GMI) of Level 2, which means that, on average, the City's parks and landscaping must be maintained at no less than 83% of parks and landscaping maintained at a state-of-the-art level.

At June 30, 2004, the City's parks and landscaping averaged 2 GMI. The City expended $3.6 million on preservation of its parks and landscaping in fiscal year 2004 and plans to spend $4.2 million in fiscal year 2005.

DEBT ADMINISTRATION

In July 2003, the City refinanced the 1993 Public Facilities Certificates of Participation and the 1993 Golf Course Project Certificates of Participation with the 2003A Public Facilities Refunding Certificates of Participation and 2003B Golf Course Refunding Certificates of Participation, respectively. In addition, the South Placer Wastewater Authority (SPWA) issued revenue bonds of $97 million in September 2003 to advance refund a portion of the 2000 SPWA Revenue Bonds. The City's share of this obligation is 54.17%. These bonds are auction-rate bonds with weekly interest resets. SPWA entered into a 24-year interest rate swap agreement for the amount of the refunding bonds for a fixed-payer rate of 3.433% and a receiver rate of 62% of Libor.

The City made all scheduled repayments of existing debt. Each of the City's debt issues is discussed in detail in Note 9 to the financial statements. As of June 30, 2004, the City's debt comprised:

Table 8
Outstanding Debt
(in Millions)

Governmental Activity Debt:	
Certificates of Participation:	
2003 Public Facilities Bond, 2.0%-5.0%, due 8/1/25	$18.28
Tax Allocation Bonds	
2002 Roseville Redevelopment Project 3%-5.14% due 9/1/33	14.18
Installment Purchase Obligations	
Equipment	.32
Motorola Radio Equipment, 5.6%, due 8/1/04	.31
Total Installment Purchase Obligations	.64
Other Long Term Obligations:	
Foothill Blvd. Extension, due 4/1/07	nil
Total Governmental Activity Debt:	**$33.09**

Business-type Activity Debt:	
Certificates of Participation:	
1997 Electric System Revenue, 3,6%-5.25%, due 2/1/17	$ .93
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	2.62
2002 Electric System Revenue, Variable Rate, due 2/1/24	35.7
Less deferred amount on refunding	(3.44)
2003 Golf Course Project, 2.0-5.0%, due 8/1/23	8.24
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	27.35
Total Certificates of Participation	**71.40**
Revenue Bonds:	
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	10.21
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37.92
2003 Wastewater Refunding Revenue Bonds, variable rate, due 11/1/27	51.68
Less deferred amount on refunding	(6.07)
Total Revenue Bonds	**93.74**
Other Long Term Obligations:	
Notes, 5%, due 10/1/17	.20
Total Business-type Activity Debt:	**$165.33**

COMMUNITY FACILITIES/ASSESSMENT DISTRICTS DEBT

Community facilities districts and assessment districts in different parts of the City have also issued debt to finance infrastructure and facilities construction in their respective districts. As of June 30, 2004, a total of $231.2 million in community facilities district and assessment district debt was outstanding, representing thirteen issues by community facilities districts and three issues by assessment districts. This debt is secured only by special tax liens and assessments on the real property in the district issuing the debt and is not the City's responsibility; however, the City does act as the agent in the collection and remittance of special taxes and assessments for these Districts. Further detail on this debt may be found in Note 10 to the financial statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions about this Report should be directed to the City of Roseville at 311 Vernon Street, Roseville, California, 95678.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ROSEVILLE

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities are statements required by Government Accounting Standards Board Statement 34. Their purpose is to summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis—the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column that presents the financial position of the entire City.

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

The Statement of Activities reports increases and decreases in the City's net assets. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Both these Statements include the financial activities of the City, the Redevelopment Agency of the City of Roseville, the Roseville Finance Authority, and the City of Roseville Housing Authority, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for the activities of these entities.

CITY OF ROSEVILLE
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments in City Treasury (Note 3)	$211,238,556	$143,214,465	$354,453,021
Restricted cash and investments with fiscal agents (Note 3)	27,272,697	6,738,557	34,011,254
Receivables:			
Taxes	1,154,358	34,012	1,188,370
Accounts	2,561,687	16,500,515	19,062,202
Accrued interest	3,156,580	1,032,831	4,189,411
Due from other government agencies	8,744,319	5,499,100	14,243,419
Internal balances (Note 4D)	4,109,733	(4,109,733)	
Prepaids	10,281	438	10,719
Deferred receivables (Note 6)	4,766,097	755,089	5,521,186
Notes receivable (Note 5)	7,483,477		7,483,477
Inventories (Note 1I)	898,479	4,940,750	5,839,229
Prepaid purchased electricity (Note 14)		5,010,133	5,010,133
Unamortized bond origination costs		1,565,223	1,565,223
Investment in NCPA reserves (Note 15)		6,756,181	6,756,181
Investment in SPWA reserves (Note 16)		110,517,137	110,517,137
Capital assets (Note 8):			
Land and construction in progress	283,195,384	172,134,214	455,329,598
Capital assets being depreciated, net	278,446,339	777,143,746	1,055,590,085
Total assets	833,037,987	1,247,732,658	2,080,770,645
LIABILITIES			
Accounts payable	8,378,517	10,869,902	19,248,419
Accrued liabilities	4,169,591	2,135,900	6,305,491
Due to other governments	5,800,483	673,596	6,474,079
Self-insurance claims payable and litigation settlement (Note 13)	6,953,000		6,953,000
Deposits	3,683,177	1,011,247	4,694,424
Unearned revenues	997,699	2,826,693	3,824,392
Deferred liabilities	1,670,998	262,466	1,933,464
Landfill closure and post closure liability (Note 17)		4,037,302	4,037,302
Compensated absences (Note 1G)	9,639,263	4,588,962	14,228,225
Developer agreement payable (Note 7B)	2,295,495		2,295,495
Long term liabilities (Note 9):			
Due within one year	1,236,331	8,686,363	9,922,694
Due in more than one year	31,863,495	156,642,244	188,505,739
Total liabilities	76,688,049	191,734,675	268,422,724
NET ASSETS (Note 11)			
Invested in capital assets, net of related debt	540,714,647	774,624,921	1,315,339,568
Restricted for:			
Joint ventures		75,756,727	75,756,727
Capital projects	137,896,289		137,896,289
Debt service	1,369,687	5,999,796	7,369,483
Community development projects	3,138,766		3,138,766
Local transportation		7,652,206	7,652,206
Total restricted net assets	142,404,742	89,408,729	231,813,471
Unrestricted net assets	73,230,549	191,964,333	265,194,882
Total net assets	$756,349,938	$1,055,997,983	$1,812,347,921

See accompanying notes to financial statements

CITY OF ROSEVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	$19,299,495	$1,318,112	$473,670	$2,457,552	($15,050,161)		($15,050,161)
Community development and planning	10,370,401	2,988,881	2,951,065	563,363	(3,867,092)		(3,867,092)
Public works	21,567,351	6,612,890	55,538	20,740,497	5,841,574		5,841,574
Police	19,351,991	1,581,324	830,919	53,889	(16,885,859)		(16,885,859)
Fire	12,768,918	945,366	396,163	2,300,856	(9,126,533)		(9,126,533)
Library	2,839,127	136,710	69,515		(2,632,902)		(2,632,902)
Parks and recreation	13,257,771	5,508,574	107,934	6,057,460	(1,583,803)		(1,583,803)
Community facilities districts				2,921,223	2,921,223		2,921,223
Payments under developer agreements	2,607,608				(2,607,608)		(2,607,608)
Housing assistance payments	3,127,150		3,591,451		464,301		464,301
Interest on long term debt	1,813,647				(1,813,647)		(1,813,647)
Total Governmental Activities	107,003,459	19,091,857	8,476,255	35,094,840	(44,340,507)		(44,340,507)
Business-type Activities:							
Electric	69,630,286	94,387,590		10,936,868		$35,694,172	35,694,172
Water	15,748,289	11,804,088	15,000	14,240,251		10,311,050	10,311,050
Wastewater	18,050,409	14,739,888		26,306,577		22,996,056	22,996,056
Solid waste	11,614,060	14,678,394				3,064,334	3,064,334
Golf Course	2,365,048	2,436,735		1,100,000		1,171,687	1,171,687
Local Transportation	3,768,970	526,204	6,503,889	20,000		3,281,123	3,281,123
School-age Child Care	3,824,316	3,810,089	198,543			184,316	184,316
Total Business-type Activities	125,001,378	142,382,988	6,717,432	52,603,696		76,702,738	76,702,738
Total	$232,004,837	$161,474,845	$15,193,687	$87,698,536	(44,340,507)	76,702,738	32,362,231
General revenues:							
Taxes:							
Property taxes					20,101,838		20,101,838
Less Educational Revenue Augmentation Fund payment (Note 19)					(143,182)		(143,182)
Sales taxes					38,031,918		38,031,918
Franchise taxes					954,396		954,396
Motor fuel taxes					1,775,122		1,775,122
Other taxes					2,978,450		2,978,450
Motor vehicle in lieu					4,152,209		4,152,209
Gain/(Loss) from sales of capital assets					92,324	(227,334)	(135,010)
Bond issuance premium					351,119		351,119
Use of money and property					2,992,312	1,096,493	4,088,805
Miscellaneous revenues					12,975		12,975
Special Item (Note 15D)						(7,394,906)	(7,394,906)
Transfers (Note 4)					15,605,538	(15,605,538)	
Total general revenues and transfers					86,905,019	(22,131,285)	64,773,734
Change in Net Assets					42,564,512	54,571,453	97,135,965
Net Assets-Beginning					713,785,426	826,249,786	1,540,035,212
GASB Statement No. 34 Implementation Adjustment (Note 8B)						175,176,744	175,176,744
Net assets-Ending					$756,349,938	$1,055,997,983	$1,812,347,921

See accompanying notes to financial statements

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MAJOR GOVERNMENTAL FUNDS

FUND FINANCIAL STATEMENTS

GASB 34 revises the format of the Fund Financial Statements so that only individual major funds are presented, while non-major funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year. No distinction is made between Fund types and the practice of combining like funds and presenting their totals in separate columns (Combined Financial Statements) has been discontinued, along with the use of the General Fixed Assets and General Long-term Debt Account Groups.

MAJOR GOVERNMENTAL FUNDS

The funds described below were determined to be Major Funds by the City in fiscal 2004. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

REDEVELOPMENT AGENCY

The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 2003; 3) capital projects connected with downtown redevelopment funded by property tax increment revenues.

COMMUNITY FACILITIES DISTRICT PROJECTS FUND

This fund is used to account for specific public improvements such as streets, sewers, storm drains, sidewalks or other amenities funded by special assessments against benefited properties.

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2004

	General	Redevelopment Agency of the City of Roseville	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments in City Treasury (Note 3)	$29,678,977	$3,591,297	$4,739,402	$133,119,526	$171,129,202
Restricted cash and investments with fiscal agents (Note 3)		12,957,127	11,905,743	2,337,458	27,200,328
Receivables:					
Taxes	996,086	158,272			1,154,358
Accounts	2,173,612			310,560	2,484,172
Accrued interest	908,679	24,890	85,595	996,497	2,015,661
Due from other government agencies	7,810,026			934,293	8,744,319
Due from other funds (Note 4B)	731,051			50,000	781,051
Advances to other funds (Note 4C)	12,935,536			4,200,000	17,135,536
Prepaids	10,281				10,281
Deferred receivables (Note 6)				4,766,097	4,766,097
Notes receivable (Note 5)	138,700	1,422,672		5,922,105	7,483,477
Inventories (Note 1I)	419,536				419,536
Total Assets	$55,802,484	$18,154,258	$16,730,740	$152,636,536	$243,324,018
LIABILITIES					
Accounts payable	$2,084,682	$246,515	$3,412,510	$2,020,666	$7,764,373
Accrued liabilities	3,215,165	348,777		134,571	3,698,513
Due to other funds (Note 4B)		600,000		453,251	1,053,251
Due to other government agencies	19,042			5,781,441	5,800,483
Advances from other funds (Note 4C)		13,724,737		4,877,500	18,602,237
Deposits	3,026,177	50,000		607,000	3,683,177
Deferred revenue	899,599	1,422,672		5,039,989	7,362,260
Deferred liabilities		1,474,703		196,295	1,670,998
Current portion of compensated absences (Note 1G)	4,495,844	10,794		2,269	4,508,907
Total Liabilities	13,740,509	17,878,198	3,412,510	19,112,982	54,144,199
FUND BALANCES (Note 11)					
Reserved for:					
Advances	12,935,536			4,200,000	17,135,536
Inventories	419,536				419,536
Encumbrances	4,910,016	34,854		3,847,840	8,792,710
Capital projects			13,318,230		13,318,230
Deferred receivables and notes receivable	138,700			46,343	185,043
Prepaids	10,281				10,281
Low and moderate income housing		1,172,887			1,172,887
Debt service				1,369,687	1,369,687
Unreserved					
Designated for economic reserve	15,865,200				15,865,200
Designated for carryover of capital improvement projects	909,845			19,522,248	20,432,093
Unreserved, undesignated, reported in:					
General Fund	6,872,861				6,872,861
Special Revenue Funds		(931,681)		88,812,055	87,880,374
Permanent Funds				15,725,381	15,725,381
TOTAL FUND BALANCES	42,061,975	276,060	13,318,230	133,523,554	189,179,819
Total Liabilities and Fund Balances	$55,802,484	$18,154,258	$16,730,740	$152,636,536	$243,324,018

See accompanying notes to financial statements

CITY OF ROSEVILLE
Reconciliation of
GOVERNMENTAL FUNDS -- FUND BALANCE
with the Governmental Activities
NET ASSETS
JUNE 30, 2004

TOTAL FUND BALANCES -- TOTAL GOVERNMENTAL FUNDS	$189,179,819
Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:	
CAPITAL ASSETS	
Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	561,641,723
ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS	
Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance, to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.	
Cash and investments	40,181,723
Accounts receivable	77,515
Interest receivable	1,140,919
Inventories	478,943
Accounts payable	(614,144)
Accrued liabilities	(78,866)
Self-insurance claims payable	(6,953,000)
Compensated absences	(302,688)
Internal balances	5,848,634
ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES	
Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities.	6,364,561
Expenses which are not payable currently are not accrued on the Fund Balance Sheets	
Refunds payable to developers	(2,295,495)
LONG TERM ASSETS AND LIABILITIES	
The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:	
Long-term debt	(33,099,826)
Interest payable and other accrued liabilities, included in accrued liabilities	(392,212)
Non-current portion of compensated absences	(4,827,668)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	$756,349,938

See accompanying notes to financial statements

CITY OF ROSEVILLE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	General	Redevelopment Agency of the City of Roseville	Community Facilities District Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$57,308,742	$4,254,202	$22,276	$4,229,841	$65,815,061
Less Educational Revenue					
Augmentation Fund payment (Note 19)		(143,182)			(143,182)
Licenses and permits	2,784,570				2,784,570
Charges for services	10,735,970			16,607,679	27,343,649
Subventions and grants	5,831,584	49,272		7,877,994	13,758,850
Use of money and property	1,352,145	134,149	242,814	1,726,201	3,455,309
Fines, forfeitures and penalties	677,188			794,528	1,471,716
Contributions from property owners			2,568,135	6,500	2,574,635
Contributions from developers	1,934,251	55,214	86,320	586,586	2,662,371
Miscellaneous revenues	1,251,680	15,700	1,678	2,062,650	3,331,708
Total Revenues	81,876,130	4,365,355	2,921,223	33,891,979	123,054,687
EXPENDITURES					
Current:					
General government	19,625,572			1,293,987	20,919,559
Community development and planning	5,146,170	2,339,147		3,322,250	10,807,567
Public works	10,854,747			101,259	10,956,006
Public safety:					
Police	19,051,384				19,051,384
Fire	12,602,614				12,602,614
Library	2,842,056			481	2,842,537
Parks and recreation	11,450,197			1,799,379	13,249,576
Housing assistance payments				3,127,150	3,127,150
Capital outlay	3,599,915	644,367	26,913,358	9,991,503	41,149,143
Payments under developer agreements (Note 7)	2,607,608				2,607,608
Debt service					
Principal retirement	444,690	320,000		675,000	1,439,690
Interest and fiscal charges	62,372	999,183		850,641	1,912,196
Total Expenditures	88,287,325	4,302,697	26,913,358	21,161,650	140,665,030
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,411,195)	62,658	(23,992,135)	12,730,329	(17,610,343)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt issuance (Note 9)				18,275,000	18,275,000
Bond issuance premium				351,119	351,119
Payment to refunded bond escrow agent (Note 9)				(18,080,000)	(18,080,000)
Transfers in (Note 4A)	18,154,410			9,780,338	27,934,748
Transfers (out) (Note 4A)	(19,268,898)	(102,568)	(202,308)	(3,970,161)	(23,543,935)
Total Other Financing Sources (Uses)	(1,114,488)	(102,568)	(202,308)	6,356,296	4,936,932
NET CHANGE IN FUND BALANCES	(7,525,683)	(39,910)	(24,194,443)	19,086,625	(12,673,411)
Fund balances at beginning of period	49,587,658	315,970	37,512,673	114,436,929	201,853,230
FUND BALANCES AT END OF PERIOD	$42,061,975	$276,060	$13,318,230	$133,523,554	$189,179,819

See accompanying notes to financial statements

CITY OF ROSEVILLE
Reconciliation of the NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS with the CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	($12,673,411)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
CAPITAL ASSETS TRANSACTIONS	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.	
The capital outlay expenditures are therefore added back to fund balance	38,060,888
Depreciation expense is deducted from the fund balance (Depreciation expense is net of internal service fund depreciation of $3,509,354 which has already been allocated to serviced funds.)	(10,663,812)
Contributions of infrastructure and improvements by developers are capitalized in the Statement of Activities, but are not recorded in the Fund Statements because no cash changed hands.	11,045,388
LONG TERM DEBT PROCEEDS AND PAYMENTS	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.	
Proceeds from the issuance of debt and capital assets are deducted from fund balance	(18,275,000)
Repayment of debt principal is added back to fund balance	1,439,690
Payments made to refunded debt escrow agent, net	18,080,000
ACCRUAL OF NON-CURRENT ITEMS	
The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):	
Long-term compensated absences	(352,130)
Interest payable and accrued liabilities, included in accrued liabilities	98,549
Deferred revenues	(177,411)
Payments to developers	(66,292)
Litigation settlement	2,153,996
ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY	
Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds. The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.	
Change in Net Assets - All Internal Service Funds	13,894,057
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$42,564,512

See accompanying notes to financial statements

CITY OF ROSEVILLE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts Budgetary Basis	Positive (Negative)
REVENUES				
Taxes	$52,935,440	$55,035,440	$57,308,742	$2,273,302
Licenses and permits	2,783,800	2,783,800	2,784,570	770
Charges for services	8,916,473	9,301,473	10,735,970	1,434,497
Subventions and grants	5,797,572	4,563,538	5,831,584	1,268,046
Use of money and property	1,590,040	1,590,040	1,352,145	(237,895)
Fines, forfeitures and penalties	690,300	690,300	677,188	(13,112)
Contributions from developers	2,219,420	3,376,560	1,934,251	(1,442,309)
Miscellaneous revenues	222,100	516,130	1,251,680	735,550
TOTAL REVENUES	75,155,145	77,857,281	81,876,130	4,018,849
EXPENDITURES				
Current:				
General government	21,190,723	22,247,263	19,625,572	2,621,691
Community development and planning	5,599,490	6,752,630	5,146,170	1,606,460
Public works	12,348,713	12,612,713	10,854,747	1,757,966
Public safety:				
Police	20,457,573	20,873,732	19,051,384	1,822,348
Fire	12,888,322	13,079,375	12,602,614	476,761
Library	3,091,363	3,185,313	2,842,056	343,257
Parks and recreation	12,006,548	12,063,211	11,450,197	613,014
Capital outlay	4,399,964	5,700,097	3,599,915	2,100,182
Payments under developer agreements	2,472,200	2,472,200	2,607,608	(135,408)
Debt Service:				
Principal	512,665	512,665	444,690	67,975
Interest and fiscal charges	119,765	119,765	62,372	57,393
TOTAL EXPENDITURES	95,087,326	99,618,964	88,287,325	11,331,639
OTHER FINANCING SOURCES (USES)				
Transfers in	17,965,790	18,232,091	18,154,410	(77,681)
Transfers (out)	(4,597,829)	(19,391,118)	(19,268,898)	122,220
Total Other Financing Sources (Uses)	13,367,961	(1,159,027)	(1,114,488)	44,539
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($6,564,220)	($22,920,710)	(7,525,683)	$15,395,027
Fund balance at beginning of year			49,587,658	
Fund balance at end of year			$42,061,975	

See accompanying notes to financial statements

CITY OF ROSEVILLE
REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budgeted Amounts			Variance
	Original	Final	Final	Positive (Negative)
REVENUES				
Taxes	$3,070,040	$3,796,010	$4,254,202	$458,192
Less Educational Revenue				
Augmentation Fund payment (Note 19)			(143,182)	(143,182)
Subventions and grants	41,970	49,310	49,272	(38)
Use of money and property	28,500	54,330	134,149	79,819
Contributions from developers		36,580	55,214	18,634
Miscellaneous revenues			15,700	15,700
Total revenues	3,140,510	3,936,230	4,365,355	429,125
EXPENDITURES				
Community development and planning	1,783,134	2,678,194	2,339,147	339,047
Capital outlay		2,959,087	644,367	2,314,720
Debt service:				
Principal			320,000	(320,000)
Interest and fiscal charges			999,183	(999,183)
Total expenditures	1,783,134	5,637,281	4,302,697	1,334,584
OTHER FINANCING SOURCES (USES)				
Transfers out	(77,630)	(77,120)	(102,568)	(25,448)
Total Other Financing Sources (Uses)	(77,630)	(77,120)	(102,568)	(25,448)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	$3,062,880	$900,023	(39,910)	($939,933)
Fund balance at beginning of year			315,970	
Fund balance at end of year			$276,060	

See accompanying notes to financial statements

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MAJOR PROPRIETARY FUNDS

MAJOR PROPRIETARY FUNDS

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The concept of major funds established by GASB Statement 34 extends to Proprietary Funds. The City has identified the funds below as major proprietary funds in fiscal 2004.

GASB 34 does not provide for the disclosure of budget vs. actual comparisons regarding proprietary funds that are major funds.

ELECTRIC FUND

This fund accounts for all financial transactions relating to the City's Electric service. Services are on a user charge basis to residents and business owners located in Roseville.

WATER FUND

This fund accounts for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville.

WASTEWATER FUND

This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville.

SOLID WASTE FUND

This fund accounts for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville.

GOLF COURSE FUND

This fund accounts for all financial transactions associated relating to the development, operation and maintenance of the City's public golf courses.

LOCAL TRANSPORTATION FUND

This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

SCHOOL-AGE CHILD CARE FUND

This fund accounts for the receipt of parent fees and State grants used to finance child development programs.

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CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Business-type Activities-Enterprise Funds								Governmental Activities-
	Electric	Water	Wastewater	Solid Waste	Golf Course	Local Transportation	School-Age Child Care	Totals	Internal Service Funds
ASSETS									
Current Assets:									
Cash and investments in City Treasury (Note 3)	$71,238,148	$51,132,389	$11,570,520	$4,127,132	$1,175,001	$3,651,387	$319,888	$143,214,465	$40,109,354
Restricted cash and investments									
with fiscal agents (Note 3)	3,487,093	2,612,367			639,097			6,738,557	72,369
Receivables:									
Taxes	34,012							34,012	
Accounts	11,199,196	1,632,326	1,630,420	1,544,252	74,840	615	418,866	16,500,515	77,515
Accrued Interest	486,566	397,844	66,052	22,435	25,702	32,581	1,651	1,032,831	1,140,919
Due from other government agencies		25,838	888,898	2,065		4,542,373	39,926	5,499,100	
Due from other funds (Note 4B)		643,454						643,454	642,328
Inventories (Note 1I)	4,085,816	745,718	59,446	49,770				4,940,750	478,943
Prepaids						438		438	
Total Current Assets	90,530,831	57,189,936	14,215,336	5,745,654	1,914,640	8,227,394	780,331	178,604,122	42,521,428
Non Current Assets:									
Deferred receivables (Note 6)	606,079	134,171	14,839					755,089	
Prepaid purchased electricity (Note 14)	5,010,133							5,010,133	
Unamortized bond origination costs	637,740	634,830			292,653			1,565,223	
Investment in NCPA reserves (Note 15)	6,756,181							6,756,181	
Investment in SPWA reserves (Note 16)			110,517,137					110,517,137	
Advances to other funds (Note 4C)									5,659,701
Capital assets (Note 8):									
Land and construction in progress	9,587,901	11,300,556	144,074,479	277,415	6,058,241	392,296	443,326	172,134,214	
Capital assets being depreciated, net	185,021,623	288,968,903	282,356,459	1,639,149	12,380,309	6,228,018	549,285	777,143,746	13,266,721
Total assets	298,150,488	358,228,396	551,178,250	7,662,218	20,645,843	14,847,708	1,772,942	1,252,485,845	61,447,850
LIABILITIES									
Current Liabilities									
Accounts payable	7,460,233	1,237,013	302,042	1,228,011	141,556	465,332	35,715	10,869,902	614,144
Accrued liabilities	799,118	463,656	387,342	154,610	130,985	20,154	180,035	2,135,900	78,866
Due to other government agencies	19,993		653,603					673,596	
Due to other funds (Note 4B)				243,128	127,000		190,059	560,187	453,395
Current portion of compensated absences (Note 1G)	1,028,258	427,500	529,817	181,252		31,529	186,768	2,385,124	168,194
Current portion of long-term debt (Note 9)	5,495,000	1,284,805	1,611,558		295,000			8,686,363	
Deposits	936,827	44,146	10,882		11,265		8,127	1,011,247	
Deferred revenue	2,506,805						319,888	2,826,693	
Self-insurance claims payable (Note 13)									6,953,000
Total Current Liabilities	18,246,234	3,457,120	3,495,244	1,807,001	705,806	517,015	920,592	29,149,012	8,267,599
Long-Term Liabilities									
Deferred liabilities		94,840		167,626				262,466	
Advances from other funds (Note 4C)					3,893,000		300,000	4,193,000	
Notes (Note 9)		182,350						182,350	
Certificates of participation (Note 9)	33,750,000	26,075,000			7,945,000			67,770,000	
Unamortized loss on refunding (Note 9)	(3,436,796)		(6,069,986)					(9,506,782)	
Revenue bonds (Note 9)			98,196,676					98,196,676	
Landfill closure and post closure liability (Note 17)				4,037,302				4,037,302	
Compensated absences (Note 1G)	1,187,787	432,130	346,495	179,034		58,173	219	2,203,838	134,494
Total Liabilities	49,747,225	30,241,440	95,968,429	6,190,963	12,543,806	575,188	1,220,811	196,487,862	8,402,093
NET ASSETS									
Invested in capital assets,									
net of related debt	155,364,524	272,909,654	326,622,704	1,916,564	10,198,550	6,620,314	992,611	774,624,921	13,266,721
Restricted for joint venture (Notes 15 and 16)	6,756,181		69,000,546					75,756,727	
Restricted for debt service	2,696,763	2,612,320			690,713			5,999,796	
Restricted for local transportation						7,652,206		7,652,206	
Unrestricted	83,585,795	52,464,982	59,586,571	(445,309)	(2,787,226)		(440,480)	191,964,333	39,779,036
Total Net Assets	$248,403,263	$327,986,956	$455,209,821	$1,471,255	$8,102,037	$14,272,520	$552,131	$1,055,997,983	$53,045,757

See accompanying notes to financial statements

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities-Enterprise Funds								Governmental Activities-
	Electric	Water	Wastewater	Solid Waste	Golf Course	Local Transportation	School-Age Child Care	Totals	Internal Service Funds
OPERATING REVENUES									
Charges for services	$87,718,935	$10,770,611	$14,710,904	$14,375,341	$2,418,796	$513,239	$3,809,936	$134,317,762	$15,915,291
Sale of wholesale power	6,319,700							6,319,700	
Other	348,955	1,033,477	28,984	303,053	17,939	12,965	153	1,745,526	617,936
Total Operating Revenues	94,387,590	11,804,088	14,739,888	14,678,394	2,436,735	526,204	3,810,089	142,382,988	16,533,227
OPERATING EXPENSES									
Purchased power	49,815,601							49,815,601	
Distribution -									
Operations	11,244,013	6,632,675	9,815,724	11,264,510	1,743,986	2,640,519	3,808,267	47,149,694	7,943,843
Administration	2,503,681	2,804,170	384,082	457,198		344,418		6,493,549	
Depreciation and amortization	4,661,903	4,967,401	5,449,999	(121,422)	275,382	784,033	16,049	16,033,345	3,509,354
Claims expense									2,845,013
Total Operating Expenses	68,225,198	14,404,246	15,649,805	11,600,286	2,019,368	3,768,970	3,824,316	119,492,189	14,298,210
Operating Income (Loss)	26,162,392	(2,600,158)	(909,917)	3,078,108	417,367	(3,242,766)	(14,227)	22,890,799	2,235,017
NONOPERATING REVENUES (EXPENSES)									
Interest and rents revenue/expense	364,127	604,571	58,728	15,273	28,104	27,444	(1,754)	1,096,493	219,614
Interest and fiscal charges (expense)	(1,405,088)	(1,344,043)	(2,400,604)	(13,774)	(345,680)			(5,509,189)	
Subventions and grants		15,000				6,503,889	198,543	6,717,432	
Increase (decrease) in NCPA reserves	155,451							155,451	
Increase (decrease) in SPWA reserves			3,086,477					3,086,477	
Other									215,576
Net Nonoperating Revenues (Expenses)	(885,510)	(724,472)	744,601	1,499	(317,576)	6,531,333	196,789	5,546,664	435,190
Income (Loss) Before Contributions and Transfers	25,276,882	(3,324,630)	(165,316)	3,079,607	99,791	3,288,567	182,562	28,437,463	2,670,207
Contributions									9,125
Capital contributions - connection fees		10,992,741	9,514,948					20,507,689	
Contribution in aid of construction	4,594,172				1,100,000			5,694,172	
Capital contributions from developers	6,187,245	3,247,510	8,134,120			20,000		17,588,875	
Capital contributions from SPWA member agencies			5,571,032					5,571,032	
Gain/(Loss) from sale of capital assets			(240,692)			13,358		(227,334)	
Transfers in (Note 4A)	221,999	718,442	4,681			202,308		1,147,430	12,226,825
Transfers (out) (Note 4A)	(8,380,652)	(3,090,864)	(2,840,864)	(1,647,038)	(164,222)	(322,368)	(306,960)	(16,752,968)	(1,012,100)
Special Item (Note 15D)	(7,394,906)							(7,394,906)	
Change in net assets	20,504,740	8,543,199	19,977,909	1,432,569	1,035,569	3,201,865	(124,398)	54,571,453	13,894,057
Total net assets-beginning	227,898,523	144,267,013	435,231,912	38,686	7,066,468	11,070,655	676,529	826,249,786	39,151,700
GASB Statement No. 34 Implementation Adjustment (Note 8B)		175,176,744						175,176,744	
Total net assets-ending	$248,403,263	$327,986,956	$455,209,821	$1,471,255	$8,102,037	$14,272,520	$552,131	$1,055,997,983	$53,045,757

See accompanying notes to financial statements

CITY OF ROSEVILLE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

	Business-type Activities-Enterprise Funds								Governmental Activities-
	Electric	Water	Wastewater	Solid Waste	Golf Course	Local Transportation	School-Age Child Care	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	$95,966,104	$11,036,229	$14,269,449	$14,544,892	$2,408,800	$518,893	$3,855,780	$142,600,147	$15,920,075
Payments to suppliers	(55,164,591)	(5,894,164)	(6,563,936)	(8,584,161)	(1,606,285)	(2,323,114)	(558,695)	(80,694,946)	(5,669,250)
Payments to employees	(7,935,590)	(4,140,270)	(3,527,472)	(2,619,577)	(82,865)	(298,093)	(3,157,039)	(21,760,906)	(2,036,475)
Claims paid									(1,425,013)
Other receipts	348,955	1,033,477	28,984	303,053	17,939	12,965	153	1,745,526	617,936
Net cash provided by operating activities	33,214,878	2,035,272	4,207,025	3,644,207	737,589	(2,089,349)	140,199	41,889,821	7,407,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
(Increase) decrease in due from other funds		(427,326)						(427,326)	158,939
Increase (decrease) in due to other funds				(66,872)	27,000		(26,069)	(65,941)	62,128
(Increase) decrease in advance to other funds									642,328
Increase (decrease) in advances from other funds				(243,128)	(127,000)			(370,128)	
Increase (decrease) in deferred liabilities		94,840						94,840	
Special item	(616,244)							(616,244)	
Transfers in	221,999	718,442	4,681			202,308		1,147,430	12,226,825
Transfers (out)	(8,380,652)	(3,090,864)	(2,840,864)	(1,647,038)	(164,222)	(322,368)	(306,960)	(16,752,968)	(1,012,100)
Cash Flows from Noncapital Financing Activities	(8,774,897)	(2,704,908)	(2,836,183)	(1,957,038)	(264,222)	(120,060)	(333,029)	(16,990,337)	12,078,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Capital contributions	10,781,417	3,247,510			1,100,000	20,000		15,148,927	
Acquisition and construction of capital assets, net	(18,861,291)	(10,670,262)	(217,964)	(236,436)		(2,475,056)		(32,461,009)	(3,045,530)
Proceeds from sale of assets									4,501
Transfer of connection fees to SPWA			(8,172,702)					(8,172,702)	
Change in restricted assets	47,143	6			68,661			115,810	
Proceeds from debt issuance					8,240,000			8,240,000	
Premium on debt issuance					135,442			135,442	
Payment to bond escrow agent					(8,134,500)			(8,134,500)	
Cost of issuance					(323,558)			(323,558)	
Principal payments on capital debt	(5,310,000)	(1,234,338)			(210,000)			(6,754,338)	
Interest paid on capital debt	(1,405,088)	(1,344,043)			(343,112)			(3,092,243)	
Subventions and grants		15,000				6,503,889	198,543	6,717,432	
Grants and subsidies		(20,977)	1,928,444	(2,065)		(3,873,861)	38,231	(1,930,228)	
Connection fees		10,992,741	9,514,948					20,507,689	
Other									211,075
Contributions									9,125
Cash Flows from Capital and Related Financing Activities	(14,747,819)	985,637	3,052,726	(238,501)	532,933	174,972	236,774	(10,003,278)	(2,820,829)
CASH FLOWS FROM INVESTING ACTIVITIES									
Interest and dividends	340,605	517,189	32,144	14,112	13,119	31,656	(2,672)	946,153	87,402
Net increase (decrease) in cash and cash equivalents	10,032,767	833,190	4,455,712	1,462,780	1,019,419	(2,002,781)	41,272	15,842,359	16,751,966
Cash and investments at beginning of period	61,205,381	50,299,199	7,114,808	2,664,352	155,582	5,654,168	278,616	127,372,106	23,429,757
Cash and investments at end of period	$71,238,148	$51,132,389	$11,570,520	$4,127,132	$1,175,001	$3,651,387	$319,888	$143,214,465	$40,181,723
NONCASH TRANSACTIONS:									
Transfer of SPWA capital assets to City			$13,147,797					$13,147,797	
Proceeds from SPWA Revenue Bonds			52,544,900					52,544,900	
Payment to bond escrow agent for SPWA Revenue Bonds			(52,121,073)					(52,121,073)	
Loss on refunding			6,333,890					6,333,890	
Principal retirement of SPWA Revenue Bonds			(2,104,505)					(2,104,505)	
Accrued interest on advance				$13,774				13,774	
Interest on SPWA Revenue Bonds			(2,810,172)					(2,810,172)	
Transfers of capital assets, net			8,134,120					8,134,120	
GASB 34 Implementation Adjustments		175,176,744						175,176,744	
Loss on retirement of capital assets			(240,692)					(240,692)	
Reconciliation of operating income (loss) to net cash provided by operating activities:									
Operating income (loss)	$26,162,392	($2,600,158)	($909,917)	3,078,108	$417,367	($3,242,766)	(14,227)	22,890,799	$2,235,017
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation and amortization	4,661,903	4,967,401	5,449,999	(121,422)	275,382	784,033	16,049	16,033,345	3,509,354
Change in assets and liabilities:									
Receivables, net	2,815,412	261,300	(447,509)	169,551	(14,333)	5,654	2,151	2,792,226	(14,012)
Inventories	214,929	(134,145)	1,262	1,853				83,899	
Prepaids	589,199					6,028		595,227	
Accounts and other payables	(221,939)	(459,126)	113,190	516,117	59,173	357,702	94,954	460,071	1,676,914
Deferred revenue	(1,007,018)						41,272	(965,746)	
Net cash provided by operating activities	$33,214,878	$2,035,272	$4,207,025	$3,644,207	$737,589	($2,089,349)	$140,199	$41,889,821	$7,407,273

See accompanying notes to financial statements

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FIDUCIARY FUNDS

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FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary funds are presented separately from the Government-wide and Fund financial statements.

Endowment Private-Purpose Trust funds are used to account for trust arrangements under which principal and income benefit private organizations.

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the City-wide financial statements, but are presented in separate Fiduciary Fund financial statements.

CITY OF ROSEVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Endowment Private-purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments in Treasury (Note 3)	$1,469,099	$166,706,681
Restricted cash and investments with fiscal agents (Note 3)		60,112,792
Accounts receivable		139,713
Accrued interest receivable	8,680	901,743
Due from other government agencies		1,106,042
Deferred receivables (Note 6)		900
Total Assets	1,477,779	$228,967,871
LIABILITIES		
Accounts payable	39	$4,913,695
Accrued liabilities		186,789
Due to other government agencies		13,014
Due to member agencies		179,970,376
Due to bondholders		43,806,482
Due to others		77,515
Total Liabilities	39	$228,967,871
NET ASSETS		
Held in trust for private purpose	$1,477,740	

See accompanying notes to financial statements

CITY OF ROSEVILLE
ENDOWMENT PRIVATE-PURPOSE TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

ADDITIONS	
Contributions from developers	$250,591
Investment income	5,240
Miscellaneous revenues	33,454
Total additions	289,285
DEDUCTIONS	
Payments in accordance with trust agreements	47,948
Change in net assets	241,337
Net assets - beginning	1,236,403
Net assets - end	$1,477,740

See accompanying notes to financial statements

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NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Roseville was incorporated on April 10, 1909 under provisions of Act 279, P.A. 1909, as amended (Home Rule City). The City operates under the Council Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, water, solid waste, electric, local transportation, school-age child care, golf course, parks recreation, public improvements, planning and zoning, library, general administration services, redevelopment and housing.

The financial statements and accounting policies of the City conform with generally accepted accounting principles in the United States of America applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies are summarized below:

A. Reporting Entity

The accompanying basic financial statements present the financial activity of the City, which is the primary government presented, along with the financial activities of its component units, which are entities for which the City is financially accountable. Although they are separate legal entities, blended component units are in substance part of the City's operations and are reported as an integral part of the City's financial statements. This City's component units which are described below are all blended.

The **Redevelopment Agency of the City of Roseville** is a separate government entity whose purpose is to prepare and implement plans for improvement, rehabilitation, and development of certain areas within the City. The Agency is controlled by the City and has the same governing board as the City, which also performs all accounting and administrative functions for the Agency. The financial activities of the Agency have been included in these financial statements in the Redevelopment Agency of the City of Roseville Special Revenue Fund.

The **Roseville Finance Authority** is a separate government entity whose purpose is to assist with the financing or refinancing of certain public capital facilities within the City. The Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Roseville Finance Authority Debt Service Fund and Capital Projects Fund.

The **City of Roseville Housing Authority** is a separate government entity whose purpose is to assist with the housing for the City's low and moderate income residents. The Authority is controlled by the City and has the same governing body as the City, which also performs all accounting and administrative functions for the Authority. The financial activities of the Authority are included in the Housing Authority Section 8 Special Revenue Fund.

Financial statements for the Redevelopment Agency may be obtained from the City of Roseville at 311 Vernon Street, Roseville, California, 95678. Separate financial statements for the Roseville Finance Authority and Roseville Housing Authority are not issued.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The California Joint Powers Risk Management Authority, the Local Agency Workers' Compensation Excess Joint Powers Authority, the Roseville-Placer County Civic Center Improvement Authority, the Highway 65 Joint Powers Authority, the Disaster Recovery Joint Powers Authority, and the South Placer Wastewater Authority are not included in the accompanying basic financial statements because they do not meet the above financial accountability criteria as these entities are administered by governing boards separate from and wholly independent of the City.

B. ***Basis of Presentation***

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government, the City and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category—*governmental, proprietary*, and *fiduciary*—are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. ***Major Funds***

Major funds are defined as funds that have either assets, liabilities, revenues or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The General Fund is always a major fund. The City may also select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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

Redevelopment Agency - The Redevelopment Agency Fund accounts for all activities of the Agency, including 1) tax increment allocations set aside for the purpose of increasing or improving housing for low-income residents; 2) the accumulation of property taxes for payment of interest and principal on the Redevelopment Agency tax allocation bonds issued in 2003; 3) capital projects connected with downtown redevelopment funded by property tax increment revenues.

Community Facilities District Projects Fund - This fund is used to account for specific public improvements such as streets, sewers, storm drains, sidewalks or other amenities funded by special assessments against benefited properties.

The City reported all its enterprise funds as major funds in the accompanying financial statements:

Electric Fund - This fund accounts for all financial transactions relating to the City's Electric service. Services are on a user charge basis to residents and business owners located in Roseville.

Water Fund - This fund accounts for all financial transactions relating to the City's Water service. Services are on a user charge basis to residents and business owners located in Roseville.

Wastewater Fund - This fund accounts for all financial transactions relating to the City's Wastewater Collection and Treatment. Services are on a user charge basis to residents and business owners located in Roseville.

Solid Waste Fund - This fund accounts for all financial transactions relating to the City's Solid Waste service. Services are on a user charge basis to residents and business owners located in Roseville.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Golf Course Fund – This fund accounts for all financial transactions associated relating to the development, operation and maintenance of the City's public golf courses.

Local Transportation Fund – This fund accounts for the activities associated with the operations and maintenance of the City's public transit activities and has particular emphasis on serving the elderly and the handicapped.

School-age Child Care Fund – This fund accounts for the receipt of parent fees and State grants used to finance child development programs.

The City also reports the following fund types:

Internal Service Funds. The funds account for automotive services, automotive replacement, worker's compensation, general liability, unemployment reserve, vision, dental, section 125, post retirement, and central stores; all of which are provided to other departments on a cost-reimbursement basis.

Fiduciary Funds. The Endowment Private-Purpose Trust Fund and the Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, and other governments. The financial activities of these funds are excluded from the government-wide financial statement, but are presented in separate Fiduciary Fund financial statements.

D. Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred,* regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when *measurable* and *available*. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, sales and franchise taxes, certain other intergovernmental revenues, certain charges for services and interest revenue. Fines, licenses and permits, and charges for services are not susceptible to accrual because they are not measurable until received in cash.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City may fund programs with a combination of cost-reimbursement grants, categorical block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

The City follows Statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

E. Revenue Recognition For Electric, Water, Sewer, and Garbage Funds

Revenues are recognized based on cycle billings rendered to customers. All residential and commercial utility customers are billed once per month. There are twenty billing cycles per month which include all types of customers, based on their location within the City. Revenues for services provided but not billed at the end of a fiscal year are accrued.

Contributions of cash or assets to proprietary funds from state and federal agencies, developers and others are recorded as revenue.

F. Property Tax

Placer County assesses properties and it bills, collects, and distributes property taxes to the City. The County remits the entire amount levied and handles all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on July 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1, and becomes delinquent on August 31. Collection of delinquent accounts is the responsibility of the county, which retains all penalties.

The term "unsecured" refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the property being taxed. Property tax revenues are recognized by the City in the fiscal year they are assessed, provided they become available as defined above.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. *Compensated Absences*

Compensated absences comprise unused vacation leave, vested sick pay and certain compensated time off, which are accrued as earned. The City's liability for compensated absences is recorded in various Governmental funds or Proprietary funds as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be paid out of current financial resources are recorded as fund liabilities; the long term portion is recorded in the Statement of Net Assets.

The changes of the compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$9,045,755	$4,203,853	$13,249,608
Additions	3,956,730	2,322,420	6,279,150
Payments	(3,363,222)	(1,937,311)	(5,300,533)
Ending Balance	$9,639,263	$4,588,962	$14,228,225
Current Portion	$4,677,101	$2,385,124	$7,062,225

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences is liquidated primarily by the General Fund and the Redevelopment Agency of the City of Roseville Special Revenue Fund.

H. *Postemployment Heath Care Benefits*

The City provides health care benefits for 277 retired employees and spouses based on negotiated employee bargaining unit contracts. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement age and have a minimum five years of service while working for the City. The cost of retiree health care benefits is recognized as an expenditure as health care premiums are paid. For the year ending June 30, 2004, those costs totaled $1,477,872.

I. *Inventories*

Inventories are valued at cost, using the weighted-average method. Inventories of the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure in the General Fund at the time individual inventory items are consumed. Reported General Fund inventories are equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources even though they are a component of net current assets. Inventories of the Enterprise Funds consist primarily of merchandise held for internal consumption.

J. *New Fund*

The South Placer County Safe Kids Coalition Agency Fund was established in fiscal year 2004.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

A. *Budgeting Procedures*

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a minute order and ordinance.
4. The City Manager or designee is authorized to apply prudent monitoring procedures to assure that actual expenditures/expenses of the City do not exceed the appropriations by department of the major summary categories (salaries and benefits, operating services and supplies, capital outlay, and capital improvement projects) in conformance with the adopted policies set by the City Council. Additional appropriations or interfund transfers not included in the original budget ordinance require approval by the City Council.
5. Expenditures may not legally exceed budgeted appropriations at the department level by major summary category.
6. Formal budgetary integration is employed as a management control device during the year.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. Budgets are adopted for all governmental funds except for Roseville Finance Authority Capital Projects Fund, all Permanent Funds and the following Special Revenue Funds:

   i. Construction Surcharge
   ii. FEMA
   iii. Trench Cut Recovery
   iv. Affordable Housing
   v. Park and Recreation Donation
   vi. Forfeited Property
   vii. Storm Water Management

B. *Encumbrances*

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities and are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (Continued)

C. *Excess of Expenditures or Expenses over Appropriations*

The departments below incurred expenditures in excess of their budgets in the amounts below. Sufficient resources were available within each department to finance their excesses.

Department	Amount
City Manager	
Salaries and Benefits	$31,791
Operating Services & Supplies	204,618
City Attorney	
Salaries and Benefits	21,728
Administrative Services	
Salaries and Benefits	33,656
Operating Services & Supplies	800,254
Housing & Redevelopment	
Debt Service	318,950
Public Works	
Capital Outlay	97
Debt Service	
Other Expenditures	135,408
Non-departmental	
Capital Improvement Projects	6,339,159

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NOTE 3 - CASH AND INVESTMENTS

The City pools cash from all sources and all funds, except certain specific investments within funds and cash with fiscal agents, so that it can be invested at the maximum yield, consistent with safety and liquidity, while individual funds can make expenditures at any time.

A. *Categorization of Credit Risk of Securities Instruments*

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable pieces of paper called *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. Individual investments are generally made by the City's fiscal agents as required under its debt issues. In order to maximize security, the City employs the Trust Department of a bank as the custodian of all City managed investments, regardless of their form.

NOTE 3 - CASH AND INVESTMENTS (Continued)

The City categorizes its individual securities instruments in ascending order to reflect the relative risk of loss of these instruments. This risk is called Credit Risk, the lower the number, the lower the risk. The three levels of risk prescribed by generally accepted accounting principles are described below:

Category 1 - Securities instruments in this category are in the City's name and are in the possession of the Trust Department of the bank employed by the City solely for this purpose. The City is the registered owner of securities held in book entry form by the bank's Trust Department.

Category 2 - Securities instruments and book entry form securities in this category are in the bank's name but are held by its Trust Department in a separate account in the City's name.

Category 3 - None of the City's investments are in this category, which would include only City-owned securities instruments or book entry form securities which were not in the City's name or which were not held by the bank's Trust Department.

Pooled Investments - Pooled investments are not categorized because of their pooled, rather than individual, nature.

Investments are carried at fair value and are categorized as follows at June 30, 2004:

Category 2 Investments:	
U.S. Government Securities	$389,945,552
Commercial Paper	22,649,350
Corporate Notes	4,915,505
Forward Delivery Agreement	58,867,959
Pooled Investments (non Categorized):	
Guaranteed Investment Contracts	6,666,345
Mutual Funds and Money Market Funds (U.S. Securities)	24,554,713
State of California Local Agency Investment Fund	59,934,007
California Arbitrage Management Program	38,937,225
Total Investments	606,470,656
Cash Deposits with Banks	10,282,191
Total Cash and Investments	$616,752,847

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of City debt instruments or agency agreements.

Cash and investments in City Treasury	$354,453,021
Restricted cash and investments with fiscal agent	34,011,254
Total City cash and investments	388,464,275
Cash and investments in Fiduciary Funds (Separate statement)	228,288,572
Total Cash and Investments	$616,752,847

Cash and investments are used in preparing Proprietary Fund statements of cash flows because these assets are highly liquid and are expended to liquidate liabilities arising during the year.

C. Cash Deposits

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law this collateral is held in the City's name and places the City ahead of general creditors of the institution. The City has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

The carrying amount of the City's cash deposits was a balance of $10,282,191 at June 30, 2004. Bank balances before reconciling items were $24,257,145 of which $291,786 was insured (Category 1), and $23,965,359 was collateralized as discussed above (Category 2) at June 30, 2004.

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Authorized Investments

The City's investment policy and the California Government Code allow the City to invest in the following:

City of Roseville Bonds
Securities of the U. S. Government or its agencies
Forward Delivery Agreements
Obligations of the State of California
Repurchase Agreements
Banker's Acceptances
Commercial Paper
Medium Term Corporate Notes
Certificates of Deposit
Negotiable Certificates of Deposit
California Local Agency Investment Fund
Insured Savings Accounts
Money Market and Mutual Funds
Shares in a California Common Law Trust
Interest Rate Swaps

The City does not enter into reverse repurchase agreements. Trustees under bond indentures may also invest in guaranteed investment contracts.

The City's investments are carried at fair value instead of cost, as required by generally accepted accounting principles. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. At June 30, 2004 the fair value was $97,000 less than the City's cost. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations.

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NOTE 4 - INTERFUND TRANSACTIONS

A. *Transfers Among Funds*

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund which has made an expenditure on behalf of another fund.

Transfers between funds during the fiscal year ended June 30, 2004 were as follows:

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	
General Fund	Redevelopment Agency of the City of Roseville	$77,120	(A)
	Non-Major Governmental Funds	3,034,971	(B)
	Electric Enterprise Fund	8,139,154	(C)
	Water Enterprise Fund	2,296,335	(D)
	Wastewater Enterprise Fund	1,708,603	(D)
	Solid Waste Enterprise Fund	1,123,715	(D)
	Golf Course Enterprise Fund	164,222	(D)
	Local Transportation Enterprise Fund	291,230	(D)
	School-Age Child Care Enterprise Fund	306,960	(D)
	Internal Service Funds	1,012,100	(E)
Non-Major Governmental Funds	General Fund	8,067,280	(F)
	Redevelopment Agency of the City of Roseville	25,448	(A)
	Non-Major Governmental Funds	333,250	(F)
	Electric Enterprise Fund	22,120	(E)
	Water Enterprise Fund	674,610	(E)
	Wastewater Enterprise Fund	613,692	(E)
	Solid Waste Enterprise Fund	12,800	(E)
	Local Transportation Enterprise Fund	31,138	(E)
Electric Enterprise Fund	Non-Major Governmental Funds	17,806	(G)
	Water Enterprise Fund	68,064	(E)
	Wastewater Enterprise Fund	64,971	(E)
	Solid Waste Enterprise Fund	71,158	(E)
Water Enterprise Fund	Wastewater Enterprise Fund	448,781	(E)
	Solid Waste Enterprise Fund	269,661	(E)
Wastewater Enterprise Fund	General Fund	4,681	(G)
Local Transportation Enterprise Fund	Community Facilities District Projects Capital Projects Fund	202,308	(E)
Internal Service Funds	General Fund	11,196,937	(G)
	Non-Major Governmental Funds	584,134	(E)
	Electric Enterprise Fund	219,378	(E)
	Water Enterprise Fund	51,855	(E)
	Wastewater Enterprise Fund	4,817	(E)
	Solid Waste Enterprise Fund	169,704	(E)
Total Interfund Transfers		$41,309,003	

(A) To reimburse flood construction expenses.
(B) To fund street projects and to fund FEMA assisted flood projects.
(C) To transfer in lieu franchise fees and fund indirect costs.
(D) To pay for indirect costs.
(E) Recurring transfers.
(F) To fund various projects in the capital funds and pay debt service.
(G) Transfer to fund operations.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

B. *Current Interfund Balances*

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2004 interfund balances comprised the following:

Due From Other Funds	Due To Other Funds	Amount
General Fund	Redevelopment Agency of the City of Roseville Special Revenue Fund	$490,300
	Traffic Safety Special Revenue Fund	120,751
	Park Development Capital Projects Fund	120,000
Special Revenue Fund:		
Affordable Housing	Redevelopment Agency of the City of Roseville Special Revenue Fund	50,000
Enterprise Fund:		
Water	School-Age Child Care Enterprise Fund	190,059
	Automotive Services Enterprise Fund	453,395
Internal Service Fund:		
Automotive Replacement	Redevelopment Agency of the City of Roseville	59,700
	Traffic Mitigation Special Revenue Fund	212,500
	Golf Course Enterprise Fund	127,000
	Solid Waste Enterprise Fund	243,128
		$2,066,833

C. *Long-Term Interfund Advances*

At June 30, 2004 the funds below had made advances which were not expected to be repaid within the next year.

Fund Receiving Advance	Fund Making Advance	Amount of Advance
Special Revenue Funds:		
Redevelopment Agency of the City of Roseville	General Fund	$8,695,536
	Gas Tax Special Revenue Fund	3,900,000
	Affordable Housing Special Revenue Fund	300,000
	Automotive Replacement Internal Service Fund	829,201
Traffic Mitigation	Automotive Replacement Internal Service Fund	637,500
Park Development	General Fund	4,240,000
Enterprise Funds:		
Golf Course	Automotive Replacement Internal Service Fund	3,893,000
School-Age Child Care	Automotive Replacement Internal Service Fund	300,000
		$22,795,237

Redevelopment Agency advance consists of three advances. Advances in the amount of $2,076,789 will be repaid in fiscal year 2009. Advances in the amount of $7,747,948 will be repaid in fiscal year 2029. The advances bear interest at the average interest rate of the City's pooled investments. Advances in the amount of $3,900,000 bear no interest and will be repaid in fiscal year 2029.

NOTE 4 - INTERFUND TRANSACTIONS (Continued)

Traffic Mitigation advance bears interest at the average interest rate of the City's pooled investments. Principal to be repaid over four years, interest at the end of repayment schedule. The first annual principal repayment will be paid in fiscal year 2005.

Park Development advance consists of two advances. The $600,000 advance will be repaid over a period of five years. Payments for the $600,000 advance began in 2002. The $4,000,000 advance will begin interest only payments in fiscal year 2004 and full repayment by fiscal year 2010. Both advances bear interest at the average interest rate of the City's pooled investments.

Golf Course advance bears interest from 3.5-4.0%. It will be repaid over a period of 27 years and will be repaid in 2029.

School-Age Child Care advance will be repaid over five years beginning in fiscal year 2007. This advance bears interest at the average interest rate of the City's pooled investments and interest is to be paid at the end of the loan.

D. Internal Balances

Internal balances are presented in the City-wide financial statements only. They represent the net interfund receivables and payables remaining after the elimination of all such balances within governmental and business-type activities.

NOTE 5 - NOTES RECEIVABLE

The City and Agency engage in programs designed to encourage business enterprises, construction or improvement in low-to-moderate income housing, or other projects. Under these programs, grants or loans are provided with favorable terms to businesses, home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these notes are expected to be repaid in full, their balance has been offset in the fund financial statements by deferred revenue or a reservation of fund balance as they are not expected to be repaid during fiscal year 2004. These notes receivable comprised the following at June 30, 2004:

Notes	$379,107
Employee Notes	106,728
Housing Rehabilitation and Affordable Housing Notes	4,312,142
First Time Home-Buyer Notes	2,651,522
Housing Elevation Notes	33,978
Total	$7,483,477

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NOTE 5 - NOTES RECEIVABLE (Continued)

A. Notes Receivable

The City has provided loans to various homeowners and businesses for rehabilitation due to flood damage. The maximum loan amount is $5,000 carrying various interest rates and payment dates. Although these notes are expected to be repaid in full, their balance has been offset by a reservation of fund balance. The balance of these notes receivable at June 30, 2004 was $24,253.

In fiscal year 2000, the City sold an air compressor to Western Placer County JPA. The City will receive ten annual payments of $4,518 toward the purchase of this equipment. At June 30, 2004 the balance due was $27,110.

In fiscal year 1989, the City made a loan to a property owner in the amount of $7,719, secured by a first deed of trust. The note does not bear interest and payment is deferred until July 2, 2007 unless the property is transferred or sold. The balance of this note has been offset by a reservation of fund balance.

The Agency engages in a commercial rehabilitation program designed to aid small business owners in renovating and rehabilitating commercial property in need of repair. These notes will be forgiven at the end of the Owner Participation Agreement term, which is five to fifteen years, if the property has not been sold. If the property is sold prior to the completion of the agreement term, a proportionate amount of the note will be forgiven. The notes are secured by a deed of trust on the property. At June 30, 2004, $320,025 in notes had been issued to sixteen property owners.

B. Employee Notes Receivable

All full-time and part-time City employees who have completed their probationary period are eligible to obtain an interest free loan of up to $2,500 to purchase a computer. All requests for loans are subject to review by the Information Technology Department and must be approved by the Human Resources Director. Repayment of these loans is handled through payroll deductions which are spread out equally over a two year period. Employees must pay off any outstanding balance on their loans upon ending employment with the City. As of June 30, 2004, 95 employees had $106,728 in notes due to the City.

C. Housing Rehabilitation and Affordable Housing Notes Receivable

The City engages in programs designed to encourage construction or improvement in low-to-moderate income housing or other projects. Under these programs, grants or loans are provided under favorable terms to home-owners or developers who agree to spend these funds in accordance with the City's terms. Although these loans and notes are expected to be repaid in full, their balance has been offset with the liability, Due to Other Governments, as they are not expected to be repaid during fiscal year 2005 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from these programs at June 30, 2004 was $4,312,142.

NOTE 5 - NOTES RECEIVABLE (Continued)

D. First Time Home-Buyer Notes Receivable

The City and the Agency engage in a first time home-buyer program designed to encourage home ownership among low income persons. Under this program, grants or loans are provided at no interest and are due upon sale or transfer of the property. These loans have been offset by due to other governments and deferred revenue as they are not expected to be repaid during fiscal year 2005 and any repayments will be used to reduce future grant draw-downs by the City. The balance of the notes receivable arising from this program at June 30, 2004 was $2,651,522.

E. Housing Elevation Notes Receivable

In fiscal 1997, the Federal Emergency Management Agency (FEMA) approved Hazard Mitigation Grant Program funds to be used for residential home elevation projects in the City at a maximum of $33,934 per household, with the total federal share not to exceed $1,493,096. The City provides matching funds to each eligible household at a maximum of $5,000 in the form of a zero percent, deferred loan payable upon sale, change of title or change of use (See A. above). As of June 30, 2004, eleven loans funded through the FEMA Hazard Mitigation Grant Program were outstanding with a total balance of $33,978.

NOTE 6 - DEFERRED RECEIVABLES

The City has entered into a number of agreements with developers to defer permit fees for various projects within the City. The terms of these agreements call for various interest rates and payment dates. Although these fees are expected to be repaid in full, their balance has been offset by deferred revenue in governmental funds, as they are not expected to be repaid early enough to be treated as a current asset. The long-term portion of these receivables at June 30, 2004 was $5,522,086, which has been classified as deferred receivables, and the short-term portion of these receivables, which totaled $49,224 at June 30, 2004 is included in accounts receivable.

NOTE 7 – DEVELOPMENT AGREEMENTS

The City may enter into development agreements in an effort to provide incentives to develop new businesses and new tax revenues. The substance of these agreements is that developers will be paid a portion of future sales tax or traffic mitigation fee revenues produced by their developments. These payments are conditioned on the generation of sales tax revenues or traffic mitigation fee revenues by these developments and the City is not required to use any other resources to pay these amounts.

A. Galleria at Roseville

In fiscal 2001, the City agreed to share a portion of future sales tax revenues generated from the Galleria at Roseville regional mall. The Developer agreed to construct the mall, along with water and storm sewer mains, a bike trail, pedestrian walks, landscaping, parking areas and infrastructure improvements to surrounding streets. The mall opened for business in August 2000 and the term of the sales tax sharing agreement commenced on that date. The remaining portion of sales tax revenues to be returned approximated $22 million at June 30, 2004. The agreement terminates in 2017, regardless of whether this amount has been returned; after that date all future sales tax revenues remain with the City. During fiscal year 2004 payments made to the developer under the agreement totaled $2,607,608.

B. Elliot Homes Inc. / Stoneridge Development

In fiscal 2003, the City agreed to reimburse a portion of traffic mitigation fees generated from the Elliot Homes Inc. Stoneridge development. The Developer agreed to construct improvements to Roseville Parkway that were in excess of the normal frontage improvements required by the City. The improvements were completed in May 2001 at a cost of $10.1 million with the agreement commencing on that date. Although the City must remit quarterly payments to the developer from traffic mitigation fees collected, the City may elect to pay the developer, regardless of whether any fees had been collected. The agreement terminates when reimbursement is complete; after that date all future traffic mitigation fees remain with the City. During fiscal year 2004, the City made no payments to the developer under the agreement. The remaining portion of traffic mitigation fees to be reimbursed was $2,295,495, which has been accrued in the Entity-wide financial statements.

C. Civic Plaza Project

In fiscal 2004, the Agency agreed to sell four parcels of land to Vernon Street Associates, LLC for $150,000, related to the Developer's construction of an office complex and public parking garage. Two of the parcels are owned by the City and will be conveyed to the Agency prior to the sale to the Developer. The office complex will be built on the land sold to the Developer and will be funded by the Developer. The developer has agreed to construct the parking garage for the Agency and the construction will be funded by $6,326,840 of bond proceeds from the Agency's 2002 Tax Allocation Bonds and a $360,000 contribution from the Developer. In addition, the Developer has agreed to contribute $20,000 annually, plus an inflationary escalator beginning in 2010, towards the maintenance and operation costs of the parking garage. Construction is expected to commence in fiscal 2005.

NOTE 8 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed. The City has recorded all its public domain (infrastructure) capital assets, which include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

Capital assets with limited useful lives are depreciated over their estimated useful lives. Alternatively, the "modified approach" is used for certain capital assets. Depreciation is not provided under this approach, but all expenditures on these assets are expensed, unless they are additions or improvements.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives and capitalization thresholds listed below to capital assets:

	Useful lives	Capitalization Thresholds
Buildings	20-40 years	$10,000
Improvements	40 years	10,000
Machinery and Equipment	3-12 years	5,000
Bike Paths	20 years	10,000
Bridges	90 years	10,000
Culverts	75 years	10,000
Curb, Gutter, Sidewalks & Median Curbs	20 years	10,000
Drain Inlets	50 years	10,000
Flood Control Improvements	75 years	10,000
Soundwall	35 years	10,000
Stormdrains	75 years	10,000
Traffic Signals	20 years	10,000
Plants and Substations		
Electric	10-120 years	10,000
Sewer	15-60 years	10,000
Water	15-75 years	10,000
Electric Improvements:		
Electric	7-100 years	10,000
Sewer	75 years	10,000
Water	75 years	10,000

NOTE 8 - CAPITAL ASSETS (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

A. *Capital Asset Additions and Retirements*

Capital assets at June 30 comprise:

	Balance at June 30, 2003	Additions	Retirements	Transfers	Balance at June 30, 2004
Governmental activities					
Capital assets not being depreciated:					
Land	$11,554,955	$542,652			$12,097,607
Streets (modified)	148,647,922	4,044,484		$864,271	153,556,677
Parks (modified)	46,007,703	2,576,988		3,622,365	52,207,056
Landscaping (modified)	21,670,782	1,818,651		282,217	23,771,650
Construction in progress	24,282,316	29,704,833		(12,424,755)	41,562,394
Total capital assets not being depreciated	252,163,678	38,687,608		(7,655,902)	283,195,384
Capital assets being depreciated:					
Buildings	75,275,848	64,520		5,764,667	81,105,035
Improvements	2,435,237	755,830		916,808	4,107,875
Equipment	42,009,040	4,597,868	($2,329,868)		44,277,040
Bike paths	6,573,849	31,128			6,604,977
Bridges	45,570,000				45,570,000
Culverts	18,818,695	44,148			18,862,843
Curb, gutter, sidewalk, & median curbs	110,485,590	3,430,482		521,815	114,437,887
Drain inlets	18,050,589	12,840		12,176	18,075,605
Flood control improvements	13,777,425	1,674,864		20,579	15,472,868
Soundwall	14,815,777	515,445		203,155	15,534,377
Stormdrains	43,444,237	2,027,703		7,351	45,479,291
Traffic signals	17,555,084	316,504		209,351	18,080,939
Total capital assets being depreciated	408,811,371	13,471,332	(2,329,868)	7,655,902	427,608,737
Less accumulated depreciation for:					
Buildings	(23,832,023)	(1,922,130)			(25,754,153)
Improvements	(615,403)	(80,504)			(695,907)
Equipment	(25,773,405)	(4,576,462)	2,322,733		(28,027,134)
Bike paths	(3,142,608)	226,314			(2,916,294)
Bridges	(3,825,166)	(506,334)			(4,331,500)
Culverts	(2,650,728)	(251,210)			(2,901,938)
Curb, gutter, sidewalk, & median curbs	(55,998,091)	(4,671,193)			(60,669,284)
Drain inlets	(4,249,492)	(361,262)			(4,610,754)
Flood control improvements	(648,249)	(216,402)			(864,651)
Soundwall	(2,424,734)	(433,574)			(2,858,308)
Stormdrains	(6,136,523)	(592,824)			(6,729,347)
Traffic signals	(8,015,543)	(787,585)			(8,803,128)
Total accumulated depreciation	(137,311,965)	(14,173,166)	2,322,733		(149,162,398)
Net capital assets being depreciated	271,499,406	(701,834)	(7,135)	7,655,902	278,446,339
Governmental activity capital assets, net	$523,663,084	$37,985,774	($7,135)		$561,641,723

NOTE 8 - CAPITAL ASSETS (Continued)

	Balance at June 30, 2003	GASB 34 Implementation Adjustments	Additions	Retirements	Transfers	Balance at June 30, 2004
Business-type activities						
Capital assets, not being depreciated:						
Land	$13,752,110					$13,752,110
Landscaping	550,000					550,000
Construction in progress	141,570,058		$23,167,940	($894,653)	($6,011,241)	157,832,104
Total capital assets not being depreciated	155,872,168		23,167,940	(894,653)	(6,011,241)	172,134,214
Capital assets, being depreciated:						
Buildings	14,150,372	($3,567,178)	19,698			10,602,892
Improvements	126,131,861	(115,503,410)	81,842			10,710,293
Machinery and Equipment	10,793,907		2,296,656	(879,317)		12,211,246
Bike Paths			668,033		396,134	1,064,167
Drain Inlets			18,500			18,500
Storm Drains			30,863			30,863
Plant and Substations	97,352,707	35,461,694	947,991		3,901,045	137,663,437
Distribution	452,178,286	279,885,174	26,543,432	(128,016)	1,714,062	760,192,938
Total capital assets being depreciated	700,607,133	196,276,280	30,607,015	(1,007,333)	6,011,241	932,494,336
Less accumulated depreciation for:						
Buildings	(4,734,835)	2,077,316	(267,999)			(2,925,518)
Improvements	(21,985,353)	19,501,514	37,940			(2,445,899)
Machinery and Equipment	(4,973,722)		(1,038,165)	852,558		(5,159,329)
Bike Paths			(26,604)			(26,604)
Drain Inlets			(185)			(185)
Storm Drains			(206)			(206)
Plant and Substations	(27,933,367)	(6,959,028)	(3,043,665)			(37,936,060)
Distribution	(60,236,306)	(35,719,338)	(10,931,685)	30,540		(106,856,789)
Total accumulated depreciation	(119,863,583)	(21,099,536)	(15,270,569)	883,098		(155,350,590)
Net capital assets being depreciated	580,743,550	175,176,744	15,336,446	(124,235)	6,011,241	777,143,746
Business-type activity capital assets, net	$736,615,718	$175,176,744	$38,504,386	($1,018,888)		$949,277,960

B. GASB 34 Implementation

During the fiscal year ended June 30, 2004 the City completed a capital asset valuation study to comply with the requirements of GASB 34. The goal of the study was to provide a valuation of assets used in the City's business-type activities. In addition, the City changed the categorization of certain assets to align them with the activities where they are being used. The results of this study and recategorizations were included in the City's financial reports for the fiscal year ended June 30, 2004, and resulted in accounting adjustments in governmental and business-type activities. The results of these accounting adjustments are reported as GASB 34 Implementation Adjustments at June 30, 2004.

NOTE 8 - CAPITAL ASSETS (Continued)

C. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program are as follows:

Governmental Activities	
General government	$966,358
Community development and planning	131,783
Public works	7,880,764
Police	802,055
Fire	378,724
Library	103,382
Parks and recreation	400,746
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	3,509,354
Total Governmental Activities	$14,173,166
Business-Type Activities	
Electric	$4,144,298
Water	4,925,078
Wastewater	5,185,674
Solid Waste	111,455
Golf Course	103,982
Land Transportation	784,033
School-age Child Care	16,049
Total Business-Type Activities	$15,270,569

D. Streets, Parks and Landscaping Covered By The Modified Approach

The City has elected to use the modified approach discussed above with respect to its roads, most of which are relatively new. The City's policy based on current funding is to maintain the arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5, instead of providing depreciation. During fiscal 2004 the City expended $2,925,909 to preserve its roads. The City estimates that it will be required to expend approximately $6,499,729 in fiscal 2005 to maintain its roads at this condition level.

The City has also elected to use the modified approach with respect to its parks and landscaping, most of which are relatively new. The City's policy based on current funding is to maintain the parks and landscape at an average Ground Management Index (GMI) of Level 2, instead of providing depreciation. During fiscal 2004 the City expended $3,648,683 to preserve its parks and landscaping. The City estimates that it will be required to expend approximately $4,224,025 in fiscal 2005 to maintain its parks at this condition level.

NOTE 9 - LONG-TERM DEBT

The City generally incurs long-term debt to finance projects or purchase assets, which will have useful lives equal to or greater than the related debt.

A. *Current Year Transactions and Balances*

	Original Issue Amount	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004	Current Portion
Governmental Activity Debt:						
Certificates of Participation:						
1993 Public Facilities Bond, 2.8%-5.1%, due 8/1/20	$23,970,000	$18,755,000		$18,755,000		
2003A Public Facilities Refunding Bond, 2.0%-5.0%, due 8/1/25	18,275,000		$18,275,000		$18,275,000	$565,000
Total Certificates of Participation	42,245,000	18,755,000	18,275,000	18,755,000	18,275,000	565,000
Tax Allocation Bonds						
2002 Roseville Redevelopment Project 3%-5.14%, due 9/1/33	14,500,000	14,500,000		320,000	14,180,000	220,000
Installment Purchase Obligations:						
Equipment	1,111,949	467,807		145,368	322,439	135,194
Motorola Radio Equipment, 5.6%, due 8/1/04	1,955,734	609,993		296,689	313,304	313,304
Total Installment Purchase Obligations	3,067,683	1,077,800		442,057	635,743	448,498
Other Long Term Obligations:						
Foothill Blvd. Extension, due 4/1/07	114,423	11,716		2,633	9,083	2,833
Total Governmental Activity Debt:	$59,927,106	$34,344,516	$18,275,000	$19,519,690	$33,099,826	$1,236,331
Business-type Activity Debt:						
Certificates of Participation:						
1997 Electric System Revenue, 3.6%-5.25%, due 2/1/17	$11,880,000	$1,215,000		$285,000	$930,000	$295,000
1999 Electric System Revenue, 4.0%-5.5%, due 2/1/24	21,630,000	3,075,000		460,000	2,615,000	480,000
2002 Electric System Revenue, variable rate, due 2/1/24	40,385,000	40,265,000		4,565,000	35,700,000	4,720,000
Less deferred amount on refunding	(3,780,476)	(3,780,476)		(343,680)	(3,436,796)	
1993 Golf Course Project, 4.6%-6.0%, due 8/1/23	9,325,000	8,185,000		8,185,000		
2003B Golf Course Refunding Bond, 2.0%-5.0%, due 8/1/23	8,240,000		$8,240,000		8,240,000	295,000
1997 Water Utility Revenue, 3.9%-5.2%, due 12/1/18	33,000,000	28,575,000		1,225,000	27,350,000	1,275,000
Total Certificates of Participation	120,679,524	77,534,524	8,240,000	14,376,320	71,398,204	7,065,000
Revenue Bonds:						
2000 Wastewater Revenue Bonds, Series A, 3.8%-5.5%, due 11/1/27	59,465,118	57,236,022		47,024,975	10,211,047	1,286,538
2000 Variable Rate Demand Wastewater Revenue Bonds, Series B, variable rate, due 11/1/35	37,919,000	37,919,000			37,919,000	
2003 Wastewater Refunding Revenue Bonds, Variable, due 11/1/27	52,544,900		52,544,900	866,713	51,678,187	325,020
Less deferred amount on refunding			(6,333,890)	(263,904)	(6,069,986)	
Total Revenue Bonds	149,929,018	95,155,022	46,211,010	47,627,784	93,738,248	1,611,558
Other Long Term Obligations:						
Notes, 5%, due 10/1/17	333,108	201,493		9,338	192,155	9,805
Total Business-type Activity Debt:	$270,941,650	$172,891,039	$54,451,010	$62,013,442	$165,328,607	$8,686,363

NOTE 9 - LONG-TERM DEBT (Continued)

B. *1993 Public Facilities Certificates of Participation*

The City issued Certificates of Participation in the original principal amount of $23,970,000 on October 1, 1993 to advance refund and defease the outstanding $16,855,000 principal amount of the 1989 Refunding Revenue Bonds and to reimburse the City for some of the costs of the Corporation Yard Improvement and is repayable from the General Fund. Principal payments are payable annually on August 1 and interest payments are due semi-annually on February 1 and August 1, through August 1, 2020.

On July 17, 2003, the City defeased the Bonds by placing proceeds from the 2003A Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on August 1, 2003 the prepayment price of 102% of the principal amount and accrued interest.

C. *2003A Public Facilities Refunding Bonds*

On July 17, 2003 the City issued $18,275,000 of Public Facilities Refunding COPs to advance refund the outstanding 1993 Public Facilities COP's. The COP's are repayable from the any source of available funds of the City which includes the General Fund. The defeasance resulted in an overall increase in debt service of $840,885 and an economic gain of $1,000. Principal payments are payable annually and interest payments are due semi-annually on February 1 and August 1 through 2025.

D. *2002 Roseville Redevelopment Project Tax Allocation Bonds*

On March 5, 2003 the Redevelopment Agency issued Tax Allocation Bonds in the original principal amount of $14,500,000 to fund certain redevelopment activities of benefit to property within the Agency's Roseville Redevelopment Project Area. The Bonds are special obligations of the Agency and are secured by the Agency's tax increment revenue. Principal payments are payable annually on September 1 and interest payments are due semi-annually on March 1 and September 1, through September 1, 2033.

E. *Installment Purchase Obligations*

The City is purchasing various pieces of computer equipment on the installment basis. The City has also entered into long-term contracts for the lease/purchase of various public safety equipment.

F. *Foothill Blvd. Extension*

The City acquired several parcels of land, in August of 1989, within the Foothill Boulevard Extension Assessment District to build the Corporation Yard. Upon acquisition, the City took over the assessment debt in the amount of $114,423, due on these parcels. Principal and interest payments are payable annually on April 1, through April 1, 2007.

NOTE 9 - LONG-TERM DEBT (Continued)

G. 1997 Electric System Revenue Certificates of Participation

The City issued Certificates of Participation in the original principal amount of $11,880,000 on November 1, 1997 to finance a substation for the Electrical System and to refinance its' 1985 COP's and is repayable from net revenue of the Electric Utility System. Principal payments are payable annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2017.

In December of 2002 the City defeased a portion of the 1997 COP's by placing proceeds from the 2002 Electric System Revenue Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on February 1, 2008 the prepayment price of 101% of the principal amount and accrued interest. Accordingly, the trust account assets and the liability for the defeased COP's are not included in the financial statements. At June 30, 2004 the 1997 Electric System Revenue Certificates of Participation outstanding in the amount of $4,290,000 are considered defeased.

H. 1999 Electric System Revenue Certificates of Participation

On August 3, 1999, the City issued $21,630,000 of Certificates of Participation to finance a portion of the cost of capital improvements and is repayable from net revenue of the Electric Utility System. The Certificates bear interest at 4.0% - 5.5% and are due semi-annually on February 1 and August 1. Principal payments are due annually on February 1 and interest payments are due semi-annually on February 1 and August 1, through February 1, 2024.

In December of 2002 the City defeased a portion of the 1999 COP's by placing proceeds from the 2002 Electric System Revenue Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on August 1, 2009 the prepayment price of 101% of the principal amount and accrued interest. Accordingly, the trust account assets and the liability for the defeased COP's are not included in the financial statements. At June 30, 2004 the 1999 Electric System Revenue Certificates of Participation outstanding in the amount of $17,685,000 are considered defeased.

I. 2002 Electric System Revenue Certificates of Participation

On December 17, 2002 the City issued $40,385,000 of Certificates of Participation to defease portions of the 1997 and 1999 Electric System Revenue Certificates of Participation above and finance a portion of the cost of capital improvements. The COP's are repayable from net revenue of the Electric Utility System. Principal Payments are due annually in two installments on January 1 and February 1 in fiscal years ending June 30, 2003 through June 30, 2006. The remaining principal payments are due annually on February 1 and interest payments are due monthly, through February 1, 2024.

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NOTE 9 - LONG-TERM DEBT (Continued)

The 2002 Electric System Revenue Certificates of Participation were issued as variable rate COP's, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the City entered into a 22-year interest rate swap agreement for the entire amount of its 2002 Electric System Revenue Certificates of Participation. Based on the swap agreement, the City owes interest calculated at a fixed rate of 2.98% to the counterparty of the swap. In return, the counterparty owes the City interest based on the variable rate that matches the rate required by the bonds. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

The City continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the City effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on that fixed rate. The City will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the City's making or receiving a termination payment.

J. 1993 Golf Course Project Certificates of Participation

The City issued Certificates of Participation in the original principal amount of $9,325,000 on October 1, 1993 to provide funds to acquire and construct the Golf Course Improvements. Principal payments are payable annually on August 1 and interest payments are due semi-annually on February 1 and August 1, through August 1, 2023.

On July 17, 2003, the City defeased the Bonds by placing proceeds from the 2003B Certificates of Participation in an irrevocable trust to provide amounts sufficient to pay on August 1, 2003 the prepayment price of 102% of the principal amount and accrued interest.

K. 2003B Golf Course Refunding Certificates of Participation

On July 17, 2003 the City issued $8,240,000 of Golf Course Refunding COPs, the proceeds of which are to be used to advance refund the outstanding 1993 Golf Course COP's. The COP's are repayable from the any source of available funds of the City which includes the general fund. The defeasance resulted in an overall cash savings of $1,866,558 and an economic gain of $875,372. Principal and interest payments are due annually on August 1 through 2025.

L. 1997 Water Utility Revenue Certificates of Participation

The City issued Certificates of Participation in the original principal amount of $33,000,000 on September 1, 1997 to finance the acquisition, construction, and installation of additions to the water utility system, and is repayable from net revenue from the Water Utility System. Principal payments are payable annually on December 1 and interest payments are due semi-annually on December 1 and June 1, through December 1, 2018.

NOTE 9 - LONG-TERM DEBT (Continued)

M. 2000 South Placer Wastewater Authority Wastewater Revenue Bonds, Series A; and 2000 South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B

In November 2000, the South Placer Wastewater Authority issued Revenue Bonds Series A and Series B in the original principal amounts of $109,775,000 and $70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. Upon completion, this Plant will benefit the City of Roseville, the South Placer Municipal Utility District, and the County of Placer. These three entities in return share the obligation of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements.

The South Placer Wastewater Authority Wastewater Revenue Bonds, Series A were issued as fixed rate bonds. On September 17, 2003, $84,525,000 of the Series A Bonds were defeased by the 2003 Wastewater Refunding Revenue Bonds as mentioned below. Remaining principal payments are payable annually on November 1 and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027. At June 30, 2004 the outstanding balance of the defeased portion of the Series A Bonds was $84,525,000.

The South Placer Wastewater Authority Variable Rate Demand Wastewater Revenue Bonds, Series B were issued as variable rate bonds, with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. The average monthly interest paid in fiscal year 2004 was $55,178. Beginning in fiscal year 2029, principal payments will be made in addition to the variable interest payments.

N. 2003 South Placer Wastewater Authority Refunding Wastewater Revenue Bonds

On September 17, 2003 the South Placer Wastewater Authority issued $97,000,000 of Refunding Wastewater Revenue Bonds to defease a portion of the Series A Wastewater Revenue Bonds, as discussed above. The City's share of this obligation was determined to be 54.17%. These proceeds were placed in an irrevocable trust to provide for all future debt service payments on the Refunded Bonds. The defeasance resulted in an overall cash estimated savings of $8,412,644 and an economic gain of $5,406,557. Principal and interest payments are due semi-annually on May 1 and November 1, through November 1, 2027.

The 2003 Wastewater Refunding Revenue Bonds were issued as auction rate bonds with interest calculated weekly. The rate fluctuates according to the market conditions, but is capped at 12%. However, the Authority entered into a 24-year interest rate swap agreement for the entire amount of its 2003 Refunding Revenue bonds. Based on the swap agreement, the Authority owes interest calculated at a fixed rate of 3.433% to the counterparty of the swap. In return, the counterparty owes the Authority interest based on the auction rate that matches the rate required by the bonds. The bond principal is not exchanged; it is only the basis on which the interest payments are calculated.

NOTE 9 - LONG-TERM DEBT (Continued)

The Authority continues to pay interest to the bondholders at the variable rate provided by the bonds. However, during the term of the swap agreement, the Authority effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds are based on that fixed rate. The Authority will be exposed to variable rates if the counterparty to the swap defaults or if the swap is terminated. A termination of the swap agreement may also result in the Authority's making or receiving a termination payment.

O. Notes Payable

The City borrowed $333,108 original principal amount, on November 9, 1977, from the U. S. Department of Commerce to aid in financing drought emergency projects. The debt is repayable from the surplus revenue account of the Water Revenue Bonds. Principal and interest payments are payable annually on October 1, through October 1, 2017.

P. Debt Service Requirements

Annual debt service requirements are shown below for all long-term debt except the variable rate demand bonds discussed above:

For the Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2005	$1,236,331	$1,416,994	$8,686,363	$5,416,373
2006	917,826	1,372,422	9,506,857	5,094,226
2007	958,476	1,349,032	4,542,793	4,826,360
2008	947,193	1,323,190	4,733,755	4,634,614
2009	930,000	1,297,177	4,930,160	4,440,882
2010-2014	5,120,000	5,995,122	27,929,807	19,059,037
2015-2019	6,155,000	4,941,767	34,211,490	13,076,692
2020-2024	7,730,000	4,122,750	28,006,568	7,355,427
2025-2029	5,705,000	1,911,125	18,482,805	3,217,684
2030-2034	3,400,000	367,500	23,182,053	1,144,795
2035-2036			10,622,738	94,030
Total	$33,099,826	$24,097,079	174,835,389	$68,360,120
Reconciliation of long-term debt				
Less deferred amount on refunding			(9,506,782)	
Net long-term debt			$165,328,607	

NOTE 10 – DEBT WITHOUT CITY COMMITMENT

A. *Special Assessment Districts*

Special Assessment Districts in various parts of the City have issued debt to finance infrastructure improvements and facilities within their boundaries. The City is the collecting and paying agent for the debt issued by these Districts, but has no direct or contingent liability or moral obligation for the payment of this debt. Therefore, this debt is not recorded as long-term debt of the City. The outstanding balance of each of these issues as of June 30, 2004 is as follows:

Rocky Ridge/Harding Refunding District	$620,000
North Roseville-Rocklin Sewer Refunding District	1,025,000
Foothills Boulevard Extension Assessment District	1,970,000
Northeast Roseville Community Facilities District #1 & #2	22,335,000
North Roseville Community Facilities District #1	17,905,000
North Central Roseville Community Facilities District #1	46,265,000
Northwest Roseville Community Facilities District #1	27,255,000
Highland Reserve North Community Facilities District #1	31,360,000
Woodcreek West Community Facilities District #1	15,970,000
Woodcreek East Community Facilities District #1	5,275,000
Stoneridge Parcel 1 Community Facilities District #1	1,925,000
Stoneridge East Community Facilities District # 1	15,570,000
Stoneridge West Community Facilities District # 1	12,500,000
Crocker Ranch Community Facilities District # 1, Series 2002	4,460,000
Crocker Ranch Community Facilities District # 1, Series 2003	15,475,000
Stone Point Community Facilities District # 1	11,285,000
Total	$231,195,000

NOTE 11 – NET ASSETS AND FUND BALANCES

A. *Net Assets*

Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in capital assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes the portion of Net Assets which is not restricted to use.

B. *Fund Balances, Reserves and Designations*

In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

C. *Reserves*

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity, which provided the funds. The City cannot modify or remove these restrictions or reserves. At June 30, 2004, reservations included:

Reserves for **advances, inventories, deferred receivables and notes receivable, and prepaids** are the portions of fund balance set aside to indicate these items do not represent available, spendable resources even though they are a component of assets.

Reserve for **encumbrances** represents the portion of fund balance set aside for open purchase orders.

Reserve for **capital projects** is the portion of fund balance to be used for construction within the various community facilities districts of the City.

Reserve for **low and moderate income housing** is the portion of redevelopment fund balance legally required to be set-aside for low and moderate income housing expenditures.

Reserve for **debt service** is the portion of fund balance legally restricted for the payment of principal and interest on long-term liabilities.

Unreserved fund balance in the General Fund represents the resources available at June 30, 2004 to meet the financial needs of the City through approximately December 10, 2004 when the next property tax payment is due from the County. Unreserved fund balance in the Special Revenue and Capital Projects funds are not available for general expenditures as they are reserved for the particular purposes of the funds they reside in.

NOTE 11 – NET ASSETS AND FUND BALANCES (Continued)

D. Designations

A portion of unreserved fund balance may be designated to indicate plans for financial resource utilization in a future period. Designations are imposed by City Council to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Council action.

Designated for economic reserve is the portion of fund balance which represents 10% of the original adopted operating expenditure budget to be used in the event of fiscal need.

Designated for carryover of capital improvement projects is the portion of fund balance to be used for approved capital projects.

E. Fund Balance and Net Assets Deficits

The Roseville Aquatics Complex Maintenance Permanent Fund had a deficit fund balance at June 30, 2004 of $269. The Automotive Services Internal Service Fund had deficit net assets of $454,093 at June 30, 2004. Future revenues are expected to offset these deficits.

NOTE 12 - PENSION PLAN

CALPERS Safety and Miscellaneous Employees Plans

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the separate Safety (police and fire) and Miscellaneous (all other) Employee Plans. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service; one year of credited service is equal to one year of full time employment. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CALPERS; the City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2004, are summarized as follows:

	Safety	Miscellaneous
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	55
Monthly benefits, as a % of annual salary	3%	2%
Required employee contribution rates	9%	8%
Required employer contribution rates	22.592%	11.058%
Actuarially required contributions	$3,881,518	$8,463,220

NOTE 12 - PENSION PLAN (Continued)

The City's labor contracts require it to pay employee contributions as well as its own.

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this method is the level amount the City must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The City does not have a net pension obligation since it pays these actuarially required contributions monthly.

CalPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation at 3%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. Investment gains and losses are accumulated as they are realized and ten percent of the net balance is amortized annually.

The Plans' actuarial value (which differs from market value) and funding progress over the past three years are set forth below at their actuarial valuation date of June 30:

Safety Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2001	$60,655,770	$57,312,502	$3,343,268	94.5%	$9,817,194	34.055%
2002	65,454,937	55,405,419	10,049,518	84.6%	9,828,128	102.253%
2003	71,045,091	59,434,080	11,611,011	83.7%	11,047,254	105.103%

Miscellaneous Plan:

	Actuarial					
Valuation Date	Entry Age Accrued Liability	Value of Asset	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) as % of Payroll
2001	$109,399,318	$105,784,049	$3,615,269	96.7%	$34,683,299	10.424%
2002	124,234,750	101,977,202	22,257,548	82.1%	38,572,183	57.704%
2003	144,786,456	111,129,154	33,657,302	76.8%	42,975,594	78.317%

Audited annual financial statements and ten-year trend information are available from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

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NOTE 12 - PENSION PLAN (Continued)

PERS has reported that the value of the net assets in the Plan held for pension benefits changed as follows during the year ended June 30, 2003:

	Safety	Miscellaneous
Beginning Balance 6/30/02	$55,405,419	$101,977,202
Contributions received	3,517,763	8,030,701
Benefits and Refunds Paid	(1,765,435)	(3,075,700)
Transfers and Miscellaneous Adjustments Paid	(126)	(68,946)
Expected Investment Earnings Credited	4,641,793	8,610,675
Expected Actuarial Value of Assets 6/30/03	$61,799,414	$115,473,932
Market Value of Assets 6/30/03	$54,030,982	$101,026,504
Actuarial Value of Assets 6/30/03	$59,434,080	$111,129,154

Actuarially required contributions for fiscal years 2004, 2003, and 2002 were $12,344,738, $10,809,704, and $4,091,879, respectively. The City made these contributions as required.

NOTE 13 - RISK MANAGEMENT

The City manages risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters by participating in the public entity risk pools described below and by retaining certain risks. The City maintains insurance coverage from a commercial carrier for its long-term disability and dental benefit plan.

Public entity risk pools are formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, those entities exercise full powers and authorities within the scope of the related Joint Powers Agreements including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each risk pool is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective risk pool, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that board. Obligations and liabilities of these risk pools are not the City's responsibility.

A. Risk Coverage

The City is a member of the California Joint Powers Risk Management Authority (CJPRMA) which covers general liability claims up to $25,000,000, property damage up to $200,000,000, and boiler and machinery up to $20,000,000. The City has a self-insured retention or deductible of $500,000, $25,000, and $5,000, respectively, per claim. Once the City's self-insured retention for general liability claims is met, CJPRMA becomes responsible for payment of all claims up to the limit. CJPRMA has purchased commercial insurance against property damage and boiler and machinery claims. During the fiscal year ended June 30, 2004, the City contributed $692,555 for coverage during the current year and received a refund of $287,429 of prior year excess contributions.

NOTE 13 - RISK MANAGEMENT (Continued)

The City is also a member of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX), which covers workers' compensation claims up to $3,500,000 and provides additional coverage up to $48,000,000. The City has a self-insured retention of up to $250,000 per claim. During the fiscal year ended June 30, 2004, the City contributed $406,023 for current year coverage.

The contributions made to each risk pool equal the ratio of their respective payrolls to the total payrolls of all entities participating in the same layer of each program, in each program year. Actual surpluses or losses are shared according to a formula developed from overall loss costs and spread to member entities on a percentage basis after a retrospective rating.

Financial statements for the risk pools may be obtained from CJPRMA, 2333 San Ramon Valley Blvd., Suite 250, San Ramon, CA 94583 and LAWCX, c/o James P. Marta, CPA, 5921 Landis Avenue, Suite 1, Carmichael, CA 95608.

B. Insurance Internal Service Funds

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

The change in the Worker's Compensation Internal Service Fund's claims liability, including claims incurred but not reported is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2004	2003
Claims liability, beginning of year	$4,361,000	$3,616,000
Current year claims	2,300,000	1,500,000
Change in prior year claims	1,531,000	562,000
Claims paid, current year claims	(518,000)	(168,000)
Claims paid, prior year claims	(2,556,000)	(1,149,000)
Claims liability, end of year	$5,118,000	$4,361,000

NOTE 13 - RISK MANAGEMENT (Continued)

The City's liability for uninsured general liability claims, including claims incurred but not reported is reported in the General Liability Internal Service Fund. The liability is based on an independent actuarial study prepared annually and was computed as follows for the years ended June 30:

	2004	2003
Claims liability, beginning of year	$1,172,000	$1,345,000
Current year claims	750,000	500,000
Change in prior year claims	3,126,000	(207,000)
Claims paid, current year claims	(57,000)	(73,000)
Claims paid, prior year claims	(3,156,000)	(393,000)
Claims liability, end of year	$1,835,000	$1,172,000

The Unemployment Reserve and Vision Internal Service Funds had no outstanding claims liability at June 30, 2004.

C. *Litigation Settlement*

The City was served with a lawsuit December 11, 2000, alleging that the City's utility user taxes collected as five percent of charges made for water, telephone, sewer, refuse, gas, electricity, and cable services violates the provisions of Proposition 218. On the plaintiff's motion for summary judgment, the trial court declared the taxes invalid. The City filed a Notice of Appeal with the Third District Court of Appeal. The City's motion was again denied under a ruling on February 10, 2003. The City settled the case and the City had refunded a total of $6,695,470 through June 30, 2004. Since the case was settled and all refunds have been made, there is no future liability recorded.

NOTE 14 - PREPAID PURCHASED ELECTRICITY

During fiscal 1999 the City paid $6,138,335 to the Northern California Power Agency (NCPA) (see Note 15) as a capital contribution for the Geothermal and Hydroelectric Projects debt refinancing. This contribution has been capitalized on the City's balance sheet and will be amortized in conjunction with the related debt service savings. The amount amortized for fiscal year 2004 was $219,632.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA)

A. *General*

The City participates in joint ventures through Joint Powers Authorities (JPAs) established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these JPAs exercise full powers and authorities within the scope of the related Joint Powers Agreement, including the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Obligations and liabilities of the JPAs are not those of the City.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Each JPA is governed by a board consisting of representatives from each member agency. Each board controls the operations of its respective JPA, including selection of management and approval of operating budgets, independent of any influence by member agencies beyond their representation on the Board.

The City is a member of NCPA, a joint powers agency which operates under a joint powers agreement among twenty-one public agencies. The purpose of NCPA is to use the combined strength of its members to purchase, generate, sell and interchange electric energy and capacity through the acquisition and use of electrical generation and transmission facilities, and to optimize the use of those facilities and the members position in the industry. Each agency member has agreed to fund a pro rata share of certain assessments by NCPA and certain members have entered into take-or-pay power supply contracts with NCPA. While NCPA is governed by its members, none of its obligations are those of its members unless expressly assumed by them.

The City receives no income from NCPA, and does not participate in all of its projects. Further, NCPA does not measure or determine The City's equity in NCPA as a whole. NCPA reports only The City's share of its General Operating Reserve, comprised of cash and investments, and The City's share of those Projects in which The City is a participant. These amounts are reflected in the financial statements as Investment in NCPA Reserve.

During the year ended June 30, 2004, the City incurred expenses totaling $17,403,937 for purchased power and assessments and prepaid assets paid to NCPA.

The City's interest in certain NCPA Projects and Reserve, as computed by NCPA using unaudited information, is set forth below.

	June 30, 2004
General Operating Reserve (including advances)	$5,004,608
Associated Member Services (including advances)	917,939
Undivided equity interest, at cost, in certain NCPA Power Projects:	
Geothermal Projects	290,777
Calaveras Hydroelectric Project	153,735
Combustion Turbine Project No. 1	118,676
Geothermal Public Power Line	NIL
Combustion Turbine Project No. 2	270,446
Graeagle Hydroelectric Project	NIL
	$6,756,181

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

The General Operating Reserve represents the City's portion of funds which resulted from the settlement with third parties of issues with financial consequences and reconciliations of several prior years' budgets for programs. It is recognized that all the funds credited to the City are linked to the collection of revenue from the City's ratepayers, or to the settlement of disputes relating to electric power supply and that the money was collected from the City's ratepayers to pay power bills. Additionally, the NCPA Commission identified and approved the funding of specific reserves for working capital, accumulated employees post-retirement medical benefits, and billed property taxes for the geothermal project. The Commission also identified a number of contingent liabilities that may or may not be realized, the cost of which in most cases is difficult to estimate at this time. One such contingent liability is the steam field depletion which will require funding to cover debt service and operational costs in excess of the expected value of the electric power. The General Operating Reserve is intended to minimize the number and amount of individual reserves needed for each project, protect NCPA's financial condition and maintain its credit worthiness. These funds are available on demand, but the City has left them with NCPA as a reserve against these contingencies identified by NCPA.

Members of NCPA may participate in an individual project of NCPA without obligation for any other project. Member assessments collected for one project may not be used to finance other projects of NCPA without the member's permission.

B. Projects

Geothermal Projects

A purchased power agreement with NCPA obligates the City for 7.880% of the operating costs and debt service of the two NCPA 110-megawatt geothermal steam powered generating plants, Plant Number 1 and Plant Number 2.

NCPA's Geothermal Project has experienced a greater than originally anticipated decline in steam production from geothermal wells on its leasehold property. NCPA has continued to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and has evaluated a number of alternatives to increase water reinjection at strategic locations. NCPA, together with other steam developers and the Lake County Sanitation District, has completed the construction of a wastewater pipeline project that greatly increased the amount of water available for reinjection.

NCPA will continue to monitor the wells while pursuing alternatives for improving and extending reservoir performance, including supplemental water reinjection, plant equipment modifications, and changes in operating methodology. NCPA, along with other steam field operators, has observed a substantial increase in steam production in the vicinity of reinjection wells and is attempting to increase water reinjection at strategic locations. NCPA, other steam developers, and the Lake County Sanitation District have constructed a wastewater pipeline project that greatly increased the amount of water available for reinjection.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Based on an internal assessment of the melded costs of power from the Geothermal Project and all other resources available to the members, NCPA believes its members will continue to be able to operate their electric utilities on a competitive basis, when compared to local investor-owned utility rates, while meeting all electric system obligations including those to NCPA. In January 1996, NCPA issued $167,940,000 (1996 Refunding Series B), and $5,420,000 (1996 Taxable Series C) in variable rate revenue bonds, the proceeds of which were used to refund a portion of the 1987 Refunding Series A Revenue Bonds. In August 1998, NCPA remarketed $121,590,000 (1996 Refunding Series A) of revenue bonds changing the interest rate from a weekly interest rate to a long term rate. The City is obligated to pay its contractual share of the debt until it is fully satisfied, regardless of resulting cost or availability of energy. At June 30, 2004, the book value of this Project's plant, equipment and other assets was $264,115,409, while its long-term debt totaled $215,399,468 and other liabilities totaled $48,715,941. The City's share of the Project's long-term debt amounted to $16,973,478 at that date.

Calaveras Hydroelectric Project

In July 1981, NCPA agreed with Calaveras County Water District to purchase the output of the North Fork Stanislaus River Hydroelectric Development Project and to finance its construction. Debt service payments to NCPA began in February 1990 when the project was declared substantially complete and power was delivered to the participants. Under its power purchase agreement with NCPA, the City is obligated to pay 12% of this Project's debt service and operating costs. On April 16, 2002, NCPA completed the $86,620,000 refunding of revenue bonds at a weekly variable interest rate, initially set at 5.097%, and a net present value savings of $10,160,431. During fiscal year 2002 the City paid $11.6 million to NCPA for its share of refunding the 1992 Refunding Series A Bonds and costs of issuance related to the 2002 Refunding Series A, B and C Bonds. At June 30, 2004, the book value of this Project's plant, equipment and other assets was $517,398,380 while its long-term debt totaled $498,008,677 and other liabilities totaled $19,389,703. The City's share of the Project's long-term debt amounted to $59,761,041 at that date.

Combustion Turbine Project No. 1

In October 1984, NCPA financed a five-unit, 125-megawatt combustion turbine project. The project, built in three member cities, began full commercial operation in June 1986, providing reserve and peaking power. In December 1989, NCPA issued $68,958,257 in fixed rate revenue bonds, the proceeds of which were used to defease the bonds then outstanding. Under the NCPA power purchase agreement, the City is obligated to pay 13.5840% of this Project's debt service and operating costs. At June 30, 2004, the book value of this Project's plant, equipment and other assets was $28,194,250, while its long-term debt totaled $25,220,640 and other liabilities totaled $2,973,610. The City's share of the Project's long-term debt amounted to $3,424,963 at that date.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

Geothermal Public Power Line

In 1983, NCPA, Sacramento Municipal Utility District, the City of Santa Clara and the Modesto Irrigation District (joint owners) initiated studies for a Geothermal Public Power Line (GPPL) which would carry power generated at several existing and planned geothermal plants in the Geysers area to a location where the joint owners could receive it for transmission to their load centers. NCPA has an 18.5% share of this Project and the City has a 14.1756% participation in NCPA's share. In 1989, the development of the proposed Geothermal Public Power Line was discontinued because NCPA was able to contract for sufficient transmission capacity to meet its needs in the Geysers. However, because the project financing provided funding for an ownership interest in a PG&E transmission line, a central dispatch facility and a performance bond pursuant to the Interconnection Agreement with PG&E, as well as an ownership interest in the proposed GPPL, NCPA issued $16,000,000 in long-term, fixed-rate revenue bonds in November 1989 to defease the remaining variable rate refunding bonds used to refinance this project. The City is obligated to pay its 14.1756% share of the related debt service, but debt service costs are covered through NCPA billing mechanisms that allocate the costs to members based on use of the facilities and services.

At June 30, 2004, the book value of this Project's plant, equipment and other assets was $5,533,223, while its long-term debt totaled $5,449,416 and other liabilities totaled $83,807. The City's share of the Project's long-term debt amounted to $772,727 at that date.

Combustion Turbine Project No. 2 (Steam Injected Gas Turbine Project)

The City is a participant in a 49.8 megawatt Steam Injected Gas Turbine project which was built under turnkey contract near the City of Lodi and declared substantially complete on April 23, 1996. In October 1992, NCPA issued $152,320,000 of Multiple Capital Facilities Revenue Bonds to finance this project, a similar project for the Turlock Irrigation District in Ceres, and Lodi system facilities. Under the NCPA power purchase agreement, the City is obligated to pay 36.50% of the debt service and operating costs for the Lodi unit.

The City's participation in procurement of natural gas for fuel for existing and new combustion turbine units was approved in 1993. Although there is currently no additional debt financing, the City and NCPA have committed to long-term payments for gas transmission pipeline capacity, and entered a purchase contract for natural gas. The City is obligated to pay 17.9218%.

At June 30, 2004, the book value of this Project's plant, equipment and other assets was $68,762,866, while its long-term debt totaled $67,434,886 and other liabilities totaled $1,327,980. The City's share of the Project's long-term debt amounted to $24,613,733 at that date.

Graeagle Hydroelectric Project

The City's participation in this small hydroelectric project was approved in 1993. Although this project does not involve any financing, it does involve a long-term contractual commitment to purchase the power produced by the project.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

C. California Electric Industry Restructuring

In September 1996, the California State legislature signed into law Assembly Bill 1890 (AB 1890) deregulating the electric power supply market and restructuring the electric power industry in California. While the majority of the legislation is directed at investor-owned utilities (IOU), the City and other California public utilities are affected by the restructuring of markets serving 70% of the electric load in California and the introduction of direct access in neighboring service territories.

NCPA's Industry Restructuring Task Force plays an active role in protecting members contractual rights in FERC, California Public Utilities Commission (CPUC), and other legislative/regulatory proceedings. Priorities are the preservation of local rate making authority for publicly owned utilities, assuring that NCPA member investments are fully recovered, removing IRS restrictions on the use of NCPA and member assets after deregulation, and maintaining members' preference access to power from the Central Valley Project and Western Area Power Authority.

NCPA's Generation Operations and Marketing, Pooling and Member Services Business Units seek to enhance members' competitive position by capitalizing on new marketing and service opportunities resulting from restructuring. Generation Operations and Marketing services work in tandem to optimize system operations and identify market power sales/purchase opportunities.

NCPA's Generation Operations and Power Management Business Units work in tandem to optimize system operations and identify market power sales/purchase opportunities. NCPA is working to expand membership and services to other public sector organizations.

NOTE 15 - NORTHERN CALIFORNIA POWER AGENCY (NCPA) (Continued)

D. Provision for Disputed SCS Charges

In November 1999, PG&E filed with FERC its Schedule Coordination Services (SCS) Tariff, alleging that PG&E was entitled to collect from Roseville and other users certain costs imposed by the ISO on PG&E for the period April 1998 to August 2002. In June 2004, PG&E began billing NCPA for these costs, and NCPA has, in turn, began billing its members. These costs, which are being billed over a twelve-month period, will accumulate to approximately $7.4 million, including interest, and will be subject to a final determination by the FERC of the amount actually owed. Roseville maintains its position that PG&E has no legal or factual basis for its proposed tariff, and will continue to vigorously contest this charge.

E. NCPA Financial Information

NCPA's financial statements can be obtained from NCPA, 180 Cirby Way, Roseville, CA 95678.

NOTE 16 – SOUTH PLACER WASTEWATER AUTHORITY

The City is a member of the South Placer Wastewater Authority (SPWA), a joint powers agency which operates under a joint powers agreement among three public agencies, the City of Roseville, South Placer Municipal Utility District and Placer County. The purpose of SPWA is to provide for the planning, financing, acquisition, ownership, construction and operation of the Regional Wastewater Facilities.

Under the terms of a funding agreement, the City will own and operate the Regional Wastewater Facilities. Under the terms of this agreement the member agencies will share the operating costs of the Facilities after construction is complete. The Regional Wastewater Facilities include the Dry Creek Plant and the Pleasant Grove Plant. In November 2000, the SPWA issued Revenue Bonds Series A and Series B in the original principal amounts of $109,775,000 and $70,000,000 respectively. The purpose of these bonds is to partially finance the costs of acquisition and construction of the Pleasant Grove Wastewater Treatment Plant. On September 2003, the SPWA issued Refunding Revenue Bonds in the original principal amounts of $97,000,000. The purpose of these bonds is to advance refund the 2000 Revenue Bonds Series A. The three agencies are responsible for the repayment of the Revenue Bonds. The City's share of this obligation was determined to be 54.17%. As a result, this portion of the debt was recorded on the City's financial statements, as discussed in Note 9.

During the year ended June 30, 2004, the City paid $8,826,305 to SPWA based on connection fees collected during the fiscal year.

The City records its share of income and expenses from SPWA in the Wastewater Enterprise Fund and these changes are reflected in the Statement of Revenues, Expenses and Changes in Retained Earnings. The City's Interest in SPWA Reserves at June 30, 2004 was $110,517,137. The City's equity in SPWA was $69,000,546 at June 30, 2004.

SPWA's financial statements can be obtained from the City of Roseville, 311 Vernon Street, Roseville, California, 95678.

NOTE 17 - MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

State and federal laws and regulations require that the City perform certain maintenance and monitoring functions at the Roseville sanitary landfill site, which is closed, through the year 2024. Accordingly, the City has recorded a liability and expense in the Enterprise Solid Waste Fund for the estimated postclosure care cost. The recorded amount is based on applicable state and local laws and regulations concerning closure and postclosure care. If additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may result in increased charges to future landfill users or the usage of future tax revenues. As of June 30, 2004, landfill closure liability was $4,037,302.

NOTE 18 – COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of its NCPA joint venture agreement, the City is contingently liable for a portion of the bonded indebtedness issued by these agencies under take-or-pay or similar agreements, as discussed in Note 15. The City's estimated share of such debt outstanding at June 30, 2004 was $105,545,942. Under certain circumstances, the City may also be responsible for a portion of the costs of operating these entities. Under certain circumstances, such as default or bankruptcy of other participants, the City may also be liable to pay a portion of the debt of these joint ventures on behalf of the other participants.

The City is in the process of expanding its wastewater treatment capacity through the construction of a new wastewater treatment plant known as the Pleasant Grove Wastewater Treatment Plant through the South Placer Wastewater Authority, as discussed in Note 16. Certain environmental organizations have also filed an administrative appeal of the permit for the Pleasant Grove facility. The outcome of those proceedings could significantly affect the availability of the City to provide wastewater service or the cost of providing such service. The City believes it is likely it will prevail.

The City participates in Federal and State grant programs. These programs have been audited through the fiscal year ended June 30, 2004 by the City's independent accountants in accordance with the provisions of the federal Single Audit Act amendments of 1996 and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City is subject to litigation arising in the normal course of business. In the opinion of the City Attorney there is no pending litigation, other than disclosed above, which is likely to have a material adverse effect on the financial position of the City.

On March 3, 1999 the City entered into an agreement with the State of California, acting by and through its Department of Transportation (CalTrans) to modify the interchange on Route 80 at Douglas Boulevard. The City is responsible for all costs in excess of original cost of construction. As of June 30, 2004, the City estimates that its share of the project will be $17.7 million payable to CalTrans for construction, construction engineering, and construction management.

NOTE 19- TAX INCREMENT SHIFT TO EDUCATIONAL REVENUE AUGMENTATION FUND (ERAF)

The State of California directed that a portion of the incremental property taxes which had been received in prior years by redevelopment agencies be paid instead to local educational agencies. During the fiscal year ended June 30, 2004, the Agency paid $143,182 as a result of the State directive.

NOTE 20 – SUBSEQUENT EVENTS

In June 2004 the City authorized the issuance of the 2004 Electric Certificates of Participation in aggregate principal amount of $39,940,000 for various capital improvement projects.

SUPPLEMENTAL INFORMATION

MODIFIED APPROACH TO REPORTING STREET PAVEMENT COSTS AND PARKS AND LANDSCAPING COSTS

GASB Statement 34 allows the City to use the Modified Approach with respect to infrastructure assets instead of depreciating these assets. The Modified Approach may be used if two requirements are met:

1) The City must have an asset management system (AMS) with certain features.

- ✓ It must maintain an up-to-date inventory of the infrastructure assets.
- ✓ It must estimate the annual costs to maintain and preserve those assets at the condition level the City has established and disclosed through administrative or executive policy or legislative action.
- ✓ The AMS must be used to assess the condition of the assets periodically, using a measurement scale.
- ✓ The condition assessments must be replicable as those that are based on sufficiently understandable and complete measurement methods such that different measurers using the same methods would reach substantially similar results.

2) The City must document that the roads, parks and landscaping are being preserved approximately at or above the condition level the City has established and disclosed. This documentation must include the results of the three most recent complete condition assessments and must provide reasonable assurance that the assets are being preserved approximately at or above the intended condition level.

Street Pavement

The City has elected to use the Modified Approach to report street pavement costs. The City uses a computerized Pavement Management System to track the condition levels of each of the street sections.

The condition of the pavement is based on a weighted average of seven distress factors found in pavement surfaces. The pavement management system uses a measurement scale that is based on a condition index ranging from zero for a failed pavement to 10 for pavement with perfect condition. The condition index is used to classify pavement in good or better condition (7.0-10.0), fair condition (5.5–6.9), and substandard condition (less than 5.5).

The City's maintenance costs are budgeted to be $6,499,729 in fiscal 2005. The Pavement Quality Index (PQI) for the City's street pavement for the last three years is as follows:

	PQI			
Year	Arterial/ Collector	Residential	Maintenance Budget	Actual Maintenance
99/00	na	na	$3,967,410	$2,386,645
00/01	7.7	7.6	3,615,450	1,240,576
01/02	7.8	7.5	2,784,660	3,730,265
02/03	7.8	7.9	4,766,980	2,665,863
03/04	7.6	7.6	5,733,500	2,925,909
04/05	7.5	7.9	6,499,729(est)	N/A

The City's policy based on current funding is to maintain arterial and collector roadways at an average Pavement Quality Index (PQI) of 7.5 and residential roadways at an average PQI of 6.5. This rating allows for minor cracking and revealing of the pavement along with minor roughness that could be noticeable to drivers traveling at posted speed. The City expended $2,925,909 for street preservation for fiscal 2004.

Parks and Landscaping

The City has also elected to use the Modified Approach to report parks and landscaping costs. The City uses a computerized Grounds Management System to track the condition levels of each of the parks and landscaping.

The condition of the parks and landscaping is based on a weighted average of 6 levels of condition. The ground management system uses a measurement scale that is based on various levels ranging from six for an undeveloped natural area to one for parks and landscaping with high-quality, diverse landscaping with state-of-the art maintenance. The condition index is used to classify parks and landscaping in the following levels: state-of-the-art to high-level maintenance (1-2), moderate to moderately low level maintenance (3-4), minimum-level maintenance (5), and natural area that is not developed (6).

The City's maintenance costs are budgeted to be $4,224,025 in fiscal 2005. The Ground Management Index (GMI) for the City's parks and landscaping maintenance for the last two years is as follows:

Fiscal Year	GMI (Level) Parks and Landscaping	Maintenance Budget	Actual Maintenance
98/99	N/A	N/A	N/A
99/00	N/A	N/A	N/A
00/01	N/A	N/A	N/A
01/02	2	$3,213,790	$3,078,263
02/03	2	3,796,952	3,439,081
03/04	2	3,946,547	3,648,683
04/05	2	4,224,025	N/A

The City's policy based on current funding is to maintain parks and landscape at an average Ground Management Index (GMI) of Level 2. This rating allows for high-level maintenance and is the recommended level for most organizations. The City expended $3,648,683 for maintenance for fiscal 2004.

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MAJOR GOVERNMENTAL FUND, OTHER THAN GENERAL FUND AND SPECIAL REVENUE FUND

COMMUNITY FACILITIES DISTRICT PROJECTS FUND

This fund is used to account for specific public improvements such as streets, sewers, storm drains, sidewalks or other amenities funded by special assessments against benefited properties.

CITY OF ROSEVILLE
COMMUNITY FACILITIES DISTRICT PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes		$22,276	$22,276
Charges for services			
Use of money and property	$603,110	242,814	(360,296)
Contributions from property owners	2,622,810	2,568,135	(54,675)
Contributions from developers		86,320	86,320
Miscellaneous revenues		1,678	1,678
Total revenues	3,225,920	2,921,223	(304,697)
EXPENDITURES			
Capital outlay	21,065,195	26,913,358	(5,848,163)
OTHER FINANCING SOURCES			
Transfers out		(202,308)	(202,308)
Total Other Financing Sources		(202,308)	(202,308)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	($17,839,275)	(24,194,443)	($6,355,168)
Fund balance at beginning of year		37,512,673	
Fund balance at end of year		$13,318,230	

SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Department/Category	Appropriations	Actual Expenditures	Variance Positive (Negative)
City Council			
Salaries and Benefits	$36,600	$36,000	$600
Operating Services and Supplies	507,190	500,104	7,086
Total City Council	543,790	536,104	7,686
Office of the City Manager			
Salaries and Benefits	1,094,510	1,126,301	(31,791)
Operating Services and Supplies	120,950	325,568	(204,618)
Capital Outlay	413,487	121,267	292,220
Total Office of the City Manager	1,628,947	1,573,136	55,811
Office of the City Attorney			
Salaries and Benefits	783,410	805,138	(21,728)
Operating Services and Supplies	246,710	239,455	7,255
Total Office of the City Attorney	1,030,120	1,044,593	(14,473)
Administrative Services			
Salaries and Benefits	3,576,334	3,609,990	(33,656)
Operating Services and Supplies	7,322,873	8,123,127	(800,254)
Capital Outlay	1,303,080	1,042,467	260,613
Debt Service	611,500	499,684	111,816
Total Administrative Services	12,813,787	13,275,268	(461,481)
City Clerk			
Salaries and Benefits	500,290	428,865	71,425
Operating Services and Supplies	245,622	194,146	51,476
Capital Outlay	19,795	11,612	8,183
Total City Clerk	765,707	634,623	131,084
Central Services			
Salaries and Benefits	4,551,540	4,384,168	167,372
Operating Services and Supplies	4,394,691	3,636,835	757,856
Capital Outlay	131,078	13,474	117,604
Capital Improvement Projects	16,831,410	218,866	16,612,544
Total Central Services	25,908,719	8,253,343	17,655,376
Finance			
Salaries and Benefits	4,066,380	3,763,667	302,713
Operating Services and Supplies	2,625,210	1,852,557	772,653
Capital Outlay	19,357	5,270	14,087
Total Finance	6,710,947	5,621,494	1,089,453
Police			
Salaries and Benefits	15,981,420	15,616,199	365,221
Operating Services and Supplies	3,572,798	3,334,553	238,245
Capital Outlay	1,319,515	100,633	1,218,882
Total Police	20,873,733	19,051,385	1,822,348
Fire			
Salaries and Benefits	11,325,050	11,034,835	290,215
Operating Services and Supplies	2,356,418	2,173,645	182,773
Capital Outlay	414,526	155,340	259,186
Capital Improvement Projects	65,064	28,707	36,357
Total Fire	14,161,058	13,392,527	768,531

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Department/Category	Appropriations	Actual Expenditures	Variance Positive (Negative)
Library			
Salaries and Benefits	2,455,190	2,212,251	242,939
Operating Services and Supplies	637,601	543,207	94,394
Capital Outlay	172,522	87,080	85,442
Total Library	3,265,313	2,842,538	422,775
Community Development			
Salaries and Benefits	1,955,440	1,858,933	96,507
Operating Services and Supplies	2,501,777	2,445,055	56,722
Capital Improvement Projects	9,874,717	615,356	9,259,361
Total Community Development	14,331,934	4,919,344	9,412,590
Housing and Redevelopment			
Salaries and Benefits	470,740	390,923	79,817
Operating Services and Supplies	5,733,281	2,345,243	3,388,038
Debt Service		318,950	(318,950)
Capital Improvement Projects	2,469,581	610,769	1,858,812
Total Housing and Redevelopment	8,673,602	3,665,885	5,007,717
Planning			
Salaries and Benefits	2,125,790	1,909,704	216,086
Operating Services and Supplies	1,646,070	1,414,371	231,699
Capital Outlay	1,343,560	144,032	1,199,528
Total Planning	5,115,420	3,468,107	1,647,313
Public Works			
Salaries and Benefits	9,105,435	8,119,170	986,265
Operating Services and Supplies	4,257,652	4,038,709	218,943
Capital Outlay	14,855	14,952	(97)
Capital Improvement Projects	54,963,867	7,944,206	47,019,661
Total Public Works	68,341,809	20,117,037	48,224,772
Environmental Utilities			
Salaries and Benefits	14,395,910	13,497,689	898,221
Operating Services and Supplies	19,022,698	17,589,622	1,433,076
Capital Outlay	738,526	609,976	128,550
Capital Improvement Projects	65,907,273	16,450,155	49,457,118
Total Environmental Utilities	100,064,407	48,147,442	51,916,965
Parks and Recreation			
Salaries and Benefits	10,939,180	10,859,861	79,319
Operating Services and Supplies	6,199,957	6,066,476	133,481
Capital Outlay	65,351	25,819	39,532
Capital Improvement Projects	7,272,457	2,299,037	4,973,420
Total Parks and Recreation	24,476,945	19,251,193	5,225,752

(Continued)

CITY OF ROSEVILLE
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BY DEPARTMENT AND SUMMARY CATEGORY FOR ALL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Department/Category	Appropriations	Actual Expenditures	Variance Positive (Negative)
Electric			
Salaries and Benefits	10,319,070	10,024,620	294,450
Operating Services and Supplies	61,669,881	53,180,165	8,489,716
Capital Outlay	1,582,692	184,370	1,398,322
Capital Improvement Projects	15,051,349	11,130,253	3,921,096
Total Electric	88,622,992	74,519,408	14,103,584
Transit			
Salaries and Benefits	438,590	376,274	62,316
Operating Services and Supplies	2,889,505	2,561,061	328,444
Capital Improvement Projects	6,654,128	2,521,083	4,133,045
Total Transit	9,982,223	5,458,418	4,523,805
Debt Service			
Debt Service	23,021,083	20,448,426	2,572,657
Other Expenditures	2,472,200	2,607,608	(135,408)
Total Debt Service	25,493,283	23,056,034	2,437,249
Community Grants			
Capital Outlay	127,487	118,066	9,421
Operating Services and Supplies	1,021,006	792,544	228,462
Total Community Grants	1,148,493	910,610	237,883
Automotive Replacement			
Capital Outlay	4,061,922	2,932,425	1,129,497
Total Automotive Replacement	4,061,922	2,932,425	1,129,497
Non-departmental			
Salaries and Benefits			
Capital Outlay		(128,078)	128,078
Capital Improvement Projects	21,825,964	28,165,123	(6,339,159)
Debt Service	1,633,132	1,247,453	385,679
Other Expenditures	2,113,860	1,757,730	356,130
Total Non-departmental	25,572,956	31,042,228	(5,469,272)

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Lighting and Landscape and Service Districts Fund. To account for the collection of assessment revenue from property owners for the maintenance of surrounding park and landscaping improvements within the boundaries of each district.

State Gasoline Tax Fund. To account for revenue apportioned to the City from the State-collected gas tax revenues and spent for construction and maintenance of City streets.

Home Improvement Fund. To account for loan activities for the production of affordable housing.

California Library Services Fund. To account for revenues and grants from the State to be expended for library related materials

Traffic Safety Fund. To account for the City's share of fines generated from violations of the State Motor Vehicle Code.

FEMA Fund. To account for the City's share of grants and reimbursements from the Federal Emergency Management Agency.

Trench Cut Recovery Fund. To account for the collection of fees charged by the City for cutting trenches in paved roadway and spent for maintaining the street if useful life is decreased.

Law Enforcement Block Grants Fund. To account for the collection of grants from the Federal Department of Justice Assistance and expended for front line law enforcement.

Fire Facilities Fund. To account for fees applied to new construction and expended for construction or repair of fire facilities and equipment for which it creates a need.

Traffic Mitigation Fund. To account for revenues and expenses related to major roadways and related structures such as bridges or interchanges.

Public Facilities Fund. To account for fees applied to new construction and expended for the development of public facilities for which it creates a need.

Park Development Fund. To account for collection fees applied to new construction and expended for neighborhood and community park and recreation facilities.

Pleasant Grove Drainage Basin Fund. To account for collection of fees applied to new construction and expended for mitigation of developmental impacts on the Pleasant Grove watershed.

Tree Propagation Fund. To account for fees assessed on oak tree removal and expended on the continuation and preservation of tree planting within the city.

NON-MAJOR GOVERNMENTAL FUNDS (Continued)

Community Development Block Grant/HOME Fund. To account for monies received from the Department of Housing & Urban Development and expended for programs and activities to benefit low-income residents / to account for funds received from the Federal government used to produce affordable housing and rehabilitate existing residential units.

Housing Authority Section 8 Fund. To account for monies received from the U.S. Department of Housing and Urban Development and expended for rental assistance to low income households within the Roseville and Rocklin areas.

Affordable Housing Fund. To account for monies received from property whose land use was changed from residential to commercial and from affordable housing agreements. These monies are then used to fund other affordable housing projects.

Park and Recreation Donation Fund. To account for donations and revenues received by Park and Recreation Facilities.

Forfeited Property Fund. To account for revenues received from confiscated property.

Storm Water Management Fund. To accumulate expenditures for future storm water mandates.

DEBT SERVICE FUND

Roseville Finance Authority Fund. To account for the accumulation of resources from lease payments and the payment of long-term debt incurred by the Finance Authority.

CAPITAL PROJECTS FUNDS

Building Fund. To account for approved capital projects within the city funded by various fees and sources.

General Capital Improvement Projects Rehabilitation Fund. To account for the approved rehabilitation of existing city property funded by the General Fund.

PERMANENT FUNDS

Roseville Aquatics Complex Maintenance Fund. A permanent fund established to account for contribution from the High School District. Only the interest earnings can be spent on helping maintain the Aquatics Complex.

Citizens Benefit Fund. A permanent fund established to account for the proceeds from the sale of any municipally owned Hospital and interest earnings expended for improving the quality of life for the citizens of the City of Roseville.

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CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
ASSETS					
Cash and investments in City Treasury	$1,966,879	$10,240,250	$653,658	$354,565	
Restricted cash and investments with fiscal agents					
Receivables:					
Accounts	153,708				$13,079
Accrued interest	13,250	198,117	22,583	2,074	
Due from other government agencies					107,772
Due from other funds					
Advances to other funds		3,900,000			
Deferred receivables					
Notes receivables			80,321		
Total Assets	$2,133,837	$14,338,367	$756,562	$356,639	$120,851
LIABILITIES					
Accounts payable	$121,294	$807,950		$406	
Accrued liabilities					$100
Due to other funds					120,751
Due to other government agencies					
Advances from other funds					
Deposits	7,000				
Deferred revenue			$33,978		
Deferred liabilities					
Current portion of compensated absences					
Total Liabilities	128,294	807,950	33,978	406	120,851
FUND BALANCES					
Reserved for:					
Advances		3,900,000			
Encumbrances	262,851	3,153,831			
Deferred receivables and notes receivable			46,343		
Debt service					
Unreserved:					
Designated for carryover of capital improvement projects					
Undesignated	1,742,692	6,476,586	676,241	356,233	
TOTAL FUND BALANCES	2,005,543	13,530,417	722,584	356,233	
Total Liabilities and Fund Balances	$2,133,837	$14,338,367	$756,562	$356,639	$120,851

	SPECIAL REVENUE FUNDS						
	FEMA	Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Traffic Mitigation	Public Facilities	Park Development
ASSETS							
Cash and investments in City Treasury		$55,505	$206,650	$8,579,996	$25,088,908	$9,299,882	$24,637,801
Restricted cash and investments with fiscal agents							
Receivables:							
Accounts					85,229		
Accrued interest		326	1,800	55,896	145,069	53,924	144,892
Due from other government agencies					261,100		
Due from other funds							
Advances to other funds							
Deferred receivables				313,846	3,695,198	368,673	141,107
Notes receivables				27,110			
Total Assets		$55,831	$208,450	$8,976,848	$29,275,504	$9,722,479	$24,923,800
LIABILITIES							
Accounts payable				$15,692	$857,170		$123,722
Accrued liabilities							
Due to other funds					212,500		120,000
Due to other government agencies							
Advances from other funds					637,500		4,240,000
Deposits							
Deferred revenue			$98,100	339,678	3,771,964	$367,422	141,107
Deferred liabilities					43,085		153,210
Current portion of compensated absences							
Total Liabilities			98,100	355,370	5,522,219	367,422	4,778,039
FUND BALANCES							
Reserved for:							
Advances							
Encumbrances				226,651	26,482		13,973
Deferred receivables and notes receivable							
Debt service							
Unreserved:							
Designated for carryover of capital improvement projects							
Undesignated		$55,831	110,350	8,394,827	23,726,803	9,355,057	20,131,788
TOTAL FUND BALANCES		55,831	110,350	8,621,478	23,753,285	9,355,057	20,145,761
Total Liabilities and Fund Balances		$55,831	$208,450	$8,976,848	$29,275,504	$9,722,479	$24,923,800

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	Pleasant Grove Drain Basin	Tree Propagation	Community Development Block Grant/HOME	Housing Authority Section 8	Affordable Housing
ASSETS					
Cash and investments in City Treasury	$11,874,986	$3,643,476	$58,717	$165,174	$1,002,612
Restricted cash and investments with fiscal agents				85,146	
Receivables:					
Accounts			30,000	8,034	20,510
Accrued interest	69,718	21,161			39,666
Due from other government agencies			379,656	185,159	
Due from other funds					50,000
Advances to other funds					300,000
Deferred receivables	247,273				
Notes receivables			5,781,441		33,233
Total Assets	$12,191,977	$3,664,637	$6,249,814	$443,513	$1,446,021
LIABILITIES					
Accounts payable	$9,057	$13,456	$29,957	$18,654	
Accrued liabilities			20	128,687	
Due to other funds					
Due to other government agencies			5,781,441		
Advances from other funds					
Deposits					
Deferred revenue	247,273			7,234	$33,233
Deferred liabilities					
Current portion of compensated absences					
	256,330	13,456	5,811,418	154,575	33,233
FUND BALANCES					
Reserved for:					
Advances					300,000
Encumbrances	11,993		5,000		
Deferred receivables and notes receivable					
Debt service					
Unreserved:					
Designated for carryover of capital improvement projects					
Undesignated	11,923,654	3,651,181	433,396	288,938	1,112,788
TOTAL FUND BALANCES	11,935,647	3,651,181	438,396	288,938	1,412,788
Total Liabilities and Fund Balances	$12,191,977	$3,664,637	$6,249,814	$443,513	$1,446,021

	SPECIAL REVENUE FUNDS			DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		PERMANENT FUND
	Park and Recreation Donation	Forfeited Property	Storm Water Management	Roseville Finance Authority	Building	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance
ASSETS							
Cash and investments in City Treasury	$229,892	$25,982	$249,409		$4,244,071	$15,224,146	$588,382
Restricted cash and investments with fiscal agents				$1,341,650			
Receivables:							
Accounts							
Accrued interest	1,342	224	1,537	28,037	24,932	73,351	11,349
Due from other government agencies		606					
Due from other funds							
Advances to other funds							
Deferred receivables							
Notes receivables							
Total Assets	$231,234	$26,812	$250,946	$1,369,687	$4,269,003	$15,297,497	$599,731
LIABILITIES							
Accounts payable			$3,729		$18,733		
Accrued liabilities			5,764				
Due to other funds							
Due to other government agencies							
Advances from other funds							
Deposits							$600,000
Deferred revenue							
Deferred liabilities							
Current portion of compensated absences			2,269				
			11,762		18,733		600,000
FUND BALANCES							
Reserved for:							
Advances							
Encumbrances			121,540		25,519		
Deferred receivables and notes receivable							
Debt service				$1,369,687			
Unreserved:							
Designated for carryover of capital improvement projects					4,224,751	$15,297,497	
Undesignated	$231,234	$26,812	$117,644				(269)
TOTAL FUND BALANCES	231,234	26,812	239,184	1,369,687	4,250,270	15,297,497	(269)
Total Liabilities and Fund Balances	$231,234	$26,812	$250,946	$1,369,687	$4,269,003	$15,297,497	$599,731

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2004

	PERMANENT FUND	
	Citizens Benefit	Total Nonmajor Governmental Funds
ASSETS		
Cash and investments in City Treasury	$14,728,585	$133,119,526
Restricted cash and investments with fiscal agents	910,662	2,337,458
Receivables:		
Accounts		310,560
Accrued interest	87,249	996,497
Due from other government agencies		934,293
Due from other funds		50,000
Advances to other funds		4,200,000
Deferred receivables		4,766,097
Notes receivables		5,922,105
Total Assets	$15,726,496	$152,636,536
LIABILITIES		
Accounts payable	$846	$2,020,666
Accrued liabilities		134,571
Due to other funds		453,251
Due to other government agencies		5,781,441
Advances from other funds		4,877,500
Deposits		607,000
Deferred revenue		5,039,989
Deferred liabilities		196,295
Current portion of compensated absences		2,269
Total Liabilities	846	19,112,982
FUND BALANCES		
Reserved for:		
Advances		4,200,000
Encumbrances		3,847,840
Deferred receivables and notes receivable		46,343
Debt service		1,369,687
Unreserved:		
Designated for carryover of capital improvement projects		19,522,248
Undesignated	15,725,650	104,537,436
TOTAL FUND BALANCES	15,725,650	133,523,554
Total Liabilities and Fund Balances	$15,726,496	$152,636,536

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CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS				
	Lighting and Landscape and Service Districts	State Gasoline Tax	Home Improvement	California Library Services	Traffic Safety
REVENUES					
Taxes	$1,947,630				
Charges for services				$57,932	
Subventions and grants		$1,800,885			
Use of money and property	2,326	149,137	$3,439	7,400	
Fines, forfeitures and penalties					$794,528
Contributions from property owners					
Contributions from developers					
Miscellaneous revenues	8,934		10,000	21,420	
Total Revenues	1,958,890	1,950,022	13,439	86,752	794,528
EXPENDITURES					
Current:					
General government					
Community development and planning					
Public Works					
Library				481	
Parks and recreation	1,567,848				
Housing assistance payments					
Capital outlay		2,215,827			
Debt service					
Principal retirement					
Interest and fiscal charges					
Total Expenditures	1,567,848	2,215,827		481	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	391,042	(265,805)	13,439	86,271	794,528
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt issue					
Bond issuance premium					
Payment to refunded bond escrow agent					
Transfers in		2,031,098			
Transfers (out)		(189,931)	(480)	(56,410)	(794,528)
Total Other Financing Sources (Uses)		1,841,167	(480)	(56,410)	(794,528)
Net change in fund balances	391,042	1,575,362	12,959	29,861	
Fund balances at the beginning of the period	1,614,501	11,955,055	709,625	326,372	
Fund balances at the end of period	$2,005,543	$13,530,417	$722,584	$356,233	

	SPECIAL REVENUE FUNDS						
	FEMA	Trench Cut Recovery Fund	Law Enforcement Block Grants	Fire Facilities	Traffic Mitigation	Public Facilities	Park Development
REVENUES							
Taxes				$2,282,211			
Charges for services					$8,829,827	$2,297,503	$4,258,917
Subventions and grants			$189,477	$23,068	439,798		
Use of money and property		$195	(4,069)	49,276	994,929	51,091	142,973
Fines, forfeitures and penalties							
Contributions from property owners							
Contributions from developers							
Miscellaneous revenues		27,215		92,772	166,809		18,641
Total Revenues		27,410	185,408	2,447,327	10,431,363	2,348,594	4,420,531
EXPENDITURES							
Current:							
General government							
Community development and planning							
Public Works							
Library							
Parks and recreation							228,149
Housing assistance payments							
Capital outlay				789,911	3,451,358		2,057,436
Debt service							
Principal retirement							
Interest and fiscal charges							
Total Expenditures				789,911	3,451,358		2,285,585
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		27,410	185,408	1,657,416	6,980,005	2,348,594	2,134,946
OTHER FINANCING SOURCES (USES)							
Proceeds from long-term debt issue							
Bond issuance premium							
Payment to refunded bond escrow agent							
Transfers in					1,138		
Transfers (out)	($159,645)		(103,352)	(1,374,116)	(118,783)	(53,319)	(18,620)
Total Other Financing Sources (Uses)	(159,645)		(103,352)	(1,374,116)	(117,645)	(53,319)	(18,620)
Net change in fund balances	(159,645)	27,410	82,056	283,300	6,862,360	2,295,275	2,116,326
Fund balances at the beginning of the period	159,645	28,421	28,294	8,338,178	16,890,925	7,059,782	18,029,435
Fund balances at the end of period		$55,831	$110,350	$8,621,478	$23,753,285	$9,355,057	$20,145,761

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	SPECIAL REVENUE FUNDS								DEBT SERVICE FUND	CAPITAL PROJECTS FUNDS		PERMANENT FUND
	Pleasant Grove Drain Basin	Tree Propagation	Community Development Block Grant/HOME	Housing Authority Section 8	Affordable Housing	Park and Recreation Donation	Forfeited Property	Storm Water Management	Roseville Finance Authority	Building	General Capital Improvement Projects Rehabilitation	Roseville Aquatics Complex Maintenance
REVENUES												
Taxes												
Charges for services	$945,890	$217,610										
Subventions and grants			$1,849,129	$3,575,637								
Use of money and property	61,698	19,262	6,210	7,500	$16,194	$1,188	$265	$1,763	$35,410	$22,148	$67,743	($7,397)
Fines, forfeitures and penalties												
Contributions from property owners			6,500									
Contributions from developers					586,586							
Miscellaneous revenues			1,496,417	8,314	140,000	37,564	12,573			1,000		
Total Revenues	1,007,588	236,872	3,358,256	3,591,451	742,780	38,752	12,838	1,763	35,410	23,148	67,743	(7,397)
EXPENDITURES												
Current:												
General government									846,777			
Community development and planning		34,171	2,885,970	368,877	33,232							
Public Works								101,259				
Library												
Parks and recreation						3,382						
Housing assistance payments				3,127,150								
Capital outlay	612,404		638,139							226,428		
Debt service												
Principal retirement									675,000			
Interest and fiscal charges									850,641			
Total Expenditures	612,404	34,171	3,524,109	3,496,027	33,232	3,382		101,259	2,372,418	226,428		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	395,184	202,701	(165,853)	95,424	709,548	35,370	12,838	(99,496)	(2,337,008)	(203,280)	67,743	(7,397)
OTHER FINANCING SOURCES (USES)												
Proceeds from long-term debt issue									18,275,000			
Bond issuance premium									351,119			
Payment to refunded bond escrow agent									(18,080,000)			
Transfers in			193,395					339,790	1,514,316	187,429	5,513,172	
Transfers (out)	(33,460)	(3,340)		(57,640)	(170)		(12,600)			(26,720)	(967,047)	
Total Other Financing Sources (Uses)	(33,460)	(3,340)	193,395	(57,640)	(170)		(12,600)	339,790	2,060,435	160,709	4,546,125	
Net change in fund balances	361,724	199,361	27,542	37,784	709,378	35,370	238	240,294	(276,573)	(42,571)	4,613,868	(7,397)
Fund balances at the beginning of the period	11,573,923	3,451,820	410,854	251,154	703,410	195,864	26,574	(1,110)	1,646,260	4,292,841	10,683,629	7,128
Fund balances at the end of period	$11,935,647	$3,651,181	$438,396	$288,938	$1,412,788	$231,234	$26,812	$239,184	$1,369,687	$4,250,270	$15,297,497	($269)

(Continued)

CITY OF ROSEVILLE
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2004

	PERMANENT FUND	
	Citizens Benefit	Total Nonmajor Governmental Funds
REVENUES		
Taxes		$4,229,841
Charges for services		16,607,679
Subventions and grants		7,877,994
Use of money and property	$97,520	1,726,201
Fines, forfeitures and penalties		794,528
Contributions from property owners		6,500
Contributions from developers		586,586
Miscellaneous revenues	20,991	2,062,650
Total Revenues	118,511	33,891,979
EXPENDITURES		
Current:		
General government	447,210	1,293,987
Community development and planning		3,322,250
Public Works		101,259
Library		481
Parks and recreation		1,799,379
Housing assistance payments		3,127,150
Capital outlay		9,991,503
Debt service		
Principal retirement		675,000
Interest and fiscal charges		850,641
Total Expenditures	447,210	21,161,650
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(328,699)	12,730,329
OTHER FINANCING SOURCES (USES)		
Proceeds from long-term debt issue		18,275,000
Bond issuance premium		351,119
Payment to refunded bond escrow agent		(18,080,000)
Transfers in		9,780,338
Transfers (out)		(3,970,161)
Total Other Financing Sources (Uses)		6,356,296
Net change in fund balances	(328,699)	19,086,625
Fund balances at the beginning of the period	16,054,349	114,436,929
Fund balances at the end of period	$15,725,650	$133,523,554

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CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	LIGHTING AND LANDSCAPE SERVICE DISTRICTS			STATE GASOLINE TAX		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	$1,639,581	$1,947,630	$308,049			
Charges for services						
Subventions and grants				$3,118,418	$1,800,885	($1,317,533)
Use of money and property	28,020	2,326	(25,694)	150,000	149,137	(863)
Fines, forfeitures and penalties						
Contributions from property owners						
Miscellaneous revenues		8,934	8,934			
Total Revenues	1,667,601	1,958,890	291,289	3,268,418	1,950,022	(1,318,396)
EXPENDITURES						
Current:						
General government						
Community development and planning						
Public works						
Library						
Parks and recreation	2,158,362	1,567,848	590,514			
Housing assistance payments						
Capital outlay				12,589,005	2,215,827	10,373,178
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	2,158,362	1,567,848	590,514	12,589,005	2,215,827	10,373,178
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(490,761)	391,042	881,803	(9,320,587)	(265,805)	9,054,782
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt issue						
Bond issuance premium						
Payment to refunded bond escrow agent						
Transfers in				2,344,994	2,031,098	(313,896)
Transfers (out)				(211,984)	(189,931)	22,053
Total Other Financing Sources (Uses)				2,133,010	1,841,167	(291,843)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($490,761)	391,042	$881,803	($7,187,577)	1,575,362	$8,762,939
Fund balances at beginning of year		1,614,501			11,955,055	
Fund balances at end of year		$2,005,543			$13,530,417	

	HOME IMPROVEMENT			CALIFORNIA LIBRARY SERVICES			TRAFFIC SAFETY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services					$57,932	$57,932			
Subventions and grants				76,000		(76,000)			
Use of money and property	$12,000	$3,439	($8,561)	3,500	7,400	3,900			
Fines, forfeitures and penalties							$350,500	$794,528	$444,028
Contributions from property owners									
Miscellaneous revenues		10,000	10,000	100	21,420	21,320	100		(100)
Total Revenues	12,000	13,439	1,439	79,600	86,752	7,152	350,600	794,528	443,928
EXPENDITURES									
Current:									
General government									
Community development and planning									
Public works									
Library				80,000	481	79,519			
Parks and recreation									
Housing assistance payments									
Capital outlay									
Debt service									
Principal retirement									
Interest and fiscal charges									
Total Expenditures				80,000	481	79,519			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,000	13,439	1,439	(400)	86,271	86,671	350,600	794,528	443,928
OTHER FINANCING SOURCES (USES)									
Proceeds from long-term debt issue									
Bond issuance premium									
Payment to refunded bond escrow agent									
Transfers in									
Transfers (out)	(480)	(480)		(204,870)	(56,410)	148,460	(350,600)	(794,528)	(443,928)
Total Other Financing Sources (Uses)	(480)	(480)		(204,870)	(56,410)	148,460	(350,600)	(794,528)	(443,928)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	$11,520	12,959	$1,439	($205,270)	29,861	$235,131			
Fund balances at beginning of year		709,625			326,372				
Fund balances at end of year		$722,584			$356,233				

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	LAW ENFORCEMENT BLOCK GRANTS			FIRE FACILITIES		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes				$3,000,000	$2,282,211	($717,789)
Charges for services						
Subventions and grants	$62,000	$189,477	$127,477	36,750	23,068	(13,682)
Use of money and property	8,000	(4,069)	(12,069)	210,220	49,276	(160,944)
Fines, forfeitures and penalties						
Contributions from property owners						
Miscellaneous revenues				4,500	92,772	88,272
Total Revenues	70,000	185,408	115,408	3,251,470	2,447,327	(804,143)
EXPENDITURES						
Current:						
General government						
Community development and planning						
Public works						
Library						
Parks and recreation						
Housing assistance payments						
Capital outlay				1,081,684	789,911	291,773
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures				1,081,684	789,911	291,773
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	70,000	185,408	115,408	2,169,786	1,657,416	(512,370)
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt issue						
Bond issuance premium						
Payment to refunded bond escrow agent						
Transfers in						
Transfers (out)	(147,663)	(103,352)	44,311	(5,865,898)	(1,374,116)	4,491,782
Total Other Financing Sources (Uses)	(147,663)	(103,352)	44,311	(5,865,898)	(1,374,116)	4,491,782
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($77,663)	82,056	$159,719	($3,696,112)	283,300	$3,979,412
Fund balances at beginning of year		28,294			8,338,178	
Fund balances at end of year		$110,350			$8,621,478	

	TRAFFIC MITIGATION			PUBLIC FACILITIES			PARK DEVELOPMENT		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services	$11,000,000	$8,829,827	($2,170,173)	$2,500,000	$2,297,503	($202,497)	$4,432,750	$4,258,917	($173,833)
Subventions and grants	12,931,729	439,798	(12,491,931)				46,500		(46,500)
Use of money and property	323,460	994,929	671,469	150,070	51,091	(98,979)	497,900	142,973	(354,927)
Fines, forfeitures and penalties									
Contributions from property owners									
Miscellaneous revenues		166,809	166,809				11,000	18,641	7,641
Total Revenues	24,255,189	10,431,363	(13,823,826)	2,650,070	2,348,594	(301,476)	4,988,150	4,420,531	(567,619)
EXPENDITURES									
Current:									
General government									
Community development and planning									
Public works									
Library									
Parks and recreation							877,800	228,149	649,651
Housing assistance payments									
Capital outlay	38,707,368	3,451,358	35,256,010				6,787,978	2,057,436	4,730,542
Debt service									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	38,707,368	3,451,358	35,256,010				7,665,778	2,285,585	5,380,193
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(14,452,179)	6,980,005	21,432,184	2,650,070	2,348,594	(301,476)	(2,677,628)	2,134,946	4,812,574
OTHER FINANCING SOURCES (USES)									
Proceeds from long-term debt issue									
Bond issuance premium									
Payment to refunded bond escrow agent									
Transfers in	20,000	1,138	(18,862)				522,528		(522,528)
Transfers (out)	(48,440)	(118,783)	(70,343)	(6,412,625)	(53,319)	6,359,306	(5,027,148)	(18,620)	5,008,528
Total Other Financing Sources (Uses)	(28,440)	(117,645)	(89,205)	(6,412,625)	(53,319)	6,359,306	(4,504,620)	(18,620)	4,486,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($14,480,619)	6,862,360	$21,342,979	($3,762,555)	2,295,275	$6,057,830	($7,182,248)	2,116,326	$9,298,574
Fund balances at beginning of year		16,890,925			7,059,782			18,029,435	
Fund balances at end of year		$23,753,285			$9,355,057			$20,145,761	

(Continued)

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CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	PLEASANT GROVE DRAIN BASIN			TREE PROPAGATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes						
Charges for services	$735,000	$945,890	$210,890	$165,000	$217,610	$52,610
Subventions and grants						
Use of money and property	300,000	61,698	(238,302)	75,000	19,262	(55,738)
Fines, forfeitures and penalties						
Contributions from property owners						
Miscellaneous revenues						
Total Revenues	1,035,000	1,007,588	(27,412)	240,000	236,872	(3,128)
EXPENDITURES						
Current:						
General government						
Community development and planning				236,006	34,171	201,835
Public works						
Library						
Parks and recreation						
Housing assistance payments						
Capital outlay	9,874,717	612,404	9,262,313			
Debt service						
Principal retirement						
Interest and fiscal charges						
Total Expenditures	9,874,717	612,404	9,262,313	236,006	34,171	201,835
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,839,717)	395,184	9,234,901	3,994	202,701	198,707
OTHER FINANCING SOURCES (USES)						
Proceeds from long-term debt issue						
Bond issuance premium						
Payment to refunded bond escrow agent						
Transfers in						
Transfers (out)	(33,460)	(33,460)			(3,340)	(3,340)
Total Other Financing Sources (Uses)	(33,460)	(33,460)			(3,340)	(3,340)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($8,873,177)	361,724	$9,234,901	$3,994	199,361	$195,367
Fund balances at beginning of year		11,573,923			3,451,820	
Fund balances at end of year		$11,935,647			$3,651,181	

	COMMUNITY DEVELOPMENT BLOCK GRANT/ HOME			HOUSING AUTHORITY SECTION 8			ROSEVILLE FINANCE AUTHORITY		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services									
Subventions and grants	$1,784,689	$1,849,129	$64,440	$3,112,421	$3,575,637	$463,216			
Use of money and property		6,210	6,210	1,200	7,500	6,300	$1,664,000	$35,410	($1,628,590)
Fines, forfeitures and penalties									
Contributions from property owners		6,500	6,500						
Miscellaneous revenues		1,496,417	1,496,417	5,600	8,314	2,714			
Total Revenues	1,784,689	3,358,256	1,573,567	3,119,221	3,591,451	472,230	1,664,000	35,410	(1,628,590)
EXPENDITURES									
Current:									
General government								846,777	(846,777)
Community development and planning	2,630,719	2,885,970	(255,251)	467,669	368,877	98,792			
Public works									
Library									
Parks and recreation									
Housing assistance payments				2,926,824	3,127,150	(200,326)			
Capital outlay	674,889	638,139	36,750						
Debt service									
Principal retirement							675,000	675,000	
Interest and fiscal charges							913,000	850,641	62,359
Total Expenditures	3,305,608	3,524,109	(218,501)	3,394,493	3,496,027	(101,534)	1,588,000	2,372,418	(784,418)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,520,919)	(165,853)	1,355,066	(275,272)	95,424	370,696	76,000	(2,337,008)	(2,413,008)
OTHER FINANCING SOURCES (USES)									
Proceeds from long-term debt issue								18,275,000	18,275,000
Bond issuance premium								351,119	351,119
Payment to refunded bond escrow agent								(18,080,000)	(18,080,000)
Transfers in	197,402	193,395	(4,007)					1,514,316	1,514,316
Transfers (out)					(57,640)	(57,640)			
Total Other Financing Sources (Uses)	197,402	193,395	(4,007)		(57,640)	(57,640)		2,060,435	2,060,435
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($1,323,517)	27,542	$1,351,059	($275,272)	37,784	$313,056	$76,000	(276,573)	($352,573)
Fund balances at beginning of year		410,854			251,154			1,646,260	
Fund balances at end of year		$438,396			$288,938			$1,369,687	

(Continued)

CITY OF ROSEVILLE
BUDGETED NON-MAJOR FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	BUILDING			GENERAL CAPITAL IMPROVEMENT PROJECTS REHABILITATION			CITIZEN BENEFITS		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES									
Taxes									
Charges for services									
Subventions and grants									
Use of money and property	$100,000	$22,148	($77,852)	$200,000	$67,743	($132,257)	$481,000	$97,520	($383,480)
Fines, forfeitures and penalties									
Contributions from property owners									
Miscellaneous revenues		1,000	1,000					20,991	20,991
Total Revenues	100,000	23,148	(76,852)	200,000	67,743	(132,257)	481,000	118,511	(362,489)
EXPENDITURES									
Current:									
General government								447,210	(447,210)
Community development and planning									
Public works									
Library									
Parks and recreation									
Housing assistance payments									
Capital outlay	17,051,410	226,428	16,824,982						
Debt service									
Principal retirement									
Interest and fiscal charges									
Total Expenditures	17,051,410	226,428	16,824,982					447,210	(447,210)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,951,410)	(203,280)	16,748,130	200,000	67,743	(132,257)	481,000	(328,699)	(809,699)
OTHER FINANCING SOURCES (USES)									
Proceeds from long-term debt issue									
Bond issuance premium									
Payment to refunded bond escrow agent									
Transfers in	16,702,297	187,429	(16,514,868)	5,555,519	5,513,172	(42,347)			
Transfers (out)	(26,720)	(26,720)		(2,576,124)	(967,047)	1,609,077			
Total Other Financing Sources (Uses)	16,675,577	160,709	(16,514,868)	2,979,395	4,546,125	1,566,730			
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	($275,833)	(42,571)	$233,262	$3,179,395	4,613,868	$1,434,473	$481,000	(328,699)	($809,699)
Fund balances at beginning of year		4,292,841			10,683,629			16,054,349	
Fund balances at end of year		$4,250,270			$15,297,497			$15,725,650	

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INTERNAL SERVICE FUNDS

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund financial statements, including the funds below.

Automotive Services Fund. To account for the maintenance of vehicles used by City departments. Funds are received by means of a rental fee charged to the various departments.

Automotive Replacement Fund. To accumulate resources and account for the purchase of vehicles used by City departments. The source of revenue for this fund is replacement fees charged to city vehicles.

Workers Compensation Fund. To account for the City's self-insurance program for Workers' Compensation benefits and for the administration of various preventative programs.

General Liability Fund. To account for the cost of claims and administrative costs of the City's self-insured general liability program.

Unemployment Reserve Fund. To account for State and Federal mandated unemployment insurance benefits for employees.

Vision Fund. To account for the City's insurance program for Vision benefits.

Dental Fund. To account for the City's insurance program for Dental benefits.

Section 125 Fund. To account for the assets and liabilities of the employer's flexible benefits plan established under Internal Revenue Code Section 125.

Post Retirement Fund. To account for the contributions and benefits paid in relation to accrued employee retirement compensation.

Central Stores Fund. To account for stores inventory that gets allocated out at year-end to the General Fund and Enterprise Funds.

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CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2004

	Automotive Services	Automotive Replacement	Self Insurance Funds		Self Insurance Funds					Central Stores	Total
			Worker's Compensation	General Liability	Unemployment Reserve	Vision	Dental	Section 125	Post Retirement		
ASSETS											
Current Assets											
Cash and investments in City Treasury	$461	$8,463,185	$6,283,449	$7,265,845	$93,836	$249,628	$404,704	$26,175	$17,166,454	$155,617	$40,109,354
Restricted cash and investments with fiscal agents			32,369	40,000							72,369
Receivables:											
Accounts	11,737	12,475	40,944							12,359	77,515
Accrued interest		974,382	37,022	41,831	538	1,489	2,359	150	83,148		1,140,919
Due from other funds		642,328									642,328
Inventories	478,943										478,943
Total Current Assets	491,141	10,092,370	6,393,784	7,347,676	94,374	251,117	407,063	26,325	17,249,602	167,976	42,521,428
Non Current Assets											
Advances to other funds		5,659,701									5,659,701
Capital assets, net of accumulated depreciation	5,948	13,258,899	1,874								13,266,721
Total Assets	497,089	29,010,970	6,395,658	7,347,676	94,374	251,117	407,063	26,325	17,249,602	167,976	61,447,850
LIABILITIES											
Current Liabilities											
Accounts payable	116,233	230,515	21,004	24,131	17,597		56,000	12,777		135,887	614,144
Accrued liabilities	78,866										78,866
Due to other funds	453,395										453,395
Compensated absences	168,194										168,194
Self-insurance claims payable			5,118,000	1,835,000							6,953,000
Total Current Liabilities	816,688	230,515	5,139,004	1,859,131	17,597		56,000	12,777		135,887	8,267,599
Long-term Liabilities											
Compensated absences	134,494										134,494
Total Liabilities	951,182	230,515	5,139,004	1,859,131	17,597		56,000	12,777		135,887	8,402,093
NET ASSETS											
Invested in capital assets	5,948	13,258,899	1,874								13,266,721
Unrestricted	(460,041)	15,521,556	1,254,780	5,488,545	76,777	251,117	351,063	13,548	17,249,602	32,089	39,779,036
Total Net Assets	($454,093)	$28,780,455	$1,256,654	$5,488,545	$76,777	$251,117	$351,063	$13,548	$17,249,602	$32,089	$53,045,757

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CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
JUNE 30, 2004

	Automotive Services	Automotive Replacement	Self Insurance Funds: Worker's Compensation	Self Insurance Funds: General Liability	Self Insurance Funds: Unemployment Reserve	Self Insurance Funds: Vision	Self Insurance Funds: Dental	Self Insurance Funds: Section 125	Self Insurance Funds: Post Retirement	Central Stores	Total
OPERATING REVENUES											
Charges for services	$4,461,192	$4,023,689	$2,374,050	$1,895,250	$77,534	$112,911	$1,002,758	$281,918	$1,685,989		$15,915,291
Other	82,920		245,936	289,080							617,936
Total Operating Revenues	4,544,112	4,023,689	2,619,986	2,184,330	77,534	112,911	1,002,758	281,918	1,685,989		16,533,227
OPERATING EXPENSES											
Operations	3,926,142	24,287	1,528,620	736,023	81,866	100,610	995,163	284,437	266,695		7,943,843
Depreciation and amortization	5,497	3,498,405	5,452								3,509,354
Claims expense			1,489,458	1,355,555							2,845,013
Total Operating Expenses	3,931,639	3,522,692	3,023,530	2,091,578	81,866	100,610	995,163	284,437	266,695		14,298,210
Operating Income (Loss)	612,473	500,997	(403,544)	92,752	(4,332)	12,301	7,595	(2,519)	1,419,294		2,235,017
NONOPERATING (EXPENSES)											
Interest revenue		114,524	31,156	36,217	660	1,387	2,231	258	33,181		219,614
Other		215,576									215,576
Net Nonoperating Revenues (Expenses)		330,100	31,156	36,217	660	1,387	2,231	258	33,181		435,190
Income (Loss) Before Contributions and Transfers	612,473	831,097	(372,388)	128,969	(3,672)	13,688	9,826	(2,261)	1,452,475		2,670,207
Contributions		9,125									9,125
Transfers in		1,033,740							11,193,085		12,226,825
Transfers (out)	(809,480)	(153,620)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)		(1,012,100)
Change in Net Assets	(197,007)	1,720,342	(379,388)	121,969	(10,672)	6,688	2,826	(9,261)	12,638,560		13,894,057
Net assets (deficit)-beginning	(257,086)	27,060,113	1,636,042	5,366,576	87,449	244,429	348,237	22,809	4,611,042	$32,089	39,151,700
Net assets (deficit)-ending	($454,093)	$28,780,455	$1,256,654	$5,488,545	$76,777	$251,117	$351,063	$13,548	$17,249,602	$32,089	$53,045,757

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CITY OF ROSEVILLE
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

			Self Insurance Funds								
	Automotive Services	Automotive Replacement	Worker's Compensation	General Liability	Unemployment Reserve	Vision	Dental	Section 125	Post Retirement	Central Stores	Total
CASH FLOWS FROM OPERATING ACTIVITIES											
Receipts from customers	$4,489,151	$4,053,817	$2,333,106	$1,895,250	$77,534	$112,911	$1,002,758	$281,918	$1,685,989	($12,359)	$15,920,075
Payments to suppliers	(2,097,251)	183,811	(1,642,353)	(738,309)	(82,213)	(100,610)	(991,743)	(279,242)	6,998	71,662	(5,669,250)
Payments to employees	(1,727,007)								(309,468)		(2,036,475)
Claims paid			(732,458)	(692,555)							(1,425,013)
Other receipts (payments)	82,920		245,936	289,080							617,936
Net cash provided by operating activities	747,813	4,237,628	204,231	753,466	(4,679)	12,301	11,015	2,676	1,383,519	59,303	7,407,273
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES											
(Increase) decrease in due from other funds		158,939									158,939
Increase (decrease) in due to other funds	62,128										62,128
(Increase) decrease in advances to other funds		642,328									642,328
Transfers in		1,033,740							11,193,085		12,226,825
Transfers (out)	(809,480)	(153,620)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)		(1,012,100)
Cash Flows from Noncapital Financing Activities	(747,352)	1,681,387	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	(7,000)	11,186,085		12,078,120
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		6,486,260									
Acquisition of capital assets		(3,045,530)									(3,045,530)
Proceeds from sale of assets		4,501									4,501
Other		211,075									211,075
Contributions		9,125									9,125
Cash Flows from Capital and Related Financing Activities		(2,820,829)									(2,820,829)
CASH FLOWS FROM INVESTING ACTIVITIES											
Interest and dividends		45,691	28,856	31,647	727	1,329	2,247	290	(23,385)		87,402
Cash Flows from Investing Activities		45,691	28,856	31,647	727	1,329	2,247	290	(23,385)		87,402
Net increase (decrease) in cash and cash equivalents	461	3,143,877	226,087	778,113	(10,952)	6,630	6,262	(4,034)	12,546,219	59,303	16,751,966
Cash and investments at beginning of period		5,319,308	6,089,731	6,527,732	104,788	242,998	398,442	30,209	4,620,235	96,314	23,429,757
Cash and investments at end of period	$461	$8,463,185	$6,315,818	$7,305,845	$93,836	$249,628	$404,704	$26,175	$17,166,454	$155,617	$40,181,723
NONCASH TRANSACTIONS:											
Loss on retirement of capital assets											
Reconciliation of operating income (loss) to net cash provided by operating activities:											
Operating income (loss)	$612,473	$500,997	($403,544)	$92,752	($4,332)	$12,301	$7,595	($2,519)	$1,419,294		$2,235,017
Adjustments to reconcile operating income to net cash provided by operating activities:											
Depreciation	5,497	3,498,405	5,452								3,509,354
Change in assets and liabilities:											
Receivables, net	9,163	30,128	(40,944)							($12,359)	(14,012)
Accounts and other payables	120,680	208,098	643,267	660,714	(347)		3,420	5,195	(35,775)	71,662	1,676,914
Net cash provided by operating activities	$747,813	$4,237,628	$204,231	$753,466	($4,679)	$12,301	$11,015	$2,676	$1,383,519	$59,303	$7,407,273

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AGENCY FUNDS

AGENCY FUNDS

Agency Funds account for assets held by the City as an agent for individuals, governmental entities, and non-public organizations. These funds include the following:

Special Assessments/Community Facility Districts (CFDs)

These funds account for the monies collected and disbursed for land-based debt, where the City is not obligated for the debt.

Payroll Revolving Fund

This fund accounts for the payroll deductions and contributions that are held in transit.

Highway 65 JPA (Bizz Johnson JPA)

This JPA, which consists of the City, City of Rocklin and Placer County, was formed to fund interchanges off of Highway 65. The City acts as lead agency and treasurer. The fees are collected via building permits.

Dry Creek Drainage Basin

Fees are collected via building permits for the Dry Creek area and submitted quarterly to Placer County for drainage mitigation.

Disaster Recovery JPA (DRJPA)

The DRJPA was formed to provide disaster recovery for computer services. The members are the City, Yolo County of Education, City of West Sacramento, City of Alameda and Yolo County. The City of Woodland pays just for services (non-voting member). The City is acting as lead agency and treasurer. The agencies pay annual membership dues for maintenance of backup computer servers and capital outlay.

County Capital Facilities Fee

This fee was established by the County to fund future county capital facilities from development. It is collected via building permits and submitted quarterly to the County.

South Placer Wastewater Authority (SPWA)

SPWA is a Joint Powers Authority comprised of the City, Placer County and South Placer Public Utilities District. The City is acting as the treasurer and construction manager. This JPA was formed to issue debt to facilitate the construction of the regional wastewater infrastructure. The agencies collect regional wastewater connection fees and submit them to SPWA which is used for debt service payments and for the future expansion of facilities.

AGENCY FUNDS (Continued)

NCRCFD School Fees

Fees are collected for the school district from the North Central Roseville CFD area via the City's building permit process.

Special Sewer Benefit Area #4

This Sewer Special Benefit Area was established to reimburse from properties benefiting from certain sewer infrastructure and oversized pipelines in the southeast portion of the City. The reimbursements are made to Southfork Partnership.

South Placer County Tourism Business Improvement District (SPCTBID)

All hotels in the region are assessed fees for the purpose of promoting tourism in the area. These fees are forwarded to the City quarterly and then submitted quarterly to the SPCTBID.

South Placer County Safe Kids Coalition

The fess are collected for and submitted to an organization in Placer County for child safety programs.

South Placer Regional Traffic Fee

This fee is collected via building permits and submitted quarterly to Placer County Transportation Authority to fund regional traffic mitigation.

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CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Foothills Boulevard				
Cash and investments in City Treasury	$15,839	$15,839	$15,839	$15,839
Due to bondholders	$15,839	$15,839	$15,839	$15,839
Hilltop				
Cash and investments in City Treasury	$1,139	$1,015	$1,139	$1,015
Accrued interest receivable	150		150	
Total Assets	$1,289	$1,015	$1,289	$1,015
Due to bondholders	$1,289	$1,015	$1,289	$1,015
North Roseville/Rocklin Sewer				
Cash and investments in City Treasury	$431,329	$490,788	$431,329	$490,788
Accrued interest receivable	1,500	1,497	1,500	1,497
Total Assets	$432,829	$492,285	$432,829	$492,285
Accounts payable		$56		$56
Due to bondholders	$432,829	492,229	$432,829	492,229
Total Liabilities	$432,829	$492,285	$432,829	$492,285
Rocky Ridge/Harding				
Cash and investments in City Treasury	$519,758	$561,062	$519,758	$561,062
Accrued interest receivable	1,294	1,291	1,294	1,291
Total Assets	$521,052	$562,353	$521,052	$562,353
Accounts payable		$71		$71
Due to bondholders	$521,052	562,282	$521,052	562,282
Total Liabilities	$521,052	$562,353	$521,052	$562,353
Champion Oaks				
Cash and investments in City Treasury	$19,286	$1		$19,287
Due to bondholders	$19,286	$1		$19,287

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	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Foothills Boulevard Extension				
Cash and investments in City Treasury	$1,074,190	$1,197,486	$1,074,190	$1,197,486
Accrued interest receivable	3,960	3,953	3,960	3,953
Total Assets	$1,078,150	$1,201,439	$1,078,150	$1,201,439
Accounts payable		$36		$36
Due to bondholders	$1,078,150	1,201,403	$1,078,150	1,201,403
Total Liabilities	$1,078,150	$1,201,439	$1,078,150	$1,201,439
Northeast Roseville Community Facilities District #1				
Cash and investments in City Treasury	$2,418,090	$2,319,776	$2,418,090	$2,319,776
Restricted cash and investments with fiscal agents	1,117,375	1,110,662	1,117,375	1,110,662
Accrued interest receivable	19,936	18,957	19,936	18,957
Total Assets	$3,555,401	$3,449,395	$3,555,401	$3,449,395
Accounts payable	$1,384	$1,466	$1,384	$1,466
Due to bondholders	3,554,017	$3,447,929	3,554,017	3,447,929
Total Liabilities	$3,555,401	$3,449,395	$3,555,401	$3,449,395
Northwest Roseville Community Facilities District #1				
Cash and investments in City Treasury	$1,740,866	$1,994,262	$1,740,866	$1,994,262
Restricted cash and investments with fiscal agents	2,390,548	2,378,660	2,390,548	2,378,660
Accrued interest receivable	59,236	10,683	59,236	10,683
Total Assets	$4,190,650	$4,383,605	$4,190,650	$4,383,605
Accounts payable	$3,364	$4,678	$3,364	$4,678
Due to bondholders	4,187,286	4,378,927	4,187,286	4,378,927
Total Liabilities	$4,190,650	$4,383,605	$4,190,650	$4,383,605
Stoneridge East Community Facilities District #1				
Cash and investments in City Treasury	$703,597	$629,630	$703,597	$629,630
Restricted cash and investments with fiscal agents	1,188,488	1,188,442	1,188,488	1,188,442
Accrued interest receivable	24,343	23,985	24,343	23,985
Total Assets	$1,916,428	$1,842,057	$1,916,428	$1,842,057
Accounts payable	$1,524	$4,210	$1,524	$4,210
Due to bondholders	1,914,904	1,837,847	1,914,904	1,837,847
Total Liabilities	$1,916,428	$1,842,057	$1,916,428	$1,842,057

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Northeast Roseville Community Facilities District #2				
Cash and investments in City Treasury	$790,955	$807,622	$790,955	$807,622
Restricted cash and investments with fiscal agents	1,108,548	1,101,673	1,108,548	1,101,673
Accrued interest receivable	4,811	9,796	4,811	9,796
Total Assets	$1,904,314	$1,919,091	$1,904,314	$1,919,091
Accounts payable	$1,383	$3,514	$1,383	$3,514
Due to bondholders	1,902,931	1,915,577	1,902,931	1,915,577
Total Liabilities	$1,904,314	$1,919,091	$1,904,314	$1,919,091
North Central Roseville Community Facilities District #1				
Cash and investments in City Treasury	$8,728,442	$8,899,179	$10,223,791	$7,403,830
Restricted cash and investments with fiscal agents	5,445,406	5,303,518	5,445,406	5,303,518
Accrued interest receivable	101,751	52,588	101,751	52,588
Total Assets	$14,275,599	$14,255,285	$15,770,948	$12,759,936
Accounts payable	$4,183	$6,534	$4,183	$6,534
Due to bondholders	14,271,416	14,248,751	15,766,765	12,753,402
Total Liabilities	$14,275,599	$14,255,285	$15,770,948	$12,759,936
North Roseville Community Facilities District #1				
Cash and investments in City Treasury	$1,011,418	$996,349	$1,011,418	$996,349
Restricted cash and investments with fiscal agents	1,548,258	1,537,685	1,548,258	1,537,685
Accrued interest receivable	18,843	16,269	18,843	16,269
Total Assets	$2,578,519	$2,550,303	$2,578,519	$2,550,303
Accounts payable	$3,021	$5,061	$3,021	$5,061
Due to bondholders	2,575,498	2,545,242	2,575,498	2,545,242
Total Liabilities	$2,578,519	$2,550,303	$2,578,519	$2,550,303
Woodcreek West Community Facilities District #1				
Cash and investments in City Treasury	$871,711	$858,658	$871,711	$858,658
Restricted cash and investments with fiscal agents	1,420,905	1,410,927	1,420,905	1,410,927
Accrued interest receivable	13,498	12,509	13,498	12,509
Total Assets	$2,306,114	$2,282,094	$2,306,114	$2,282,094
Accounts payable	$2,352	$5,042	$2,352	$5,042
Due to bondholders	2,303,762	2,277,052	2,303,762	2,277,052
Total Liabilities	$2,306,114	$2,282,094	$2,306,114	$2,282,094

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Highland Reserve North Community Facilities District #1				
Cash and investments in City Treasury	$2,191,384	$3,084,274	$2,191,384	$3,084,274
Restricted cash and investments with fiscal agents	2,710,241	2,691,667	2,710,241	2,691,667
Accrued interest receivable	26,485	24,573	26,485	24,573
Total Assets	$4,928,110	$5,800,514	$4,928,110	$5,800,514
Accounts payable	$1,886	$4,688	$1,886	$4,688
Due to bondholders	4,926,224	5,795,826	4,926,224	5,795,826
Total Liabilities	$4,928,110	$5,800,514	$4,928,110	$5,800,514
Stoneridge Parcel 1 Community Facilities District #1				
Cash and investments in City Treasury	$101,715	$98,668	$101,715	$98,668
Restricted cash and investments with fiscal agents	162,352	162,126	162,352	162,126
Accrued interest receivable	609	597	609	597
Total Assets	$264,676	$261,391	$264,676	$261,391
Accounts payable	$878	$2,955	$878	$2,955
Due to bondholders	263,798	258,436	263,798	258,436
Total Liabilities	$264,676	$261,391	$264,676	$261,391
Woodcreek East Community Facilities District #1				
Cash and investments in City Treasury	$362,812	$468,935	$362,812	$468,935
Restricted cash and investments with fiscal agents	441,484	438,526	441,484	438,526
Accrued interest receivable	4,618	4,739	4,618	4,739
Total Assets	$808,914	$912,200	$808,914	$912,200
Accounts payable	$1,255	$3,328	$1,255	$3,328
Due to bondholders	807,659	908,872	807,659	908,872
Total Liabilities	$808,914	$912,200	$808,914	$912,200
Stoneridge West Community Facilities District #1				
Cash and investments in City Treasury	$500,326	$546,764	$500,326	$546,764
Restricted cash and investments with fiscal agents	924,987	924,967	924,987	924,967
Accrued interest receivable	18,511	18,990	18,511	18,990
Total Assets	$1,443,824	$1,490,721	$1,443,824	$1,490,721
Accounts payable	$1,810	$3,972	$1,810	$3,972
Due to bondholders	1,442,014	1,486,749	1,442,014	1,486,749
Total Liabilities	$1,443,824	$1,490,721	$1,443,824	$1,490,721

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Crocker Ranch Community Facilities District #1				
Cash and investments in City Treasury	$356,549	$1,221,725	$356,549	$1,221,725
Restricted cash and investments with fiscal agents	1,781,016	1,422,461	1,781,016	1,422,461
Accrued Interest receivable	3,287	8,554	3,287	8,554
Total Assets	$2,140,852	$2,652,740	$2,140,852	$2,652,740
Accounts payable		$6,513		$6,513
Due to bondholders	$2,140,852	2,646,227	$2,140,852	$2,646,227
Total Liabilities	$2,140,852	$2,652,740	$2,140,852	$2,652,740
Stone Point Community Facilities District #1				
Cash and investments in City Treasury	$965,133	$930,209	$965,133	$930,209
Restricted cash and investments with fiscal agents	964,103	340,312	964,103	340,312
Accrued interest receivable	4,664	4,360	4,664	4,360
Total Assets	$1,933,900	$1,274,881	$1,933,900	$1,274,881
Accounts payable		$3,552		$3,552
Due to bondholders	$1,933,900	1,271,329	$1,933,900	1,271,329
Total Liabilities	$1,933,900	$1,274,881	$1,933,900	$1,274,881
Payroll Revolving				
Cash and investments in City Treasury	$1,303,663	$1,017,206	$1,303,663	$1,017,206
Accounts payable	$1,303,663	$1,017,206	$1,303,663	$1,017,206
Highway 65 JPA				
Cash and investments in City Treasury	$2,007,196	$5,687,488	$2,007,196	$5,687,488
Accrued interest receivable	11,744	33,116	11,744	33,116
Due from other government agencies	1,685,766	82,048	1,685,766	82,048
Total Assets	$3,704,706	$5,802,652	$3,704,706	$5,802,652
Due to member agencies	$3,704,706	$5,802,652	$3,704,706	$5,802,652
Dry Creek Drainage Basin				
Cash and investments in City Treasury	$127,015	$99,124	$127,015	$99,124
Accounts receivable	36	5	36	5
Accrued interest receivable	674	519	674	519
Deferred receivable	1,628	900	1,628	900
Total Assets	$129,353	$100,548	$129,353	$100,548
Accounts Payable	$84,769	$56,423	$84,769	$56,423
Accrued liabilities	52,757	53,113	52,757	53,113
Due to bondholders	(8,173)	(8,988)	(8,173)	(8,988)
Total Liabilities	$129,353	$100,548	$129,353	$100,548

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	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Disaster Recovery JPA				
Cash and investments in City Treasury	$53,750	$46,503	$53,750	$46,503
Accrued interest receivable	300	277	300	277
Due from other government agencies	16,000		16,000	
Total Assets	$70,050	$46,780	$70,050	$46,780
Accounts payable		$500		$500
Due to member agencies	$70,050	46,280	$70,050	46,280
Total Liabilities	$70,050	$46,780	$70,050	$46,780
County Capital Facilities Fee				
Cash and investments in City Treasury	$780,512	$630,644	$780,512	$630,644
Accrued interest receivable	19,004	3,119	19,004	3,119
Total Assets	$799,516	$633,763	$799,516	$633,763
Accounts payable	$717,623	$580,272	$717,623	$580,272
Due to others	81,893	53,491	81,893	53,491
Total Liabilities	$799,516	$633,763	$799,516	$633,763
South Placer Wastewater Authority				
Cash and investments in City Treasury	$129,753,884	$11,729,742	$6,356,203	$135,127,423
Restricted cash and investments with fiscal agents	48,374,662		8,273,496	40,101,166
Accounts receivable	16,750		9,781	6,969
Accrued interest receivable	658,858	649,499	658,858	649,499
Due from other government agencies	568,599	1,023,994	568,599	1,023,994
Deferred receivable	18,626		18,626	
Total Assets	$179,391,379	$13,403,235	$15,885,563	$176,909,051
Accounts payable	$2,368,495	$2,653,931	$2,368,495	$2,653,931
Accrued liabilities	889,755	133,676	889,755	133,676
Due to member agencies	176,133,129	10,615,628	12,627,313	174,121,444
Total Liabilities	$179,391,379	$13,403,235	$15,885,563	$176,909,051
North Central Roseville Community Facilities District School Fees				
Cash and investments in City Treasury	$190,241	$21,313	$190,241	$21,313
Accrued interest receivable	1,068	125	1,068	125
Total Assets	$191,309	$21,438	$191,309	$21,438
Accounts payable	$187,670		$187,670	
Due to others	3,639	$21,438	3,639	$21,438
Total Liabilities	$191,309	$21,438	$191,309	$21,438

(Continued)

CITY OF ROSEVILLE
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Special Sewer Benefit Area #4				
Cash and investments in City Treasury	$5,211	$111,590	$5,211	$111,590
Accrued interest receivable	31	395	31	395
Total Assets	$5,242	$111,985	$5,242	$111,985
Accounts payable	$5,016	$111,720	$5,016	$111,720
Due to others	226	265	226	265
Total Liabilities	$5,242	$111,985	$5,242	$111,985
South Placer County Tourism Business Improvement District (SPCTBID)				
Cash and investments in City Treasury		$1,425		$1,425
Accounts receivable	$103,617	132,739	$103,617	132,739
Accrued interest receivable		8		8
Total Assets	$103,617	$134,172	$103,617	$134,172
Accounts payable		$132,741		$132,741
Due to others	$103,617	1,431	$103,617	1,431
Total Liabilities	$103,617	$134,172	$103,617	$134,172
South Placer County Safe Kids Coalition				
Cash and investments in City Treasury		$2,647		$2,647
Accrued interest receivable		13		13
Total Assets		$2,660		$2,660
Accounts payable		$1,078		$1,078
Due to others		1,582		1,582
Total Liabilities		$2,660		$2,660
South Placer Regional Traffic Fee				
Cash and investments in City Treasury	$311,397	$302,125	$311,397	$302,125
Accrued interest receivable	1,289	1,331	1,289	1,331
Total Assets	$312,686	$303,456	$312,686	$303,456
Accounts payable		$304,148		$304,148
Due to others	$312,686	(692)	$312,686	(692)
Total Liabilities	$312,686	$303,456	$312,686	$303,456

Other	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004
Cash and investments in City Treasury	$18,275	$13,014	$18,275	$13,014
Total Assets	$18,275	$13,014	$18,275	$13,014
Accounts payable				
Due to other government agencies	$18,261		$5,247	$13,014
Due to others	14	$13,014	13,028	
Total Liabilities	$18,275	$13,014	$18,275	$13,014
Total Agency Funds				
Cash and investments in City Treasury	$157,355,683	$44,785,063	$35,434,065	$166,706,681
Restricted cash and investments with fiscal agents	69,578,373	20,011,626	29,477,207	60,112,792
Accounts receivable	120,403	132,744	113,434	139,713
Accrued interest receivable	1,000,464	901,743	1,000,464	901,743
Due from other government agencies	2,270,365	1,106,042	2,270,365	1,106,042
Deferred receivable	20,254	900	20,254	900
Total Assets	$230,345,542	$66,938,118	$68,315,789	$228,967,871
Accounts payable	$4,690,276	$4,913,695	$4,690,276	$4,913,695
Accrued liabilities	942,512	186,789	942,512	186,789
Due to other government agencies	18,261		5,247	13,014
Due to member agencies	179,907,885	16,464,560	16,402,069	179,970,376
Due to bondholders	44,284,533	45,282,545	45,760,596	43,806,482
Due to others	502,075	90,529	515,089	77,515
Total Liabilities	$230,345,542	$66,938,118	$68,315,789	$228,967,871

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STATISTICAL SECTION

STATISTICAL SECTION

The statistical section is unchanged by GASB Statement 34. It contains comprehensive statistical data which relates to physical, economic, social and political characteristics of the City. It is intended to provide users with a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements and supporting schedules included in the financial section.

In this section, readers will find comparative information related to the City's revenue sources, expenditures, property tax valuations, levies and collections, general obligation bonded debt, sewer revenue debt service, demographics and pension plan funding. Where available, the comparative information is presented for the last ten fiscal years.

In addition, this section presents information related to the City's legal debt margin computation, principal taxpayers, notary and security bond coverages, and other miscellaneous statistics pertaining to services provided by the City.

In contrast to the financial section, the statistical section information is not subject to independent audit.

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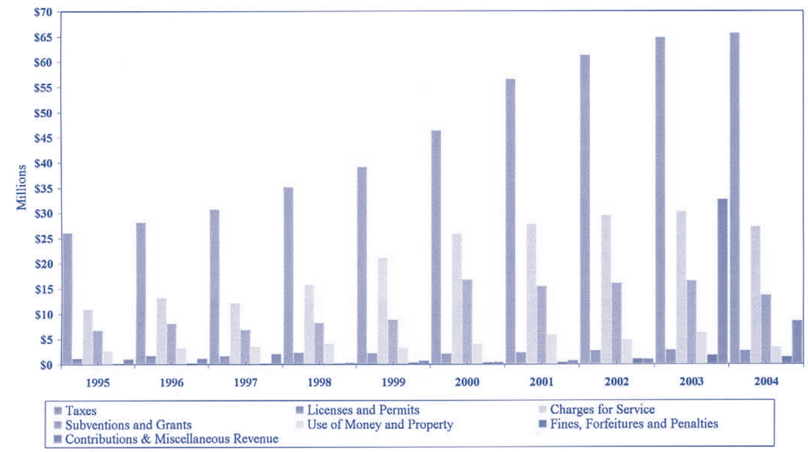
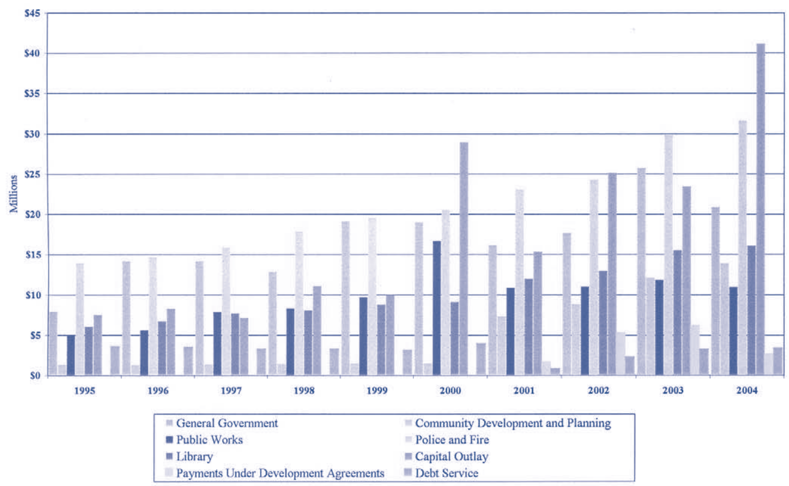
CITY OF ROSEVILLE
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS



Fiscal Year	Taxes	Licenses and Permits	Charges for Service	Subventions and Grants	Use of Money and Property	Fines Forfeitures and Penalties	Contributions & Miscellaneous Revenue	Total
1995	$26,085,873	$ 1,301,428	$11,025,369	$ 6,835,027	$ 2,779,290	$ 223,165	$ 1,023,988	$49,274,140
1996	28,222,493	1,764,683	13,245,743	8,213,297	3,298,949	264,800	1,189,983	56,199,948
1997	30,729,846	1,711,635	12,197,372	6,895,174	3,604,536	256,322	2,067,492	57,462,377
1998	35,190,795	2,365,373	15,860,923	8,230,879	4,191,352	250,569	309,110	66,399,001
1999	39,152,089	2,274,709	21,139,783	8,911,568	3,313,178	345,121	686,286	75,822,734
2000	46,414,028	2,210,596	25,857,630	16,785,739	4,139,898	354,984	423,235	96,186,110
2001	56,621,766	2,431,091	27,815,523	15,518,284	5,936,578	465,239	782,137	109,570,618
2002	61,361,572	2,787,695	29,588,383	16,109,594	4,963,803	1,093,381	1,017,892	116,922,320
2003	64,810,700	2,913,664	30,198,984	16,583,320	6,361,032	1,842,340	32,641,739	155,351,779
2004	65,671,879	2,784,570	27,343,649	13,758,850	3,455,309	1,471,716	8,568,714	123,054,687

Source: The City's Comprehensive Annual Financial Reports

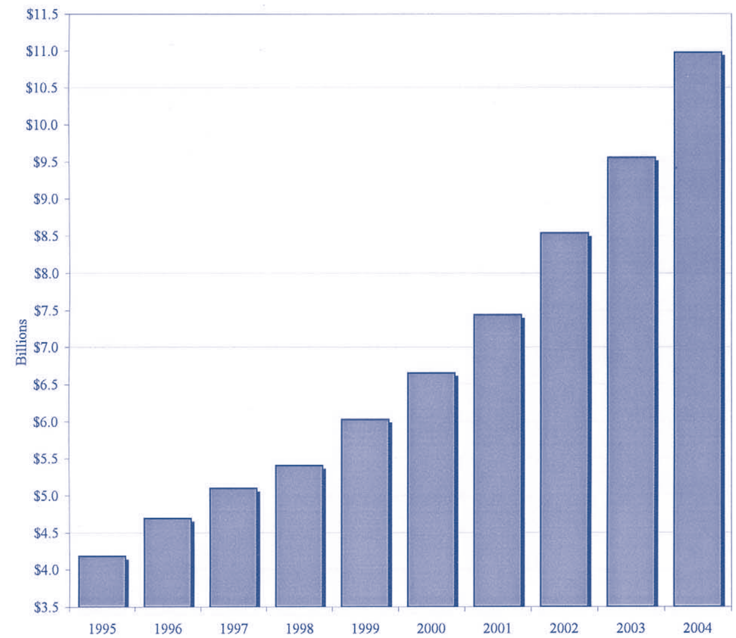
CITY OF ROSEVILLE
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS



Fiscal Year	General Government	Community Development and Planning	Public Works	Police and Fire	Parks & Rec and Library	Capital Outlay	Payments Under Development Agreements	Debt Service	Total
1995	$ 7,933,446	$ 1,341,717	$ 4,960,030	$ 13,971,839	$ 6,068,084	$ 7,541,796		$ 3,595,001	$ 45,411,913
1996	14,227,282	1,314,969	5,598,338	14,756,331	6,741,962	8,261,218		3,483,538	54,383,638
1997	14,225,324	1,431,319	7,837,361	15,917,315	7,702,134	7,146,279		3,235,446	57,495,178
1998	12,879,952	1,460,151	8,330,762	17,908,183	8,087,691	11,114,749		3,249,513	63,031,001
1999	19,144,670	1,495,145	9,691,170	19,579,783	8,782,451	9,980,765		3,093,521	71,767,505
2000	19,020,015	1,496,176	16,652,261	20,551,250	9,109,736	28,933,841		3,904,778	99,668,057
2001	16,185,257	7,361,138	10,873,585	23,065,839	12,025,744	15,357,884	$ 1,603,838	800,796	87,274,081
2002	17,714,229	8,840,764	10,991,887	24,279,152	12,985,905	25,157,887	5,214,902	2,273,180	107,457,906
2003	25,734,538	12,147,082	11,880,167	29,776,270	15,523,314	23,432,869	6,131,086	3,224,151	127,849,477
2004	20,919,559	13,934,717	10,956,006	31,653,998	16,092,113	41,149,143	2,607,608	3,351,886	140,665,030

Source: The City's Comprehensive Annual Financial Report

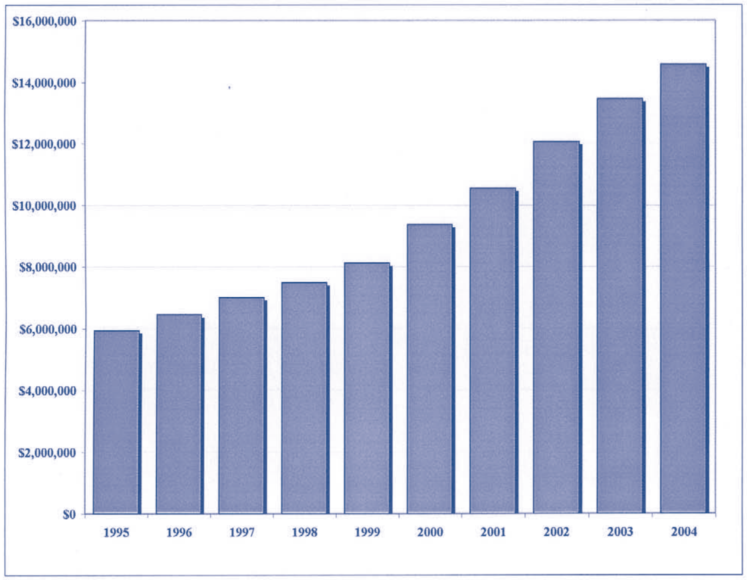
CITY OF ROSEVILLE
ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS



Fiscal Year	Assessed Value	Valuation Increase (Decrease) Amount	Percent
1995	$ 4,181,516,272	$ 231,921,203	5.9%
1996	4,695,131,439	513,615,167	12.3%
1997	5,098,009,081	402,877,642	8.6%
1998	5,404,552,510	306,543,429	6.0%
1999	6,027,829,273	623,276,763	11.5%
2000	6,651,499,947	623,670,674	10.3%
2001	7,433,802,352	782,302,405	11.8%
2002	8,537,321,617	1,103,519,265	14.8%
2003	9,557,134,348	1,019,812,731	11.9%
2004	10,977,317,224	1,420,182,876	14.9%

Source: Placer County Tax Rates and Information

CITY OF ROSEVILLE, CALIFORNIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS



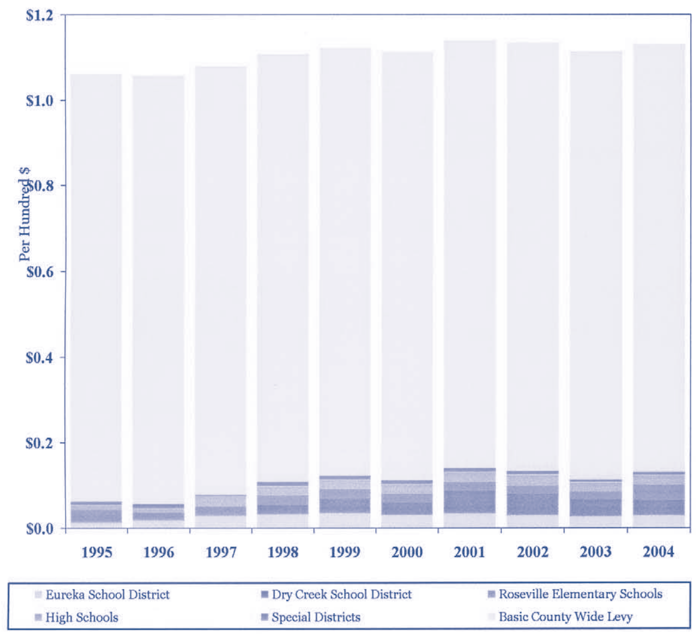
Fiscal Year		Taxes Levied (a)		Current Collections	Percent of Levy Collected	Delinquent Tax Collections		Total Taxes Collected	Percent of Levy
1995	$	5,907,853	$	5,930,317	100.39%	(b)	$	5,930,317	100.38%
1996		6,601,393		6,448,353	97.68%			6,448,353	97.68%
1997		7,186,779		7,002,999	97.44%			7,002,999	97.44%
1998		7,579,293		7,480,287	98.69%			7,480,287	98.69%
1999		8,464,546		8,114,689	95.87%			8,114,689	95.87%
2000		9,411,328		9,367,744	99.54%			9,367,744	99.54%
2001		10,457,636		10,552,003	100.90%			10,552,003	100.90%
2002		11,995,194		12,056,708	100.51%			12,056,708	100.51%
2003		13,800,915		13,460,448	97.53%			13,460,448	97.53%
2004		14,747,241		14,582,072	98.88%			14,582,072	98.88%

(a) Levies include real and personal property.

(b) The City selected to participate in the "Teeter" plan offered by the County whereby cities receive 100% of the taxes levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The "Teeter" plan does not apply to Special Assessment Districts.

Source: Placer County Department of Finance

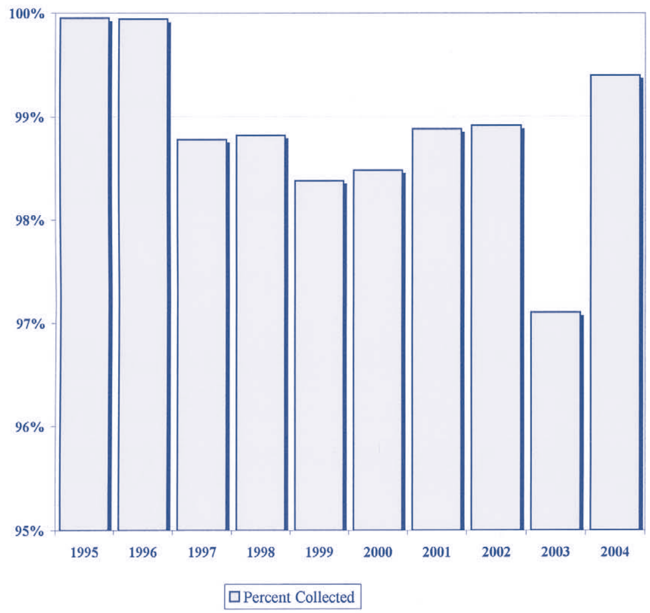
CITY OF ROSEVILLE
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS



Fiscal Year	Basic County Wide Levy	Eureka School District	Dry Creek School District	Roseville Elementary Schools	High Schools	Special Districts	Total
1995	$1.0000	0.0112	0.0000	0.0316	0.0094	0.0088	$1.0610
1996	1.0000	0.0169	0.0000	0.0188	0.0082	0.0115	1.0554
1997	1.0000	0.0279	0.0000	0.0216	0.0238	0.0041	1.0774
1998	1.0000	0.0304	0.0227	0.0224	0.0208	0.0111	1.1073
1999	1.0000	0.0330	0.0347	0.0223	0.0220	0.0093	1.1212
2000	1.0000	0.0284	0.0303	0.0205	0.0222	0.0095	1.1109
2001	1.0000	0.0323	0.0539	0.0204	0.0229	0.0093	1.1388
2002	1.0000	0.0278	0.0502	0.0198	0.0253	0.0092	1.1322
2003	1.0000	0.0244	0.0411	0.0178	0.0223	0.0065	1.1120
2004	1.0000	0.0265	0.0365	0.0362	0.0218	0.0079	1.1290

Source: Placer County Tax Rates and Information

CITY OF ROSEVILLE
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS



Fiscal Year	Assessment Levied	Assessment Collections	Percent Collected
1995	$ 16,343,142	$ 16,335,090	99.95%
1996	16,572,043	16,562,494	99.94%
1997	15,079,107	14,895,053	98.78%
1998	16,447,517	16,253,207	98.82%
1999	17,781,968	17,493,970	98.38%
2000	19,041,792	18,752,377	98.48%
2001	22,162,830	21,914,769	98.88%
2002	25,073,596	24,801,347	98.91%
2003	25,224,753	24,495,026	97.11%
2004	26,351,783	26,192,958	99.40%

Source: Placer County Bond Assessment Maintenance Schedule and Muni Financial

CITY OF ROSEVILLE
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
JUNE 30, 2004

2003-04 Assessed Valuation:	$10,977,332,574
Redevelopment Incremental Valuation:	390,970,263
Adjusted Assessed Valuation:	$10,586,362,311

	PERCENTAGE APPLICABLE TO CITY OF ROSEVILLE	AMOUNT APPLICABLE TO CITY OF ROSEVILLE
OVERLAPPING TAX AND ASSESSMENT DEBT:		
Placer County Water Agency, Zone No. 1	2.073%	$ 5,390
Roseville Joint Union High School District	73.181%	28,599,048
Rocklin Unified School District	0.017%	16,310
Dry Creek Joint School District	63.500%	12,292,357
Eureka Union School District	37.859%	4,235,852
Roseville City School District	97.202%	40,738,108
San Juan Suburban Water District	4.461%	43,718
City of Roseville Community Facilities Districts	38.655-100%	227,644,009
City of Roseville 1915 Act Bonds	100.000%	3,755,000
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT		$ 317,329,792
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Placer County Certificates of Participation	31.256%	$ 7,753,051
Placer County Office of Education Certificates of Participation	31.256%	968,936
Sierra Joint Community College District Certificates of Participation	22.599%	963,847
Roseville Joint Union High School District Certificates of Participation	73.181%	5,528,825
Eureka Union School District Certificates of Participation	37.859%	2,898,106
Roseville City School District Certificates of Participation	97.202%	19,809,768
City of Roseville Certificates of Participation	**100.000%**	**26,515,000**
TOTAL DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 64,437,533
COMBINED TOTAL DEBT		$ 381,767,325 (1)

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003-04 Assessed Valuation:	
Total Overlapping Tax and Assessment Debt	2.89%
Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($26,515,000)	**0.25%**
Combined Total Debt	3.61%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/04: $0

Source: California Municipal Statistics, Inc.

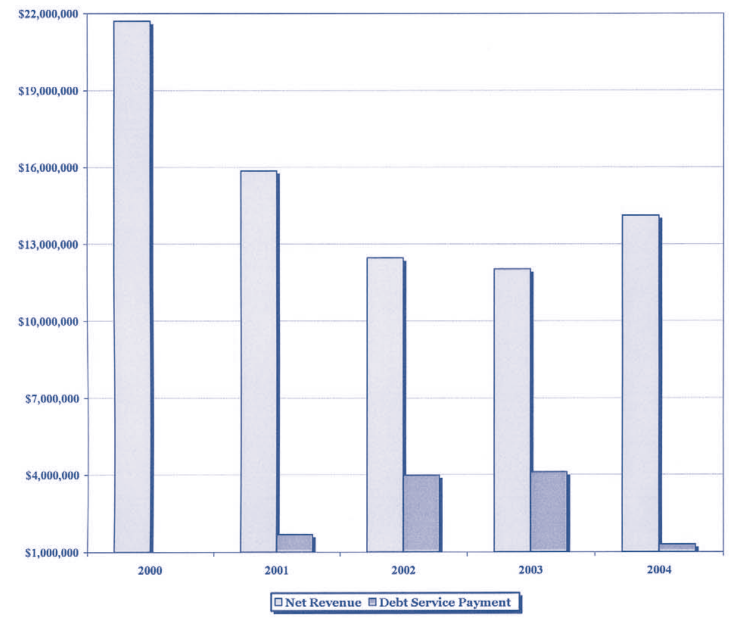
CITY OF ROSEVILLE
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2004

ASSESSED VALUATION:		
Secured property assessed value, net of exempt real property	$10,522,257,652	
BONDED DEBT LIMIT (3.75% OF ASSESSED VALUE) (a)		$394,584,662
AMOUNT OF DEBT SUBJECT TO LIMIT:		
Total Bonded Debt		
Less Tax Allocation Bonds and Sales Tax Revenue Bonds, Certificate of Participation not subject to limit	0	
Amount of debt subject to limit		0
LEGAL BONDED DEBT MARGIN		$394,584,662

(a) California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value. Thus, the limit shown as 3.75% is one-fourth the limit to account for the adjustment of showing assessed valuation at full cash value.

Source: City of Roseville Finance Department

CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2000 WASTEWATER REVENUE BONDS
LAST FIVE FISCAL YEARS



Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2000	$ 28,429,548	$ 6,733,043	$ 21,696,505	$ -	$ -	$ -	
2001	25,428,386	9,573,817	15,854,569	-	1,687,679	1,687,679	9.39
2002	24,695,978	12,245,420	12,450,558	1,037,356	2,955,498	3,992,854	3.12
2003	25,349,107	13,323,621	12,025,486	1,191,740	2,908,817	4,100,557	2.93
2004	24,313,564	10,199,806	14,113,758	1,237,785	50,867 *	1,288,652	10.95

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue
(2) Includes all Wastewater Operating Expenses less Depreciation and Interest
* Refinanced with the 2003 Refunding Variable Rate Wastewater Revenue Bonds

Source: City of Roseville Annual Financial Statements

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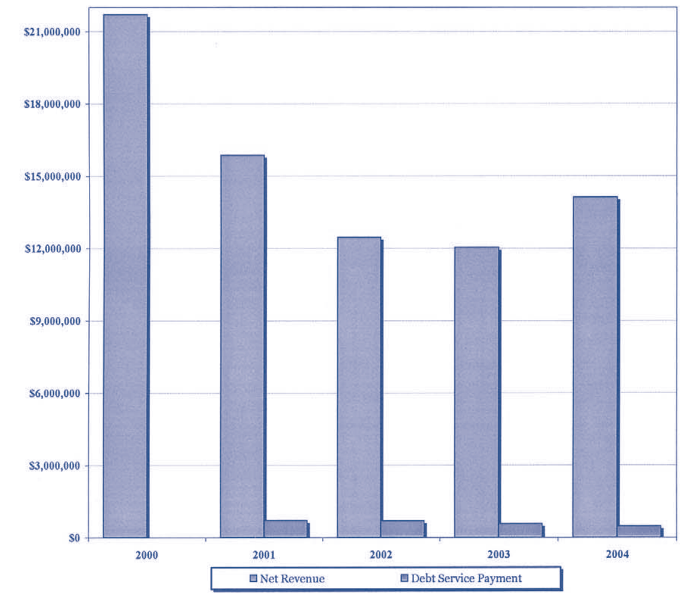
CITY OF ROSEVILLE
2000 VARIABLE RATE DEMAND WASTEWATER REVENUE BONDS
LAST FIVE FISCAL YEARS



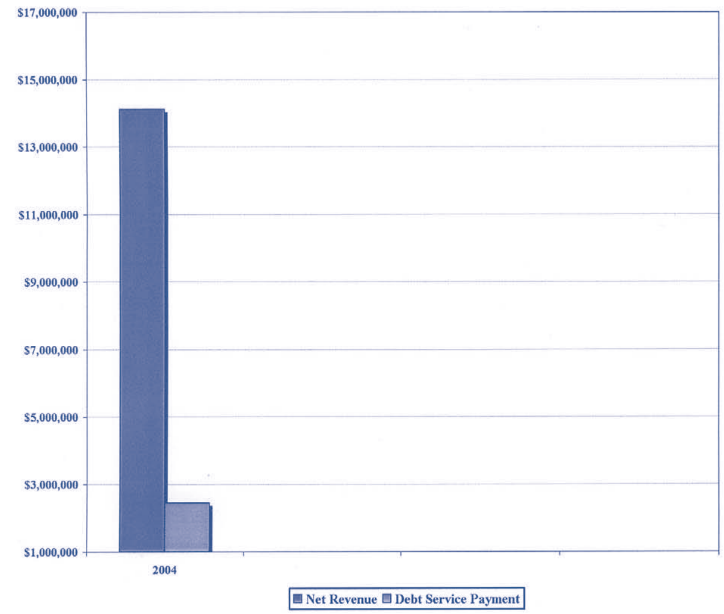
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2000	$28,429,548	$6,733,043	$21,696,505	$0	$0	$0	
2001	25,428,386	9,573,817	15,854,569	0	709,607	709,607	22.34
2002	24,695,978	12,245,420	12,450,558	0	699,238	699,238	17.81
2003	25,349,107	13,323,621	12,025,486	0	562,542	562,542	21.38
2004	24,313,564	10,199,806	14,113,758	0	464,168	464,168	30.41

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue

(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

Source: City of Roseville Annual Financial Statements

CITY OF ROSEVILLE
REVENUE BOND COVERAGE
2003 REFUNDING AUCTION RATE-SYNTHETIC FIXED WASTEWATER REVENUE BONDS
FIRST FISCAL YEAR



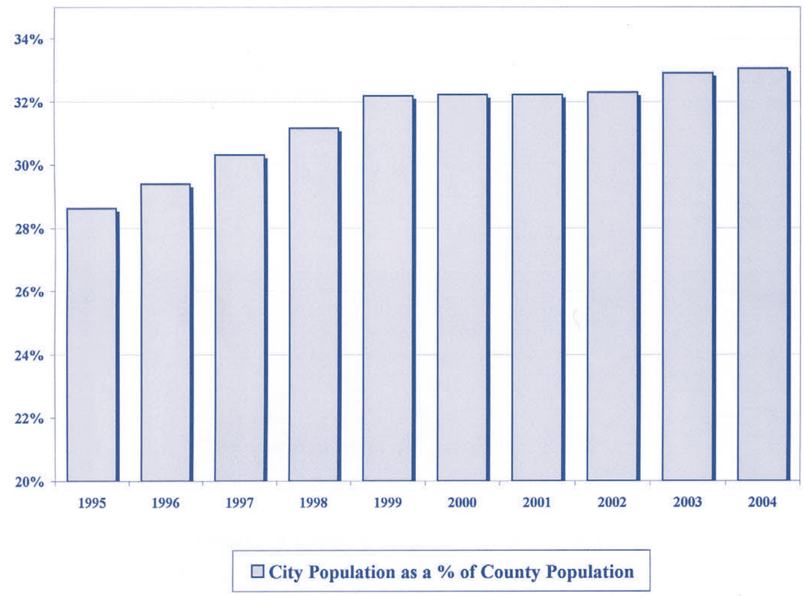
Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements Principal	Interest	Total	Coverage
2004	$ 24,313,564	$10,199,806	$ 14,113,758	$ 866,720	$1,579,805	$2,446,525	5.77

Notes: (1) Includes all Wastewater Operating Revenues, Non-operating Interest Revenue, Connection Fees and other Non-operating Revenue

(2) Includes all Wastewater Operating Expenses less Depreciation and Interest

Source: City of Roseville Annual Financial Statements

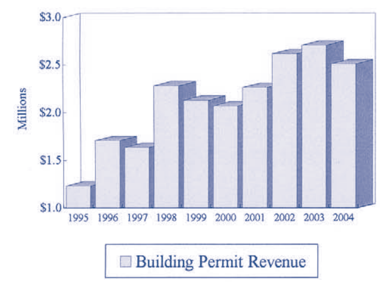
CITY OF ROSEVILLE
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

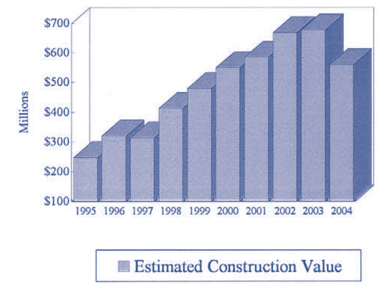


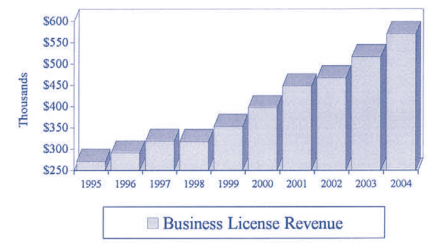
Fiscal Year	City Population	Placer County Population	City Population % of County
1995	59,300	207,200	28.62%
1996	63,200	215,000	29.40%
1997	67,400	222,300	30.32%
1998	71,600	229,700	31.17%
1999	76,700	238,300	32.19%
2000	79,300	246,100	32.22%
2001	82,200	255,100	32.22%
2002	85,800	265,700	32.29%
2003	90,700	275,600	32.91%
2004	96,600	292,235	33.06%

Source: California State Department of Finance

CITY OF ROSEVILLE
CONSTRUCTION AND BUSINESS ACTIVITY
LAST TEN FISCAL YEARS







Fiscal Year	Building Permit Revenue	Estimated Construction Value	Business License Revenue
1995	$ 1,233,136	$ 247,892,885	$ 271,767
1996	1,706,855	320,831,934	291,117
1997	1,637,509	314,990,192	318,462
1998	2,282,074	413,531,017	317,828
1999	2,131,299	480,529,203	353,607
2000	2,071,424	549,682,111	397,238
2001	2,264,092	585,390,431	448,278
2002	2,618,443	669,245,929	467,727
2003	2,707,747	677,836,863	517,282
2004	2,511,430	560,547,997	570,917

Source: City of Roseville Comprehensive Annual Financial Reports and Building Department

CITY OF ROSEVILLE
PRINCIPAL PROPERTY TAXPAYERS
JUNE 30, 2004

Assessed Name	Assessed Value	Percent of Total Assessed Value
NEC Electronics USA Inc.	$409,950,443	3.90%
Hewlett Packard Co.	368,032,445	3.50%
Roseville Shoppingtown LLC	214,981,460	2.04%
Spieker Properties	69,348,000	0.66%
Creekside Center LLC	58,485,379	0.56%
SI VII LLC	54,548,600	0.52%
Evergreen Britanna Land Joint Venture	54,099,081	0.51%
John Mourier Construction Inc.	52,610,666	0.50%
Rosemead LLC	47,313,135	0.45%
Demmon Haverhill Partners LP	44,152,510	0.42%
Homarose LP	40,107,420	0.38%
Kobra Properties	39,768,837	0.38%
Nordstrom Inc.	36,036,923	0.34%
Property Reserve Inc.	32,313,600	0.31%
Macys West Inc.	32,148,014	0.31%
Preserve at Creekside LLC	32,056,536	0.30%
Lennar Renaissance Inc.	30,579,077	0.29%
SMII Highland Reserve LLC	30,182,718	0.29%
JB Management LP	29,764,333	0.28%
Autumn Oaks 200 LLC / Autumn Oaks 216 Ltd.	29,034,551	0.28%
	$1,705,513,728	16.21%
Total Secured Assessed Valuation	$10,522,257,652	100.00%

Source: California Municiple Statistics, Inc.

CITY OF ROSEVILLE
CITY AND COUNTY TAXABLE RETAIL SALES
IN (000's)
LAST TEN CALENDAR YEARS

Calendar Year	Retail Sales (000) County	Retail Sales (000) City	City Retail Sales as a Percent of County
1994	$ 1,638,035	$ 869,228	53.07%
1995	1,757,661	951,741	54.15%
1996	1,921,604	1,039,945	54.12%
1997	2,122,328	1,180,536	55.62%
1998	2,345,526	1,315,488	56.08%
1999	2,807,480	1,608,513	57.29%
2000	3,384,347	2,022,864	59.77%
2001	3,793,236	2,352,220	62.01%
2002	4,161,204	2,614,068	62.82%
*2003	4,539,346	2,916,345	64.25%

* Most recent year available with full annual data

***Source:** Statistical Research and Consulting Division California State Board of Equalization Taxable Sales in California (Annual Report)*

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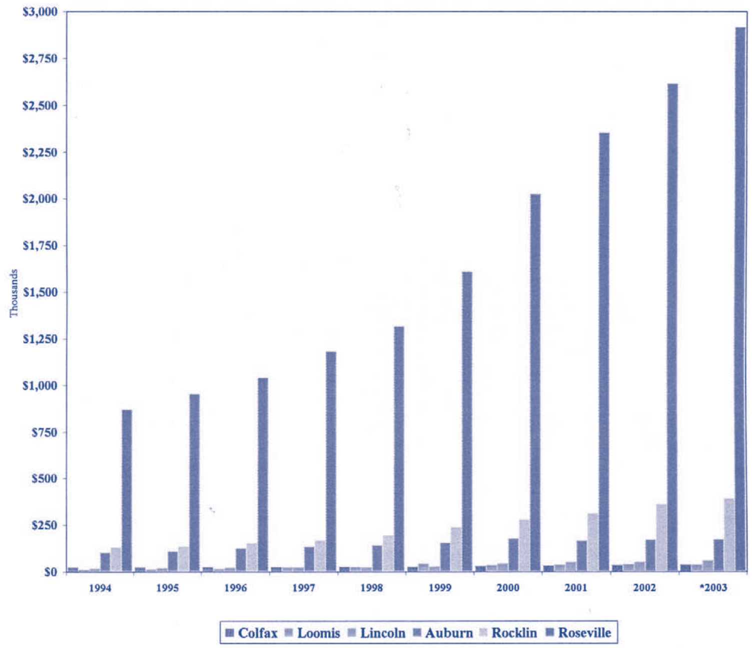
CITY OF ROSEVILLE
TAXABLE RETAIL SALES COMPARED WITH NEIGHBORING CITIES
IN (000's)
LAST TEN CALENDAR YEARS



Year	Auburn	Colfax	Lincoln	Loomis	Rocklin	ROSEVILLE
1994	$ 104,145	$ 24,027	$ 18,636	$ 12,719	$ 133,032	$ 869,228
1995	110,804	23,952	20,031	13,746	136,665	951,741
1996	125,967	26,766	22,610	15,955	152,407	1,039,945
1997	134,694	26,729	24,359	24,761	169,341	1,180,536
1998	143,146	27,992	24,552	27,430	196,103	1,315,488
1999	154,302	28,157	28,361	44,891	238,880	1,608,513
2000	177,297	30,897	45,219	37,352	278,159	2,022,864
2001	166,013	34,408	53,549	39,256	312,130	2,352,220
2002	170,696	36,931	52,363	40,229	360,732	2,614,068
*2003	173,776	38,130	61,386	39,428	389,985	2,916,345

* Most recent year available with full annual data

Source: Statistical Research and Consulting Division California State Board of Equalization Taxable Sales in California (Annual Report)

CITY OF ROSEVILLE
TAXABLE RETAIL SALES COMPARED WITH NEIGHBORING CITIES
IN (000's)
LAST TEN CALENDAR YEARS

	1994	1995	1996	1997	1998	1999	2000	2001	2002	*2003
Auburn	104,145	110,804	125,967	134,694	143,146	154,302	177,297	166,013	170,696	173,776
Colfax	24,027	23,952	26,766	26,729	27,992	28,157	30,897	34,408	36,931	38,130
Lincoln	18,636	20,031	22,610	24,359	24,552	28,361	45,219	53,549	52,363	61,386
Loomis	12,719	13,746	15,955	24,761	27,430	44,891	37,352	39,256	40,229	39,428
Rocklin	133,032	136,665	152,407	169,341	196,103	238,880	278,159	312,130	360,732	389,985
ROSEVILLE	869,228	951,741	1,039,945	1,180,536	1,315,488	1,608,513	2,022,864	2,352,220	2,614,068	2,916,345
Total Six Cities	1,161,787	1,256,939	1,383,650	1,560,420	1,734,711	2,103,104	2,591,788	2,957,576	3,275,019	3,619,050
Other Cities, Areas	476,248	500,722	537,954	561,908	610,815	704,376	792,559	835,660	886,185	920,296
Placer County	$ 1,638,035	$ 1,757,661	$ 1,921,604	$ 2,122,328	$ 2,345,526	$ 2,807,480	$ 3,384,347	$ 3,793,236	$ 4,161,204	$ 4,539,346
California	$ 187,088,022	$ 194,378,106	$ 205,746,810	$ 217,245,483	$ 229,406,469	$ 255,589,386	$ 286,475,687	$ 293,956,521	$ 301,612,306	$ 320,217,054

* Most recent year available with full annual data

Source: Statistical Research and Consulting Division California State Board of Equalization Taxable Sales in California (Annual Report)

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CITY OF ROSEVILLE
LARGEST EMPLOYERS
JUNE 30, 2004

Company	Product/Service	Employees
Hewlett Packard	Technology	3,803
Kaiser Premanente	Health Care	3,000
Sutter Roseville Medical Center	Health Care	1,800
Union Pacific	Railroad	1,294
City of Roseville	Government	1,046
Roseville Joint Union High School District	Education	982
Pride Industries	Manufacturing	800
NEC Electronics	Technology	725
Surewest Communications	Phone Service	683
State Farm Insurance	Insurance	560

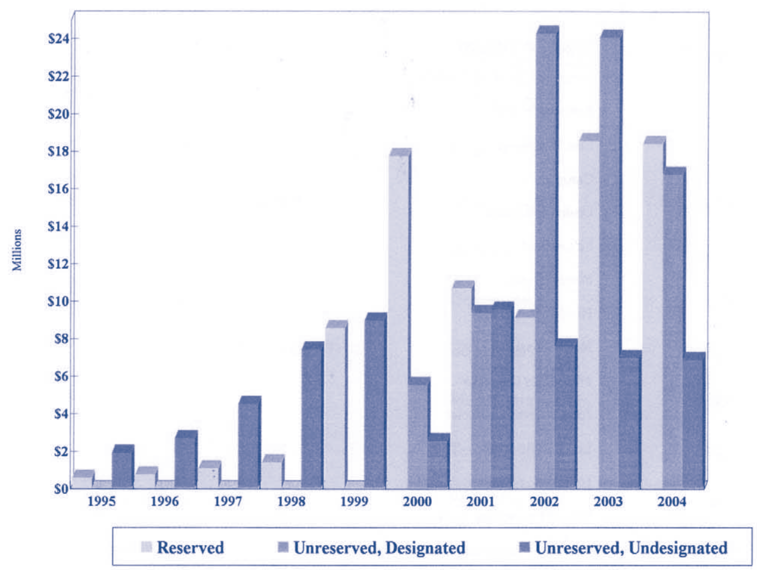
Source: City of Roseville Economic & Community Services

CITY OF ROSEVILLE
TOP 25 SALES TAX GENERATORS
IN ALPHABETICAL ORDER
JUNE 30, 2004

Agilent Technologies
Autowest Chrysler/Plymth/Jeep
Autowest Honda
Best Buy Stores
Carmax
Costco Wholesale
Future Ford
Future Nissan
Hewlett-Packard
Home Depot
J C Penney Company
John Sullivan Chevrolet
Lexus of Roseville
Lowe's Home Improvement
Macy's Department Store
Nordstrom Department Stores
Roseville BMW
Roseville Cycle
Roseville Olds/Buick/GMC
Roseville Toyota
Sacramento Infiniti
Sam's Club
Sears Roebuck & Company
Target Stores
Wal-Mart

Source: MBIA Muniservices Company

CITY OF ROSEVILLE
HISTORY OF GENERAL FUND BALANCE
LAST TEN FISCAL YEARS



Fiscal Year	Reserved	Unreserved Designated	Unreserved Undesignated	Total
1995	$ 574,483		$ 1,908,686	$ 2,483,169
1996	757,524		2,677,096	3,434,620
1997	1,073,522		4,495,782	5,569,304
1998	1,403,098		7,415,609	8,818,707
1999	8,548,817		8,961,165	17,509,982
2000	17,748,596	$ 5,533,700	2,535,163	25,817,459
2001	10,686,999	9,361,184	9,541,211	29,589,394
2002	9,127,227	24,261,068	7,582,432	40,970,727
2003	18,553,213	24,051,491	6,982,954	49,587,658
2004	18,414,069	16,775,045	6,872,861	42,061,975

Source: The City's Comprehensive Annual Financial Reports

CITY OF ROSEVILLE
MISCELLANEOUS STATISTICS
JUNE 30, 2004

Date of Incorporation	April 10, 1909	
Form of Government	Municipal	
Employees	1,636.0	
Population	96,600	
Land Area (Square Miles)	31.32	
Miles of Streets	428	center line miles
Number of Traffic Lights	133	
Fire Protection:		
Number of Stations	6	
Number of Firefighters	74	
Fire Apparatus	37	
Number of Fire Hydrants	4,499	
Police Protection:		
Number of Stations	1	
Number of Officers	96	
Number of Crossing Guard Posts	20	
Number of Patrol Vehicles	70	
motorcycles	5	
Employees:		
Full-time Permanent	1,043	
Part-time/Temporary	593	
Electric Utility:		
Residential customers	38,054	
Commercial customers	4,720	
Energy sales to customers (kWh)	1,022,194,188	
Peak demand (kW)	275	

Water Utility:	
Number of Customers:	
Residential	31,653
Commercial	2,875
Average Daily Consumption (in gallons)	28.77M
Miles of Water Mains	480
Sewer Utility:	
Miles of Sanitary Sewers	600
Miles of Storm Drain	420
Public Schools Serving the Community:	
Elementary Schools	22
Middle Schools	5
High Schools	4
Continuation High Schools	3
Adult School	1
Parks Recreation and Libraries:	
Acres of Parkland	1,186
Number of Parks	40
Acres of Open Space	1,536
Miles of Creek	57
Number of Tennis Courts	12
Number of Swimming Pools	4
Number of Golf Courses	2
Number of Libraries	2
Community Services	
Households helped by Section 8 program	740
Families helped in buying first home	19
Families helped with housing rehabilitatioı	22

Source: City of Roseville Finance Department

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APPENDIX D

AUCTION AND SETTLEMENT PROCEDURES

The following is the auction and settlement procedures which are contained in the Trust Agreement and are applicable to the Series 2005B Certificates and Series 2005C Certificates during the time they bear interest at an ARB Interest Rate. Capitalized terms have the meanings set forth in the Trust Agreement. See also "THE 2005 CERTIFICATES – Auction Rate Securities" in the Official Statement for a description of certain other provisions of the documents relating to the 2005B and 2005C Certificates. See also "APPENDIX E – DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS" for a summary of certain other provisions of the Trust Agreement relating to the 2005B and 2005C Certificates.

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Capitalized terms used herein and not otherwise defined shall have the meanings given such terms pursuant to the Trust Agreement to which this Appendix D is attached. In addition to the terms elsewhere defined in the Trust Agreement, the following terms used in this Appendix D and elsewhere in the Indenture shall have the following meanings with respect to 2005B Certificates and 2005C Certificates in an ARB Interest Rate Period unless the context or use indicates another or different meaning or intent:

"Agent Member" means a member of, or participant in, the Securities Depository who will act on behalf of a Bidder.

"All-Hold Rate" means, as of any Auction Date, sixty-five per cent (65%) of the Index in effect on such Auction Date.

"ARB Default Rate" means the ARB Maximum Rate.

"ARB Interest Payment Date" means, with respect to ARBs,

(a) when used with respect to any Auction Period (including the initial Auction Period commencing on and including the effective date of a change in the Interest Rate Period to an ARB Interest Rate Period and expiring on and including the initial Auction Date (or, if such initial Auction Date is not followed by a Business Day, the next succeeding day that is followed by a Business Day) determined by the City in connection with a change in the Interest Rate Period to an ARB Interest Rate Period) other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period,

(b) when used with respect to a daily Auction Period, the first (1st) Business Day of the month immediately succeeding such Auction Period, and

(c) when used with respect to a Flexible Auction Period of (i) seven (7) or more but fewer than one hundred eighty-two (182) days, the Business Day immediately following such Flexible Auction Period, or (ii) one hundred eighty-two (182) or more days, each February 1 and August 1 and on the Business Day immediately following such Flexible Auction Period.

"ARB Interest Rate" means, for ARBs for each Auction Period, the rate of interest to be borne by the ARBs during that Auction Period, which ARB Interest Rate shall be determined in accordance with Section 2.03 of this Appendix D, and if Sufficient Clearing Bids exist, the ARB Interest Rate shall be the Winning Bid Rate; provided, that if all of the ARBs are the subject of Submitted Hold Orders, the ARB Interest Rate shall be the All-Hold Rate with regard to such ARBs, and if Sufficient Clearing Bids do not exist, the ARB Interest Rate shall be the ARB Maximum Rate.

"ARB Maximum Rate" means twelve per cent (12%) per annum.

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Date" means, with respect to ARBs, during any period in which the Auction Procedures are not suspended in accordance with the provisions of the Trust Agreement, (i) if the ARBs are in a daily Auction Period, each Business Day, (ii) if the ARBs are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and (iii) if the ARBs are in any other Auction Period, the Business Day immediately preceding each ARB Interest Payment Date for such ARBs (whether or not an Auction will be conducted on such date); provided, that the last Auction Date with respect to ARBs in an Auction Period other than a daily Auction Period or a Flexible Auction Period will be the earlier of (a) the Business Day immediately preceding the ARB Interest Payment Date immediately preceding the effective date of a change in the Interest Rate Period from an ARB Interest Rate Period to a different Interest Rate Period for such ARBs and (b) the Business Day immediately preceding the ARB Interest Payment Date immediately preceding the Maturity Date for such ARBs; and provided further, that if such ARBs are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day immediately preceding the effective date of a change in the Interest Rate Period applicable to such ARBs from an ARB Interest Rate Period to a different Interest Rate Period and (y) the Business Day immediately preceding the Maturity Date for such ARBs; and provided further, that the last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first (1st) Auction Period following the conversion.

"Auction Period" means:

(a) Flexible Auction Period;

(b) with respect to ARBs in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;

(c) with respect to ARBs in a seven (7)-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven (7) days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally seven (7) days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven (7) days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally seven (7) days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally seven (7) days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(d) with respect to ARBs in a twenty-eight (28)-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally twenty-eight (28) days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth (4th) Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally twenty-eight (28) days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth (4th) Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally twenty-eight (28) days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth (4th) Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally twenty-eight (28) days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth (4th) Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally twenty-eight (28) days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth (4th) Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day).

(e) with respect to ARBs in a thirty-five (35)-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally thirty-five (35) days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth (5th) Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally thirty-five (35) days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth (5th) Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally thirty-five (35) days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth (5th) Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally thirty-five (35) days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth (5th) Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), and (v) Thursdays, a period of generally thirty-five (35) days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth (5th) Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day);

(f) with respect to ARBs in a three (3)-month Auction Period, a period of generally three (3) months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the day that is ninety (90) days thereafter (unless such day is not Wednesday, in which case on the first (1st) Wednesday succeeding such day), provided, that if such day is not followed by a Business Day, on the next succeeding day which is followed by a Business Day; and

(g) with respect to ARBs in a six (6)-month Auction Period, a period of generally six (6) months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the day that is one hundred eighty (180) days thereafter (unless such day is not Wednesday, in which case on the first (1st) Wednesday succeeding such day), provided, that if such day is not followed by a Business Day, on the next succeeding day which is followed by a Business Day;

provided, that:

(a) if there is a conversion of ARBs with Auctions generally to be conducted on Fridays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

(b) if there is a conversion of ARBs with Auctions generally to be conducted on Mondays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

(c) if there is a conversion of ARBs with Auctions generally to be conducted on Tuesdays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

(d) if there is a conversion of ARBs with Auctions generally to be conducted on Wednesdays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion; and

(e) if there is a conversion of ARBs with Auctions generally to be conducted on Thursdays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

provided further, that any Auction Period that is greater than thirty-five (35) days may be extended as provided in paragraph (d) of Section 2.03 of this Appendix D.

"Auction Procedures" means the procedures for conducting Auctions for ARBs during an ARB Interest Rate Period set forth in this Appendix D.

"Available Certificates" means for ARBs on each Auction Date, the aggregate principal amount of ARBs that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in Section 2.01(a) of this Appendix D.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Buyer's Broker-Dealer" has the meaning set forth in Section 2.05(a)(iv) hereof.

"Existing Owner" means (i) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Owner registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (ii) with respect to and for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is a Beneficial Owner of the Certificates.

"Flexible Auction Period" means, with respect to ARBs, (a) any period one hundred eighty-two (182) days or less which is divisible by seven (7) and begins on an ARB Interest Payment Date and ends (i) in the case of ARBs with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (ii) in the case of ARBs with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of ARBs with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of ARBs with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of ARBs with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or (b) any period which is longer than one hundred eighty-two (182) days, which begins on an ARB Interest Payment Date and ends not later than the final scheduled Maturity Date of such ARBs.

"Hold Order" has the meaning specified in Section 2.01(a) of this Appendix D.

"Index" has the meaning specified in Section 2.06 of this Appendix D.

"Order" means a Hold Order, Bid or Sell Order.

"Potential Owner" means any person, including any Existing Owner, who may be interested in acquiring a beneficial interest in ARBs, in addition to the ARBs currently owned by such person, if any.

"Sell Order" has the meaning specified in Section 2.01(a) of this Appendix D.

"Seller's Broker-Dealer" has the meaning set forth in Section 2.05(a)(iii) hereof.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as will be specified from time to time by the Auction Agent pursuant to the Auction Agent Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submission Processing Deadline" shall mean the earlier of (i) 40 minutes after the Submission Deadline and (ii) the time when the Auction Agent begins to disseminate the results of the Auction to the Broker-Dealers.

"Submission Processing Representation" shall have the meaning, specified in Section 2.02(g) hereof.

"Submitted Bid" has the meaning specified in Section 2.03(b) of this Appendix D.

"Submitted Hold Order" has the meaning specified in Section 2.03(b) of this Appendix D.

"Submitted Order" has the meaning specified in Section 2.03(b) of this Appendix D.

"Submitted Sell Order" has the meaning specified in Section 2.03(b) of this Appendix D.

"Sufficient Clearing Bids" means with respect to ARBs, an Auction for which the aggregate principal amount of ARBs that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the aggregate principal amount of ARBs that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

"Winning Bid Rate" means with respect to ARBs, the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the ARB Interest Rate would cause the aggregate principal amount of ARBs that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Certificates.

ARTICLE II

AUCTION AND SETTLEMENT PROCEDURES

Section 2.01. Orders by Existing Owners and Potential Owners.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as will be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of ARBs, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of ARBs, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period will not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding ARB Interest Payment Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period will be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of ARBs, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding ARB Interest Payment Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the ARBs, the Broker-Dealers will contact Potential Owners, including persons that are Existing Owners, to determine the principal amount of ARBs, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

(iii) For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a “Hold Order”, an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a “Bid”, and an Order containing the information referred to in clause (i)(C) above is herein referred to as a “Sell Order.”

(b) (i) A Bid by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of ARBs specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of ARBs to be determined as described in Section 2.04(a)(v) hereof if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate; or

(C) a lesser principal amount of ARBs to be determined as described in Section 2.04(b)(iv) hereof if such specified rate will be higher than the ARB Maximum Rate, and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Owner will constitute an irrevocable offer to sell:

(A) the principal amount of ARBs specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of ARBs as described in Section 2.04(b)(iv) hereof if Sufficient Clearing Bids do not exist.

(iii) A Bid by a Potential Owner will constitute an irrevocable offer to purchase:

(A) the principal amount of ARBs specified in such Bid if the rate determined by the Auction Procedures on such Auction Date will be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of ARBs as described in Section 2.04(a)(vi) hereof if the rate determined by the Auction Procedures on such Auction Date will be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies ARBs to be held, purchased or sold in a principal amount which is not twenty-five thousand dollars ($25,000) or an integral multiple thereof will be rounded down to the nearest twenty-five thousand dollars ($25,000), and the Auction Agent will conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to an ARB which has been called for prepayment on or prior to the ARB Interest Payment Date next succeeding such Auction will be invalid with respect to such portion and the Auction Agent will conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of an ARB which has been called for prepayment on or prior to the ARB Interest Payment Date next succeeding such Auction will be included in the calculation of Available Certificates for such Auction; and

(iv) the Auction Procedures will be suspended during the period commencing on the date of the Auction Agent’s receipt of a Notice of ARB Payment Default from the Trustee of the occurrence of an ARB Payment Default (provided, that for purposes of this provision only, payment by any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any credit support instrument for some or all of the Parity Obligations (as defined in the Master Installment Purchase Contract), will be deemed to cure such ARB Payment Default and no suspension of the Auction Procedures will occur) but will resume two (2) Business Days after the date on which the Auction Agent receives a Notice of Cure of ARB Payment Default from the Trustee that such ARB Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.02. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer will submit to the Auction Agent in writing or by such other method as will be reasonably acceptable to the Auction Agent, including such electronic communication acceptable to the parties, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, if requested, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of ARBs, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of ARBs, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of ARBs, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of ARBs, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent will round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the ARBs held by an Existing Owner is or are not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent will deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of ARBs held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of ARBs to be converted held by such Existing Owner, the Auction Agent will deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of ARBs to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding ARBs held by any Existing Owner are submitted to the Auction Agent, such Orders will be considered valid as follows:

(i) all Hold Orders will be considered Hold Orders, but only up to and including the aggregate principal amount of ARBs held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner will be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of ARBs held by such Existing Owner over the principal amount of the ARBs subject to Hold Orders referred to in paragraph (i) above;

(B) subject to clause (A) above, all Bids of an Existing Owner with the same rate will be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of ARBs held by such Existing Owner over the principal amount of ARBs held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above;

(C) subject to clause (A) above, if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids will be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of ARBs held by such Existing Owner over the principal amount of ARBs held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above; and

(D) the principal amount, if any, of such ARBs subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) will be treated as the subject of a Bid by a Potential Owner; and

(iii) all Sell Orders will be considered Sell Orders, but only up to and including a principal amount of ARBs equal to the excess of the principal amount of ARBs held by such Existing Owner over the sum of the principal amount of the ARBs considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of ARBs considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate will be aggregated and considered a single Bid and each Bid submitted with a different rate will be considered a separate Bid with the rate and the principal amount of ARBs specified therein.

(f) Neither the Trustee nor the Auction Agent will be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(g) Anything herein to the contrary notwithstanding, Broker-Dealers may submit an Order after the Submission Deadline and prior to the Submission Processing Deadline if the Order was (i) received by the Broker-Dealer from Existing Owners or Potential Owners prior to the Submission Deadline or (ii) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline. Each Order submitted to the Auction Agent after the Submission Deadline and prior to the Submission Processing Deadline shall constitute a representation by the Broker-Dealer that such Order was (i) received from an Existing Owner or Potential Owner prior to the Submission Deadline or (ii) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline (the “Submission Processing Representation”).

Section 2.03. Determination of ARB Interest Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date for ARBs, the Auction Agent will advise the Broker-Dealers and the Trustee by telephone or other electronic communication acceptable to them of the All-Hold Rate and the Index for the ARBs.

(b) Promptly after the Submission Deadline on each Auction Date, but subject to a Submission Processing Representation, the Auction Agent will assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a “Submitted Hold Order,” a “Submitted Bid” or a “Submitted Sell Order,” as the case may be, and collectively as a “Submitted Order”) and will determine (i) the Available Certificates, (ii) whether there are Sufficient Clearing Bids, and (iii) the ARB Interest Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above the Auction Agent will advise the Trustee by telephone (promptly confirmed in writing), telex or facsimile transmission or other electronic communication acceptable to the parties of the ARB Interest Rate for the next succeeding Auction Period and the Auction Agent will promptly notify DTC of such ARB Interest Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the ARB Interest Rate for any Auction Period, (i) if the preceding Auction Period was a period of thirty-five (35) days or less, the new Auction Period shall be the same as the preceding Auction Period and the ARB Interest Rate for the new Auction Period shall be the same as the ARB Interest Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than thirty-five (35) days, the preceding Auction Period shall be extended to the seventh (7th) day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh (7th) day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the ARB Interest Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended.

(e) In the event that the Auction Procedures are suspended pursuant to Section 2.01(c)(iv) hereof due to the failure to pay principal of or premium or interest on any ARB, the ARB Interest Rate for the next succeeding Auction Period will be the ARB Default Rate.

(f) In the event of a failed conversion with respect to the ARBs to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period or an Index Interest Rate Period, or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first (1st) new Auction Period, the ARB Interest Rate for the next Auction Period will be the ARB Maximum Rate and the Auction Period will be a seven (7)-day Auction Period.

(g) If the ARBs are not rated or if the ARBs are no longer registered in the name of the Securities Depository, then the ARB Interest Rate will be the ARB Maximum Rate.

(h) In the event that the ARB Interest Rate as determined in accordance with Section 2.03 of this Appendix D exceeds the ARB Maximum Rate, the City will use its best efforts to convert the Interest Rate Period applicable to the ARBs to another Interest Rate Period.

Section 2.04. Allocation of ARBs.

(a) In the event of Sufficient Clearing Bids for ARBs, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for ARBs will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the ARBs that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner will be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid

Rate will be rejected, thus requiring each such Existing Owner to sell the ARBs that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the ARBs that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the ARBs that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Existing Owner to continue to hold the ARBs that are the subject of such Submitted Bid, but only up to and including the principal amount of ARBs obtained by multiplying (A) the aggregate principal amount of Outstanding ARBs which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which is the principal amount of Outstanding ARBs held by such Existing Owner subject to such Submitted Bid and the denominator of which is the aggregate principal amount of Outstanding ARBs subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid will be rejected, thus requiring each such Existing Owner to sell any excess amount of ARBs;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate will be accepted, thus requiring each such Potential Owner to purchase the ARBs that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of ARBs obtained by multiplying (A) the aggregate principal amount of Outstanding ARBs which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which is the principal amount of Outstanding ARBs subject to such Submitted Bid and the denominator of which is the sum of the aggregate principal amount of Outstanding ARBs subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid will be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate will be rejected.

(b) In the event there are not Sufficient Clearing Bids for ARBs, subject to the further provisions of subsections (c) and (d) below, Submitted Orders for ARBs will be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner will be accepted, thus requiring each such Existing Owner to continue to hold the ARBs that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the ARB Maximum Rate will be accepted, thus requiring each such Existing Owner to continue to hold the ARBs that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the ARB Maximum Rate will be accepted, thus requiring each such Potential Owner to purchase the ARBs that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner will be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the ARB Maximum Rate with respect to the ARBs will be deemed to be and will be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of ARBs obtained by multiplying (A) the aggregate principal amount of ARBs subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which is the principal amount of Outstanding ARBs held by such Existing Owner subject to such Submitted Sell Order, or such Submitted Bid deemed to be a Submitted Sell Order, and the denominator of which is the principal amount of Outstanding ARBs subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid will be deemed to be and will be accepted as a Hold Order and each such Existing Owner will be required to continue to hold such excess amount of ARBs; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the ARB Maximum Rate with respect to the ARBs will be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of ARBs which is not an Authorized Denomination for ARBs on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, round up or down the principal amount of ARBs to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of ARBs purchased or sold by each Existing Owner or Potential Owner on such Auction Date will be an Authorized Denomination for ARBs, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any ARBs on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase an Authorized Denomination of a principal amount of ARBs that is less than an Authorized Denomination for ARBs on any Auction Date, the Auction Agent will by lot, in such manner as it will determine in its sole discretion, allocate ARBs for purchase among Potential Owners so that the principal amount of ARBs purchased on such Auction Date by any Potential Owner will be an Authorized Denomination for ARBs, even if such allocation results in one or more of such Potential Owners not purchasing ARBs on such Auction Date.

Section 2.05. Settlement Procedures.

(a) On each Auction Date, the Auction Agent will notify by telephone or other telecommunication device or other electronic communication acceptable to the parties or in writing each Broker-Dealer that participated in the Auction held on such Auction Date of the following with respect to ARBs for which an Auction was held on such Auction Date:

(i) the ARB Interest Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected and the principal amount of ARBs, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected and the principal amount of ARBs, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the ARBs to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of ARBs to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of ARBs to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date with respect to ARBs for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner will: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the ARB Interest Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of ARBs to be purchased pursuant to such Bid (including, with respect to the ARBs in a daily Auction Period, accrued interest if the purchase date is not an ARB Interest Payment Date for such ARB) against receipt of such ARBs; and (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of ARBs to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) On the basis of the information provided to it pursuant to Section 2.05(a) hereof, each Broker-Dealer that submitted an Order in an Auction is required to allocate any funds received by it in connection with such Auction pursuant to Section 2.05(b)(ii) hereof, and any ARBs received by it in connection with such Auction pursuant to Section 2.05(b)(iii) hereof among the Potential Owners, if any, on whose behalf such Broker-Dealer Submitted Bids, the Existing Owners, if any on whose behalf such Broker-Dealer Submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to Section 2.05(a)(v) or 2.05(a)(v) hereof.

(d) On each Auction Date:

(i) each Potential Owner and Existing Owner with an Order in the Auction on such Auction Date shall instruct its Participant as provided in Section 2.05(b)(ii) or 2.05(b)(iii) hereof, as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant of the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to the Participant of the Existing Owner delivering ARBs to such Broker-Dealer following such Auction pursuant to Section 2.05(b)(iii) hereof the amount necessary to purchase such ARBs against receipt of such ARBs, and (B) deliver such ARBs through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to Section 2.05(a)(v) hereof against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to Section 2.05(a)(vi) hereof the amount necessary to purchase the ARBs to be purchased pursuant to Section 2.05(b)(ii) hereof against receipt of such ARBs, and (B) deliver such ARB through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the Business Day following each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in Section 2.05(d)(i) hereof shall instruct the Securities Depository to execute the transactions described under Section 2.05(b)(ii) or 2.05(b)(iii) hereof for such Auction, and the Securities Depository shall execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in Section 2.05(d)(ii) hereof for such Auction, and the Securities Depository shall execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in Section 2.05(d)(iii) hereof for such Auction, and the Securities Depository shall execute such transactions.

(f) If an Existing Owner selling ARBs in an Auction fails to deliver such ARBs (by authorized book-entry), a Broker-Dealer may deliver to the Potential Owner on behalf of which it submitted a Bid that was accepted a principal amount of ARBs that is less than the principal amount of ARBs that otherwise was to be purchased by such Potential Owner. In such event, the principal amount of ARBs to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of ARBs shall constitute good delivery. Notwithstanding the foregoing terms of this subsection, any delivery or nondelivery of ARB which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent Agreement and the Broker-Dealer Agreements.

Section 2.06. Index.

(a) The Index on any Auction Date with respect to ARBs in any Auction Period of thirty-five (35) days or less shall be LIBOR. The Index on any Auction Date with respect to ARBs in any Auction Period greater than thirty-five (35) days but less than one hundred eighty (180) days shall be the greater of LIBOR or the Thirty-Day "AA" Financial Composite Commercial Paper Rate on such date. The Index with respect to ARBs in any Auction Period of one hundred eighty (180) days or more but less than three hundred sixty-five (365) days shall be the greater of LIBOR or the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Wall Street Journal. The Index with respect to ARBs in any Auction Period of three hundred sixty-five (365) days or more shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Wall Street Journal. If LIBOR, the Thirty-Day "AA" Financial Composite Commercial Paper Rate or the rate on United States Treasury Securities last published in The Wall Street Journal is unavailable, the Index will be an index or rate agreed to by all Broker-Dealers with ARBs in such Auction Period and consented to by the City.

"Thirty-Day 'AA' Financial Composite Commercial Paper Rate" on any date of determination, means the interest equivalent of the Thirty-Day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated AA by Standard & Poor's, or the equivalent of such rating by Standard & Poor's, as made available on a discount basis or otherwise by (A) the Federal Reserve Board or the Business Day immediately preceding such date of determination, or (B) if the Federal Reserve Board does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Morgan Stanley & Co. Incorporated or, in lieu of any thereof, its affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of Thirty-Day "AA" Financial Composite Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a three-hundred sixty (360)-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Thirty-Day "AA" Financial Composite Commercial Paper Rate, the Thirty-Day "AA" Financial Composite Commercial Paper Rate will be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be Morgan Stanley & Co. Incorporated or its affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the City to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the City does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

"LIBOR" on any date of determination for any Auction Period, means (i) for any Auction Period of fewer than forty-nine (49) days, the offered rate for deposits in U.S. dollars for a one (1)-month period which appears on the Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the "calculation date") and (ii) for any Auction Period of (A) forty-nine (49) or more but fewer than seventy (70) days, such rates for deposits in U.S. dollars for a two (2)-month period, (B) seventy (70) or more but fewer than eighty-five (85) days, the arithmetic average of such rates for deposits in U.S. dollars for two (2) and three (3)-month periods, (C) eighty-five (85) or more but fewer than one hundred twenty (120) days, such rate for deposits in U.S. dollars for a three (3)-month period, (D) one hundred twenty (120) or more but fewer than one hundred forty-eight (148) days, the arithmetic average of such rates for deposits in U.S. dollars for three (3) and six (6)-month periods, (E) one hundred forty-eight (148) or more but fewer than one hundred eighty (180) days, such rate for deposits in U.S. dollars for a six (6)-month period, (F) one hundred eighty (180) or more but fewer than two hundred twenty-five (225) days, the arithmetic average of such rates for deposits in U.S. dollars for six (6) and nine (9)-month periods, (G) two hundred twenty-five (225) or more but fewer than two hundred ninety (290) days, such rate for deposits in U.S. dollars for a nine (9)-month period, (H) two hundred ninety (290) or more but fewer than three hundred twenty-five (325) days, the arithmetic average of such rates for deposits in U.S. dollars for nine (9)-month and one (1)-year periods and (I) three hundred twenty-five (325) or more but fewer than three hundred sixty-five (365) days, such rate for deposits in U.S. dollars for a one (1)-year period.

(b) If for any reason on any Auction Date the Index will not be determined as hereinabove provided in this section, the Index will be the Index for the Auction Period ending on such Auction Date.

(c) The determination of the Index as provided herein will be conclusive and binding upon the Trustee, the Broker-Dealers, the Auction Agent and the Owners of the ARBs.

APPENDIX E

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

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APPENDIX E

DEFINITIONS AND SUMMARY OF CERTAIN DOCUMENTS

The following is a summary of certain provisions of the Master Installment Purchase Contract and the Trust Agreement. This summary is not intended to be definitive and is qualified in its entirely by reference to the aforementioned documents. Copies of the Master Installment Purchase Contract and the Trust Agreement are available upon request from the City.

For a summary of certain auction and settlement procedures which are contained in the Trust Agreement and applicable to the 2005B and 2005C Certificates during the time they bear interest at an ARB Interest Rate, see "APPENDIX D – AUCTION AND SETTLEMENT PROCEDURES."

DEFINITIONS

The following are summaries of definitions of certain terms used in this Summary of Principal Legal Documents. All capitalized terms not defined herein or elsewhere in this Official Statement have the meanings set forth in the Master Installment Purchase Contract and the Trust Agreement.

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

"Adjusted Annual Debt Service" means, for any Fiscal Year or any designated 12-month period in question, the Annual Debt Service for such Fiscal Year or 12-month period minus the sum of (i) for the purposes of the rate covenant of the City pursuant to the Master Contract, the earnings from the investments in the Parity Reserve Fund deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a Certificate of the City.

"Adjusted Annual Net Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Adjusted Annual Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"Adjusted Annual Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Revenues during such Fiscal Year or 12-month period plus, for the purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or 12-month period) as of the first day of such Fiscal Year or 12-month period minus, for the purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or 12-month period.

"Annual Debt Service" means, for any Fiscal Year or any designated 12-month period in question, the required payments scheduled to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided that for purposes of determining compliance with the rate covenant of the City pursuant to the Master Contract, the Reserve Fund Requirement and conditions for the execution of Parity Obligations:

(A) Generally. Except as otherwise provided by subparagraph (B) with respect to Variable Interest Rate Parity Obligations and by subparagraph (C) with respect to Parity Obligations with respect to which a Payment Agreement is in force, interest on any Parity Obligation will be calculated based on the actual amount of interest that is payable under that Parity Obligation;

(B) Interest on Variable Interest Rate Parity Obligations. The amount of interest deemed to be payable on any Variable Interest Rate Parity Obligation will be calculated on the assumption that the interest rate on that Parity Obligation would be equal to the rate (the "assumed RBI-based rate") that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made;

(C) Interest on Parity Obligations with Respect to Which a Payment Agreement Is in Force. The amount of interest deemed to be payable on any Parity Obligations with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead will be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead will be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating Payment Agreement Receipts and Payment Agreement Payments under such Payment Agreement, the following assumptions will be made:

(1) Counterparty Obligation to Pay Actual Variable Interest Rate on Variable Interest Rate Parity Obligations. If the Payment Agreement obligates a Qualified Counterparty to make payments to the City based on the actual Variable Interest Rate on a Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation and obligates the City to make payments to the Qualified Counterparty based on a fixed rate, payments by the City to the Qualified Counterparty will be assumed to be made at the fixed rate specified by the Payment Agreement and payments by the Qualified Counterparty to the City will be assumed to be made at the actual Variable Interest Rate on such Parity Obligation, without regard to the occurrence of any event that, under the provisions of the Payment Agreement, would permit the Qualified Counterparty to make payments on any basis other than the actual Variable Interest Rate on such Parity Obligation, and such Parity Obligation will set forth a debt service schedule based on that assumption;

(2) Variable Interest Rate Parity Obligations and Payment Agreements Having the Same Variable Interest Rate Components. If both a Payment Agreement and the related Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation, include a variable interest rate payment component that is required to be calculated on the same basis (including, without limitation, on the basis of the same variable interest rate index), it will be assumed that the variable interest rate payment component payable pursuant to the Payment Agreement is equal in amount to the variable interest rate component payable on such Parity Obligation;

(3) Variable Interest Rate Parity Obligations and Payment Agreements Having Different Variable Interest Rate Component. If a Payment Agreement obligates either the City or the Qualified Counterparty to make payments of a variable interest rate component on a basis that is different (including, without limitation, on a different variable interest rate index) from the basis that is required to be used to calculate interest on the Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation it will be assumed:

(a) City Obligated to Make Payments Based on Variable Interest Rate Index. If payments by the City under the Payment Agreement are based on a variable interest rate index and payments by the Qualified Counterparty are based on a fixed interest rate, payments by the City to the Qualified Counterparty will be based upon an interest rate equal to the assumed RBI-based rate, and payments by the Qualified Counterparty to the City will be based on the fixed rate specified by the Payment Agreement; and

(b) City Obligated to Make Payment Based on Fixed Interest Rate. If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index, payments by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the "assumed fixed payor rate") that is one hundred and five percent (105%) of the fixed interest rate specified by the Payment Agreement to be paid by the City, and payments by the Qualified Counterparty to the City will be based on a rate equal to the actual variable interest rate on the Variable Interest Rate Parity Obligation,

(4) Certain Payment Agreements May Be Disregarded. Notwithstanding the provisions of subparagraphs (C)(1), (2) and (3) of this definition, the City will not be required to (but may at its option) take into account as set forth in subparagraph (C) of this definition (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) Debt Service on Parity Payment Agreements. No interest will be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on a related Parity Obligation under subparagraph (C) of this definition; provided, that for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any Parity Obligation because the Parity Payment Agreement is not then related to any Parity Obligation, interest on that Parity Payment Agreement will be taken into account by assuming:

(1) City Obligated to Make Payments Based on Fixed Interest Rate. If the City is obligated to make Payment Agreement Payments based on a fixed interest rate and the Qualified Counterparty is obligated to make payments based on a variable interest rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made; and

(2) City Obligated to Make Payments Based on Variable Interest Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable interest rate index and the Qualified Counterparty is obligated to make payments based on a fixed interest rate, payments by the City will be based on an interest rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement; and

(3) Certain Payment Agreements May be Disregarded. Notwithstanding the provisions of subparagraphs (D)(1) and (2) of this definition, the City will not be required to (but may at its option) take into account (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) Balloon Parity Obligations. For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it will be assumed that the principal of those Balloon Parity Obligations, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of thirty (30) years from the date of issuance.

"Authority" means the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State.

"Average Annual Debt Service" means the sum of the Annual Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of Parity Obligations) and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations, divided by the number of such Fiscal Years.

"Balloon Parity Obligation" means any Parity Obligation described as such in such Parity Obligation.

"Business Day" means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its corporate trust office in San Francisco, California.

"Certificates" means certificates of participation executed and delivered by the Authority in 1997, 1999, 2002, 2004 and the 2005 Certificates, in connection with Contracts.

"Certificate of the Authority" means an instrument in writing signed by the Executive Director of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

"City" means the City of Roseville, a charter 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 the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

"Contract" means the Master Installment Purchase Contract, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract and the 2005 Supplemental Contract and as otherwise amended or supplemented from time to time.

“Conversion”, “Convert” and “Converted” means, as appropriate, a conversion of the 2005B Certificates and 2005C Certificates from one Interest Rate Period to another Interest Rate Period and, with respect to 2005B Certificates or 2005C Certificates in a Long-Term Interest Rate Period, the establishment of another Long-Term Interest Rate Period for the 2005B Certificates or 2005C Certificates.

“Conversion Date” means the effective date of a Conversion.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Master Contract, the Trust Agreement and the sale of the 2005 Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the 2005 Certificates, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the 2005 Certificates.

"Electric Revenue Fund" means the City of Roseville Electric Utility Fund continued pursuant to the Master Contract.

"Electric Service" means the service furnished, made available or provided by the Electric System.

"Electric System" means the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired.

"Engineer's Report" means a report signed by an Independent Engineer.

"Event of Default" means an event described in the Master Contract and the Trust Agreement.

"Federal Securities" means any direct, noncallable obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are directly or indirectly guaranteed by the United States of America.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council of the City as the Fiscal Year of the City or by the Authority as its Fiscal Year, as applicable.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures selected by the City, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Improvement Fund" means the City of Roseville Electric System Improvement Fund established pursuant to the Master Contract.

"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 City, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City or the Authority, as applicable;

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

(3) is not connected with the City or the Authority, as applicable as a director, officer or employee of the City or the Authority, as applicable, but who may be regularly retained to audit the accounting records of and make reports thereon to the City or the Authority, as applicable.

"Independent Engineer" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to public electric utilities systems, appointed and paid by the City, and who or each of whom --

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

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

(3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Authority may designate in a Certificate of the Authority filed with the Trustee.

"Insurer" or "2005 Certificate Insurer" shall mean Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto or assignee thereof.

"Interest Accrual Date" means (i) with respect to each Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first day thereof and, thereafter, the first Thursday of each calendar month, (iii) with respect to each Long-Term Interest Rate Period, the first day thereof, and thereafter, each February 1 and August 1, (iv) with respect to each Commercial Paper Term within a Commercial Paper Interest Rate Period, the first day thereof, (v) with respect to each Index Interest Rate Period, the first day thereof and, thereafter, the first Business Day of each month of each Index Interest Period and (vi) with respect to each ARB Interest Rate Period, the first day thereof and, thereafter, the immediately preceding Interest Payment Date.

"Interest Payment Date" means with respect to the 2005A Certificates, February 1 and August 1 of each year, commencing February 1, 2006; and with respect to the 2005B Certificates and 2005C Certificates (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Thursday of each calendar month (or the next succeeding Business Day if such Thursday is not a Business Day); (iii) with respect to each Long-Term Interest Rate Period, each February 1 and August 1 or if any such February 1 or August 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each respective 2005B Certificate or 2005C Certificate in a Commercial Paper Interest Rate Period, the day next succeeding the last day of each Commercial Paper Term for such respective 2005B Certificate or 2005C Certificate; (v) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (vi) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vii) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (viii) with respect to respective 2005B or 2005C Liquidity Provider Certificates, the dates set forth in the applicable 2005B or 2005C Liquidity Support Agreement.

"Interest Rate Period" means a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period.

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the

Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Contract or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Contracts or Parity Obligations, letter of credit fees for any such Contracts or Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained in the Master Contract to the contrary notwithstanding, "Maintenance and Operation Costs" will include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

"Master Contract" means the Master Installment Purchase Contract executed and entered into as of November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

"Maximum Annual Debt Service" means the greatest Annual Debt Service payable on Parity Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"Maximum Annual Payments" means the greatest total Payments payable in any Fiscal Year during the period commencing with the then current Fiscal Year and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"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 will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "Moody's" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"Net Proceeds" means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such award or such proceeds.

"Net Revenues" means, for any Fiscal Year or any designated 12-month period in question, the Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"1997 Certificates" means the Electric System Revenue Certificates of Participation, Series 1997 evidencing and representing proportionate interests of the owners thereof in the payments made under the 1997 Supplemental Contract.

"1997 Supplemental Contract" means that certain 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority.

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the City and First Trust of California, National Association, as original trustee thereunder with respect to the 1997 Certificates.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the City or the Authority, as applicable.

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in the Master Contract, and when used as of any particular time with reference to Certificates, means (subject to the provisions of the Trust Agreement) all Certificates except (1) Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Certificates paid or deemed to have been paid within the meaning of the Trust Agreement; and (3) Certificates in lieu of or in substitution for which other Certificates have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who will be the registered owner of any Certificate.

"Parity Bank Agreements" means an agreement with a bank or other financial institution relating to an irrevocable letter of credit, guarantee or other credit enhancement device providing liquidity or irrevocable credit or security for the payment of Parity Obligations.

"Parity Obligation Payment Fund" means the City of Roseville Electric System Parity Obligation Payment Fund established pursuant to the Master Contract.

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, including, except for purposes of application of the provisions of the Master Contract regarding the execution of parity obligations and other obligations, (i) Parity Payment Agreements and (ii) Parity Bank Agreements (provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City).

"Parity Payment Agreement" means a Payment Agreement which is a Parity Obligation.

"Parity Reserve Fund" means the City of Roseville Electric System Parity Reserve Fund established pursuant to the 1997 Trust Agreement.

"Payment Agreement" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

"Payment Agreement Payments" means the amounts required to be paid periodically by the City to the Qualified Counterparty pursuant to a Payment Agreement

"Payment Agreement Receipts" means the amounts required to be paid periodically by the Qualified Counterparty to the City pursuant to a Payment Agreement.

"Payment Date" means any date on which Payments are scheduled to be paid by the City under and pursuant to any Supplemental Contract.

"Payments" means the installment payments scheduled to be paid by the City under and pursuant to the Contracts.

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (copies of which the Authority will cause the City to provide on a current basis to the Trustee) and to the extent then permitted by law:

(1) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest

by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above 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 government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(a) Federal Home Loan Mortgage Corporation (FHLMC);

(b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations;

(c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;

(d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;

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

(f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(g) Financing Corporation (FICO) Debt obligations;

(h) Resolution Funding Corporation (REFCORP) Debt obligations.

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P, including those of the Trustee and its affiliates.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least $5 million.

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

(7) Money market funds rated "AAm" or "AAm-G" by S&P, or better, including funds for which the Trustee and its affiliate provide investment advisory or other management services.

(8) "State Obligations", which means:

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

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

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

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

(a) the municipal obligations are (1) not subject to prepayment prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and prepayment and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

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

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(10) Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

(a) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) All other requirements of S&P in respect of repurchase agreements shall be met;

(e) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee;

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

(11) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the 2005 Certificates;

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

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

(d) the Authority or the Trustee receives the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Authority;

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

(i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Authority or Trustee, and

(f) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(g) the investment agreement must provide that if during its term:

(i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate; and

(ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate.

(12) shares in the California Asset Management Program.

(13) the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however,* that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of the Trust Agreement.

“Principal Office” means, (i) with respect to the Tender Agent, the designated corporate trust office of the Tender Agent in San Francisco, which as of the date hereof is located at 550 Kearny Street, Suite 600, San Francisco, CA 94108, Attention: Corporate Trust Department; (ii) with respect to the Remarketing Agent, the address for the Remarketing Agent designated in the Remarketing Agreement with such Remarketing Agent and (iii) with respect to the Auction Agent, the office thereof designated in writing to the Trustee and each Broker-Dealer.

"Project" means any additions, betterments, extensions or improvements to the Electric System designated by the City Council of the City as a Project, the cost of acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of any Parity Obligation as provided therein.

"Proper Delivery" means, with respect to the delivery of a Tendered Certificate to the Tender Agent to receive the Purchase Price thereof in connection with optional or mandatory tender of such Tendered Certificate for purchase: (a) if such Tendered Certificate is a Book-Entry Certificate, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Certificates; and (2) if such Tendered Certificate is not a Book-Entry Certificate, the delivery of such Tendered Certificate to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

"Purchase Date" means, with respect to each Tendered Certificate, the date on which such Tendered Certificate is tendered or deemed tendered for purchase pursuant to the Trust Agreement.

"Purchase Price" means, with respect to any Tendered Certificate (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Certificate is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof plus accrued interest from the preceding accrual date, and interest on such Tendered Certificate shall be paid to the Owner of such Tendered Certificate as of the applicable Record Date as provided for the payment of interest on 2005B Certificates and 2005C Certificates herein and (2) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Certificate means the optional prepayment price determined pursuant to the applicable provisions of the Trust Agreement which would have been applicable to the prepayment of such Tendered Certificate on such Purchase Date pursuant to the applicable provisions of the Trust Agreement if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the Master Contract.

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City.

"RBI" means the *Bond Buyer* Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition will no longer maintain such ratings as required as described in the immediately preceding sentence, the City will provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund, but excluding (i) proceeds of taxes, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction and line extension fees, and (iii) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ('stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such 'stranded costs" of the City or of any such joint powers agency to the extent such 'stranded costs" are attributable to, or the responsibility of, the City.

"Securities Depositaries" means The Depository Trust Company, or, in accordance with then current guidelines of the Securities and Exchange Commission, and such other securities as the Authority may designate in a Certificate of the Authority to the Trustee.

"Sinking Fund Payments" means the payments required under the Trust Agreement to be deposited in the 2005 Sinking Fund Subaccount.

"S&P" 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 will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"State" means the State of California.

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Net Revenues.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2005 Certificates, executed and delivered by the Authority and the City on the date of delivery of the 2005 Certificates, including any and all exhibits attached thereto.

“Tendered Certificate” means any 2005B Certificate or 2005C Certificate (or the portion of any 2005B Certificate or 2005C Certificate) tendered or deemed tendered for purchase pursuant to the Trust Agreement.

"Trust Agreement" or "2005 Trust Agreement" means that certain Trust Agreement, dated as of June 1, 2005, between the Authority and the Trustee.

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the Trust Agreement.

"2005 Certificates" shall mean the City of Roseville Electric System Revenue Certificates of Participation, Series 2005A, Series 2005B and Series 2005C.

"2005 Certificate Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

"2005 Certificate Insurance Policy" shall mean the municipal bond new issue insurance policy issued by the 2005 Certificate Insurer that guarantees payment of the principal and interest represented by the 2005 Certificates.

"2005 Debt Service Fund" means the fund by that name established pursuant to the Trust Agreement.

"2005 Interest Account" means the account by that name established pursuant to the Trust Agreement.

"2005 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 2005 Supplemental Contract.

"2005 Prepayment Account" means the account by that name established pursuant to the Trust Agreement.

"2005 Principal Subaccount" means the subaccount by that name established pursuant to the Trust Agreement.

"2005 Project" means capital improvements to the City's electric system, generally consisting of the capital improvement projects to the City’s power distribution system that are needed to maintain a reliable electric system and meet the demand of the City’s increasing electricity load, as further described in the Official Statement for the 2005 Certificates.

"2005 Sinking Fund Subaccount" means the subaccount by that name established pursuant to the Trust Agreement.

"2005 Supplemental Contract" means that certain 2005 Supplemental Installment Purchase Contract, dated as of June 1, 2005 by and between the City and the Authority.

“Undelivered Certificate” means, with respect to each Purchase Date, each Tendered Certificate subject to purchase on such Purchase Date as to which Proper Delivery of such Tendered Certificate to the Tender Agent is not made on such Purchase Date; provided, however, no such Tendered Certificate shall be considered an Undelivered Certificate on such Purchase Date unless the Tender Agent holds sufficient available moneys in trust for the Owners of the Tendered Certificates to pay in full the applicable Purchase Price of all Tendered Certificates due on such Purchase Date.

"Variable Interest Rate" means any variable interest rate or rates to be paid under any Parity Obligations, the method of computing which variable interest rate will be as specified in the applicable Parity Obligation, which Parity Obligation will also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate will remain in effect, and (ii) the time or times based upon which any change in such variable interest rate will become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations will not be treated as Variable Interest Rate Parity Obligations if the net economic effect of interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force will be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in the Master Contract.

"Written Request of the Authority" means an instrument in writing signed by the Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

THE MASTER INSTALLMENT PURCHASE CONTRACT

Under the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Project for and to sell the Project to the City and appoints the City as its agent for the purpose of such acquisition and construction. Certain provisions of the Master Contract are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE MASTER CONTRACT.

Acquisition, Construction and Sale of Projects; Funds

Acquisition, Construction and Sale of Projects. Pursuant to the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement such provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such agreements, construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to the Master Contract, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority agrees to and sells the Projects to the City. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses will be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

Improvement Fund. The Master Contract establishes the City of Roseville Electric System Improvement Fund (the "Improvement Fund"), which fund the City agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund will be used and withdrawn by the City to pay the costs of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City will maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project will be transferred by the City to the Electric Revenue Fund.

Rate Stabilization Fund. The Master Contract establishes a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Revenues. Notwithstanding the foregoing, no Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the additional Parity Obligations test or the rate covenant of the City pursuant to the Master Contract and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

Electric Revenue Fund. In order to carry out and effectuate the obligation of the City contained in the Master Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Revenues received by it will be deposited when and as received in the City of Roseville Electric System Revenue Fund (the "Electric Revenue Fund"), which fund will be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund will be applied and used only as provided in the Master Contract. The City will pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund will be set aside and deposited by the City at the following times in the following order of priority:

(a) <u>Parity Obligation Payment Fund Deposits</u>. On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payments become due and payable by the City under any Parity Payment Agreement, the City will, from the money in the Electric Revenue Fund, deposit in The City of Roseville Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to the Master Contract) so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(b) Parity Reserve Fund Deposits. On or before the third Business Day before each Payment Date, the City will, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers required to be made, the City may apply any remaining money in the Electric Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations; provided, however, that no moneys in the Electric Revenue Fund shall be applied to the payment of any Subordinate Obligations in any Fiscal Year unless amounts on deposit in the Electric Revenue Fund shall be sufficient to make the transfers hereinabove required to be made in such Fiscal Year.

Investments. Any moneys held in the Electric Revenue Fund or the Parity Obligation Payment Fund will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Master Contract. Any moneys held in the Rate Stabilization Fund will be invested in Permitted Investments which will mature at such dates as the City will determine but prior to the final date on which payments are due under any outstanding Parity Obligation. All investment earnings from moneys or deposits in the Electric Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund will be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which will be held separately) established pursuant to the Master Contract into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the City under the Master Contract will be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account will, except as otherwise provided in the Master Contract, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

Execution of Parity Obligations and Other Obligations

Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments of which are payable from the Net Revenues on a parity with the Payments due under all Supplemental Contracts, provided, however, there will be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to one hundred ten percent (110%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; or

(2) An Engineer's Report showing that projected Adjusted Annual Net Revenues during the succeeding five (5) complete Fiscal Years beginning with the first Fiscal Year following issuance of such Parity Obligations in which interest is not capitalized in whole or in part from the proceeds of Parity Obligations, is at least equal to one hundred ten percent (110%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed.

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there will first be delivered to the City and the Trustee (which shall serve as trustee in respect to each and every Parity Obligation which is a Supplemental Contract) the following documents or money or securities:

(i) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(ii) A Request of the City as to the delivery of such Parity Obligation;

(iii) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditors' rights), and (b) such Parity Obligation has been duly and validly authorized and issued in accordance with the Master Contract;

(iv) A Certificate of the City or an Engineer's Report as required pursuant to the applicable provisions of the Master Contract, containing such statements as may be reasonably necessary to show compliance with the requirements of the applicable provisions of the Master Contract;

(v) either (a) if the Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if the Parity Obligation is other than a Supplemental Contract, a Certificate of the City certifying that a separate reserve has been established for such Parity Obligation if required by the terms of such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(vi) Such further documents, money and securities as are required by the provisions of the Master Contract and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(vii) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the rating issued by the Rating Agencies then rating Parity Obligations.

Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in the Master Contract.

Covenants

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Contract required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Electric System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided in the Master Contract and therein.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Electric System and will keep the Electric System free of any and all liens against any portion of the Electric System. In the event any such lien attaches to or is filed against any portion of the Electric System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Electric System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Electric System.

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Electric System or any real or personal property comprising a part of the Electric System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the rate covenant of the City pursuant to the Master Contract.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and in conformity with law.

Maintenance and Operation of the Electric System; Budgets. The City will maintain and preserve the Electric System in good repair and working order at all times and will operate the Electric System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made under the Master Contract in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget will be filed by the City with the Authority.

Compliance with Contracts for Use of the Electric System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Electric System and all other contracts affecting or involving the Electric System to the extent that the City is a party thereto.

Insurance. The City will procure and maintain such insurance relating to the Electric System which it will deem advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with public electric utility systems similar to the Electric System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the Master Contract will provide that the Authority will be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports. The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Electric System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2005):

(1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination that caused it to believe that the City was not in compliance with any of the agreements or covenants contained in the Master Contract; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Electric System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Electric System or any part thereof when the same will become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Electric System or any part thereof, but the City will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair operation of the Electric System.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but will not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of the Master Contract.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates, fees and charges applicable to the Electric Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing herein will prevent the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales will not relieve the City of its obligations under the Master Contract.

Eminent Domain and Insurance Proceeds. If all or any part of the Electric System will be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Electric System, the Net Proceeds thereof, at the option of the City, will be applied either to the proportional prepayment of Outstanding Parity Obligations or will be used to substitute other components for the condemned or destroyed components of the Electric System.

Further Assurances. The City will adopt, deliver, execute and make 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 Contracts and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

Events of Default and Remedies

Events of Default and Acceleration of Principal. If one or more of the following Events of Default will happen, that is to say --

(1) if default will be made in the due and punctual payment of any payment on any Parity Obligation when and as the same will become due and payable;

(2) if default will be made by the City in the performance of any of the agreements or covenants contained in the Master Contract or in any Parity Obligation required to be performed by it, and such default will have continued for a period of sixty (60) days after the City will have been given notice in writing of such default by the Authority; or

(3) if the City will 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 will approve a petition filed with or without the consent of the City 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 will assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Master Contract to the contrary notwithstanding, subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the City will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate will have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in the Master Contract and all Net Revenues thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Contract regarding events of default, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Parity Obligations, and, if the amount available will not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Parity Obligations which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Net Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraphs Second and Third above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

Other Remedies. The Authority will have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in the Master Contract will affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority will 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 Authority to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will 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 Authority by law or by the Master Contract may be enforced and exercised from time to time and as often as will be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the City and the Authority will 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 Master Contract conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Master Contract or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Discharge of Obligations

(a) If the City will pay or cause to be paid all the Payments at the times and in the manner provided in the Master Contract, the right, title and interest of the Authority in the Master Contract and the obligations of the City under the Master Contract and under all Supplemental Contracts will cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments will on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided therein.

(c) All or any portion of unpaid principal installments of the Payments will, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) there will have been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, will be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority will pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Contract other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments will continue to be held in trust for the payment thereof.

Miscellaneous

Liability of City Limited to Net Revenues. Notwithstanding anything contained in the Master Contract, the City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Contract. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Net Revenues as provided in the Master Contract. The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the Payments.

Provisions Relating to Certificate Insurer

The 2005 Supplemental Contract contains provisions which shall govern, notwithstanding anything to the contrary set forth in the 2005 Supplemental Contract, for the benefit of the Insurer.

THE TRUST AGREEMENT

The Trust Agreement sets forth the terms of the 2005 Certificates, the nature and extent of the security therefor, various rights of the Owners, rights and duties and immunities of the Trustee and rights and obligations of the Authority. Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Equal Security

In consideration of the acceptance of the 2005 Certificates by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all 2005 Certificates authorized, executed, and delivered under the Trust Agreement and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, evidenced and represented by the 2005 Certificates which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any 2005 Certificates over any other 2005 Certificates by reason of the number or date thereof or the time of authorization, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

2005 Payments

Deposit of 2005 Payments. The Trustee agrees to establish, maintain and hold in trust the 2005 Debt Service Fund, for so long as any 2005 Certificates will be Outstanding under the Trust Agreement. All 2005 Payments received by the Trustee will be immediately deposited in the 2005 Debt Service Fund and will be disbursed and applied only as provided in the Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the 2005 Debt Service Fund. Subject to the terms of the Trust Agreement, all money in the 2005 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2005 Debt Service Fund (each of which is created by the Trust Agreement and each of which the Trustee agrees and covenants to maintain) in the following order of priority:

(a) 2005 Interest Account, and

(b) 2005 Prepayment Account (with a 2005 Principal Subaccount and a 2005 Sinking Fund Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Owners and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

(a) 2005 Interest Account. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall set aside from the 2005 Debt Service Fund and deposit in the 2005 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the Certificates becoming due and payable on such Interest Payment Date.

No deposit need be made in the 2005 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest evidenced and represented by the 2005 Certificates becoming due and payable on such Interest Payment Date.

All money in the 2005 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it will become due and payable (including accrued interest evidenced and represented by any 2005 Certificates purchased or prepaid prior to their respective Certificate Payment Date).

(b) 2005 Prepayment Account. On the Business Day immediately preceding each February 1, commencing on February 1, 2006, the Trustee will set aside from the 2005 Debt Service Fund and deposit in the 2005 Principal Subaccount in the 2005 Prepayment Account an amount of money equal to the principal amount evidenced and represented by the Outstanding serial 2005 Certificates with a Certificate Payment Date of such February 1 and in the 2005 Sinking Fund Subaccount in the 2005 Prepayment Account the amount of all Sinking Fund Payments required to be made on such February 1.

No deposit need be made in the 2005 Prepayment Account if the amount contained in the 2005 Principal Subaccount therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding serial 2005 Certificates with a Certificate Payment Date of such February 1 and the amount contained in the 2005 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such February 1.

All money in the 2005 Principal Subaccount in the 2005 Prepayment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the serial 2005 Certificates as they will become due and payable, whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2005 Sinking Fund Subaccount in the 2005 Prepayment Account will be used and withdrawn by the Trustee only to purchase or to prepay or to pay term 2005 Certificates, and with respect to the 2005 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee will apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the term 2005 Certificates upon the notice and in the manner provided in the Trust Agreement; provided, however, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation of term 2005 Certificates 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 2005 Interest Account) as may be directed in a Written Request of the Authority, except that the purchase price (excluding accrued interest) will not exceed the prepayment price that would be payable for such term 2005 Certificates upon prepayment by application of such Sinking Fund Payment, and if during the twelve-month period immediately preceding any Sinking Fund Payment date the Trustee has so purchased term 2005 Certificates, such 2005 Certificates so purchased will be applied to the extent of the full principal amount evidenced and represented thereby to reduce the Sinking Fund Payment.

Parity Reserve Fund

The Trustee agrees and covenants to maintain the Parity Reserve Fund established under the 1997 Trust Agreement so long as the Master Contract has not been discharged in accordance with its terms or any 2005 Certificates remain Outstanding under the Trust Agreement. There is established within the Parity Reserve Fund the "2005 Parity Reserve Account" and the "2005 Parity Reserve Account." All amounts on deposit in the Parity Reserve Fund immediately prior to the issuance of the 2005 Certificates shall be deposited into the 2005 Parity Reserve Account and shall be used and withdrawn in accordance with provisions of the 1997 Trust Agreement with respect to the Parity Reserve Fund. Upon receipt of the proceeds of the 2005 Certificates in accordance with, the Trustee shall deposit in the 2005 Parity Reserve Account an amount which, when added to the amount in the Parity Reserve Fund, equals the Reserve Fund Requirement. Thereafter, the Trustee shall deposit in the 2005 Parity Reserve Account such other amounts transferred to the Trustee by the City pursuant to the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the 2005 Parity Reserve Account shall be transferred by the Trustee to the 2005 Debt Service Fund to pay principal and interest evidenced and represented by the 2005 Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee shall also, from such amounts on deposit in the 2005 Parity Reserve Account, transfer or cause to be transferred to the debt service fund established under the 1997 Trust Agreement and any applicable debt service fund established under the a trust agreement under which any obligations are issued in connection with a supplement to the Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to the 1997 Trust Agreement or such trust agreement under which any obligations are issued in connection with a supplement to the Contract.

Amounts on deposit in the 2005 Parity Reserve Account in excess of the amount which, when added to the amount in the Parity Reserve Fund, equals the Reserve Fund Requirement shall be withdrawn from the 2005 Parity Reserve Account and transferred, on the second business day immediately preceding each February 1 and August 1, to the 2005 Interest Account of the 2005 Debt Service Fund, and on and after February 1, 2006 any excess shall be transferred to the City for deposit in the Revenue Fund established under the Contract. In the event the Reserve Fund Requirement is decreased and the Authority elects to withdraw the amount in the Parity Reserve Fund to the decreased requirement amount, the decrease shall be allocated and withdrawn from the amount on deposit in the various Parity Reserve Accounts pro-rata, based on the portion of the Reserve Fund Requirement held in each such Parity Reserve Account at the time of the withdrawal, except that if the reduction is attributable to the redemption of all or a portion of a specific series of 2005 Certificates previously executed and delivered or to another factor solely pertaining to such issue of 2005 Certificates, the respective Parity Reserve Account shall be reduced by the amount of the reduction attributable to the respective 2005 Certificates.

Establishment of Improvement Fund and 2005 Project Account

The Trustee agrees to establish and maintain the Improvement Fund referred to in the Master Installment Purchase Contract, and within the Improvement Fund the Trustee shall establish and maintain the 2005 Project Account until the completion of the 2005 Project. All money in the 2005 Project Account and interest earnings thereon shall be held by the Trustee in trust and shall be applied by the Trustee for the payment of the construction and acquisition of the 2005 Project.

Before any payment is made from the Improvement Fund by the Trustee, the City shall file with the Trustee a Request of the City. Upon receipt of each such Request of the City, the Trustee shall, so long as the Trustee does not have actual knowledge of or has not received written notice that the City or the Authority are then in default under the Contract or under the Trust Agreement, pay the amount set forth therein as directed by the terms thereof from moneys on deposit in the 2005 Project Account, except that the Trustee shall not make any such payment if it has received a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money to be so paid which has not been released or will not be released simultaneously with such payment, other than materialmen's or mechanics' liens accruing by mere operation of law or a notice from the Authority stating that the City is not authorized to act as agent for the Authority with respect to the matter described in such Request of the City.

When the acquisition and construction of the 2005 Project has been completed to the satisfaction of the City, the City shall deliver a Certificate of the City (as defined in the Master Installment Purchase Contract) to the Trustee stating the fact and date of the completion of such improvements, and stating that all the costs of the 2005 Project and the expenses incidental thereto have been determined and paid (or that such claims and expenses have been paid less specified claims which are subject to dispute and for which a retention in the 2005 Project Account is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such certificate, the Trustee shall transfer all remaining moneys in the 2005 Project Account to the City for deposit into the Electric Revenue Fund (as defined in the Master Installment Purchase Contract). In the event the 2005 Project Account has not been depleted by the date which is three years after the Closing Date, the Authority shall give written instructions to the Trustee as to the investment of any moneys remaining therein fifteen (15) days prior to such date and shall provide an Opinion of Bond Counsel to the effect that such investment shall not adversely affect the tax-exempt status of the Certificates.

Notwithstanding the foregoing, unless the Insurer otherwise directs, upon the occurrence of an Event of Default or the occurrence and continuance of an event which with notice or lapse of time or both would constitute an Event of Default, amounts on deposit in the 2005 Project Account shall not be disbursed but shall instead be applied, at the direction of the Insurer and with the approval of nationally recognized bond counsel acceptable to the Trustee, to the payment or prepayment of principal and/or interest evidenced by the Certificates.

Deposit and Investments of Money in Accounts and Funds

Subject to the terms of Trust Agreement, all money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance with the Trust Agreement; provided, however, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (7) of the definition thereof. Subject to the Trust Agreement, all interest or profits received on any money so invested will be deposited in the 2005 Debt Service Fund.

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. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Trust Agreement.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement.

The Trustee will not be liable for any loss from any Permitted Investment acquired, held, or disposed of at the Written Request of the Authority.

Tender of Certificates

The 2005B Certificates and 2005C Certificates are subject to mandatory tender for purchase, at the applicable Purchase Price, on the first day of each Interest Rate Period and (except for any Conversion from an ARB Interest Rate Period) on the proposed Conversion Date specified in the notice of the Conversion to an alternate Interest Rate Period given to the Owners pursuant to the Trust Agreement. The Tender Agent shall give the notice of such tender requirement pursuant to the Trust Agreement, which notice shall state: (i) that, the Purchase Price of each 2005B Certificate or 2005C Certificate so subject to mandatory tender for purchase shall be payable only upon Proper Delivery of such 2005B Certificate or 2005C Certificate to the Tender Agent at its Principal Office, and describing the actions and document necessary to make such Proper Delivery; (ii) that all 2005B Certificates and 2005C Certificates so subject to mandatory tender for purchase are to be purchased (but only from the funds available for such purchase pursuant to the Trust Agreement, describing such funds) on the Purchase Date which shall be explicitly stated; and (iii) that if on such Purchase Date, the Tender Agent holds in trust for the Owners of the Tendered Certificates the Purchase Price for all Tendered Certificates to be purchased on such Purchase Date, any such Tendered Certificate as to which Proper Delivery is not made to the Tender Agent on the Purchase Date shall be deemed to be an Undelivered Certificate and to have been tendered for purchase on such Purchase Date and purchased as herein provided and the Owner of such Undelivered Certificate shall thereafter have no rights with respect to such Undelivered Certificate except to receive payment of the Purchase Price thereof from the funds held for such purpose by the Tender Agent and only upon Proper Delivery of such 2005B Certificate or 2005C Certificate to the Tender Agent. Any notice given substantially as provided herein shall be conclusively presumed to have been duly given, whether or not actually received by each Owner of a 2005B Certificate or 2005C Certificate.

The Purchase Price of any Tendered Certificate purchased shall be payable only upon Proper Delivery of such Tendered Certificate to the Tender Agent. If Proper Delivery of any Tendered Certificate is made by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to the Trust Agreement in immediately available funds on the date such Proper Delivery is made and if such Proper Delivery is made after 10:00 a.m., New York City time, on such Purchase Date or any Business Day thereafter, the Purchase Price therefor shall be paid (but only from the funds provided therefor pursuant to the Trust Agreement) in immediately available funds on the Business Day immediately succeeding such date of Proper Delivery.

Assignment to Trustee; Enforcement of Obligations

The Authority transfers, assigns and sets over to the Trustee all of the 2005 Payments and any and all rights and privileges it has under the Master Contract, including, without limitation, the right to collect and receive directly all of the 2005 Payments and the right to enforce the provisions of the Master Contract; and any 2005 Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee. The Trustee also will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2005 Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the 2005 Certificates: the Trustee's rights as assignee of the 2005 Payments under the Master Contract and as beneficiary of any other rights to security for the 2005 Certificates which the Trustee may receive in the future.

The Trustee may, in performing the obligations set out above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Covenants

Compliance with Trust Agreement. The Trustee will not execute or deliver any 2005 Certificates in any manner other than in accordance with the provisions of the Trust Agreement; and the Authority will not suffer or permit any default by it to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained in the Trust Agreement and in the 2005 Certificates.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Tax Covenants. The Authority covenants with the Owners of the 2005 Certificates that, notwithstanding any other provisions of the Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest evidenced and represented by the 2005 Certificates under Section 103 of the Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the 2005 Certificates or any of the property financed or refinanced with proceeds of the 2005 Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest evidenced and represented by the 2005 Certificates.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the 2005 Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2005 Certificates or any of the property financed or refinanced with proceeds of the 2005 Certificates, or any portion thereof, or any other funds of the Authority, that would cause the 2005 Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2005 Certificates are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The Authority will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the 2005 Certificates as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any 2005 Certificates, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the 2005 Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the Authority will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2005 Certificates.

The Authority will not make any use of the proceeds of the 2005 Certificates or any other funds of the Authority, or take or omit to take any other action, that would cause the 2005 Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. These covenants will survive payment in full or defeasance of the 2005 Certificates.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2005 Payment and the proceeds of the 2005 Certificates, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement covering receipts, disbursements, allocation and application of 2005 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

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 2005 Payments and the proceeds of the 2005 Certificates or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided, that the Trustee or any affected Owner 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 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 Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant will remain in full force and effect even though all 2005 Certificates secured may have been fully paid and satisfied.

Amendments to Master Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Master Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Master Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent will be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security given for the payment of the 2005 Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 2005 Payments to be made to the Authority or the Trustee by the City pursuant to the Master Contract, or extend the time for making such 2005 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with the Trust Agreement.

Recording and Filing. The Trustee upon receipt of a Written Request of the Authority will, at the expense of the Authority, file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee; provided, however, that the Trustee will not be required to execute a special or general consent to service of process, or to qualify as a foreign corporation in connection with any such filing, recording, registration, refiling or rerecording in any jurisdiction in which it is not now so subject.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

The Trustee

The Authority may at any time (unless there exists any Event of Default as defined in Trust Agreement) remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor will be a bank or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having a combined capital (exclusive of borrowed capital) and surplus of at least $75,000,000 and subject to supervision or examination by federal or state authority. If such bank or trust company 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 this section the combined capital and surplus of such bank or trust company will 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 Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction 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 Trust Agreement. Notwithstanding the foregoing, no resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of trustee. Furthermore, the 2005 Certificate Insurer shall be provided written notice of the resignation or removal of the Trustee and the appointment of any successor thereto.

Liability of Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the 2005 Certificates will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the 2005 Certificates, or will incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the 2005 Certificates or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own active or passive negligence, willful misconduct or breach of duty.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts. The Trustee will not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the 2005 Certificates at the time Outstanding, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

Amendment of the Trust Agreement

General. The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the 2005 Certificate Insurer and the Owners of a majority in aggregate principal amount of the 2005 Certificates then Outstanding, exclusive of 2005 Certificates disqualified as provided in the Trust Agreement, are filed with the Trustee; provided, however, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the Certificate Payment Date of, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any, evidenced and represented by any Certificate without the express written consent of the Owner of such Certificate, or (2) reduce the percentage of 2005 Certificates required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption with the consent of the 2005 Certificate Insurer but without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

(1) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(2) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;

(3) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;

(4) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest evidenced and represented by the 2005 Certificates from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;

(5) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the 2005 Certificates by any of the Rating Agencies; or

(6) to add to the rights of the Trustee.

Amendment by Mutual Consent. The Trust Agreement does not prevent any Owner from accepting any amendment as to the particular 2005 Certificates held by him, provided, that due notation thereof is made on such 2005 Certificates.

<u>Events of Default; Waiver of Default</u>

Events of Default. If an Event of Default (as that term is defined in the Master Contract) will happen, then such Event of Default will constitute a default under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee or the Owners of not less than a majority in aggregate principal amount of the 2005 Certificates then Outstanding may exercise the remedies provided to the Authority in the Master Contract; provided, that nothing contained in the Trust Agreement will affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of the obligation evidenced and represented by such Owner's 2005 Certificates. In determining whether an Event of Default has occurred, no effect shall be given to payments made under the Series 2005 Certificate Insurance Policy.

Other Remedies of the Trustee. The Trustee will have the right --

(1) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Master Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Master Contract;

(2) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(3) by suit in equity upon the happening of any Event of Default under the Trust Agreement to enforce the Authority's rights under the Master Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee will 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 to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee, the Trustee, and the City will 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 Trust Agreement conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

No Liability by the City to the Owners. Except for the payment when due of the 2005 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Master Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the 2005 Certificates or the disbursement of the 2005 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the 2005 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Master Contract.

<u>Defeasance</u>

Discharge of Trust Agreement. When the obligations of the City under the Master Contract will cease pursuant to the Master Contract (except for the right of the Trustee and the obligation of the City to have the money and securities mentioned therein applied to the payment of Payments as therein set forth), then and in that case the obligations created by the Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the 2005 Certificates as set forth the Trust Agreement and the right of the Trustee to collect any fees or expenses due thereunder and the Trustee will turn over to the City, as an overpayment of 2005 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2005 Certificates at maturity or on prepayment, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2005 Certificates, and after such payment, the Trust Agreement will become void.

If moneys or Federal Securities are deposited with and held by the Trustee as provided in the Trust Agreement, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Trust Agreement, stating that (a) moneys or Federal Securities are so held by it, and (b) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement or the Master Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant) in the necessary amount to pay or prepay any 2005 Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be --

(1) lawful money of the United States of America in an amount equal to the principal amount represented by such 2005 Certificates and all unpaid interest represented thereby to maturity, except that, in the case of 2005 Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of prepayment plus a prepayment premium, if any, represented by such 2005 Certificates; or

(2) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the principal of and interest on which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the 2005 Certificates to be paid or prepaid, as such amounts become due; provided, however, that in the case of 2005 Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Master Contract or by Written Request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such 2005 Certificates.

Notwithstanding anything contained in the Trust Agreement to the contrary, in the event that the interest and/or the principal evidenced and represented by any of the 2005 Certificates shall be paid by the 2005 Certificate Insurer pursuant to the 2005 Certificate Insurance Policy, such 2005 Certificates shall remain Outstanding under the Trust Agreement for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid, and the assignment and pledge of the Trust Agreement and all agreements, covenants and other obligations of the City under the Contract assigned to the Trustee for the benefit of the Owners of the 2005 Certificates shall continue to exist and shall run to the benefit of the 2005 Certificate Insurer, and the 2005 Certificate Insurer shall be subrogated to the rights of such Owners.

Unclaimed Money. Notwithstanding anything contained in the Trust Agreement to the contrary, any money held by the Trustee in trust for the payment and discharge of any of the 2005 Certificates which remains unclaimed for two years after the date when such 2005 Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to Certificate Payment Date, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such 2005 Certificates have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2005 Payments evidenced and represented by such 2005 Certificates; provided, however, that before being required to make any such payment to the City, the Trustee will, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

Provisions Relating to Certificate Insurer

The Trust Agreement contains provisions which shall govern, notwithstanding anything to the contrary set forth in the Trust Agreement, for the benefit of the Insurer.

APPENDIX F

PROPOSED FORM OF SPECIAL COUNSEL OPINION
[LETTERHEAD OF JONES HALL]

[Closing Date]

City Council
City of Roseville
311 Vernon Street
Roseville, California 95678

OPINION: $202,900,000 City of Roseville Electric System Revenue Certificates of Participation, Series 2005

Members of the City Council:

We have acted as special counsel in connection with the delivery by the City of Roseville of a 2005 Supplemental Installment Purchase Contract dated as of June 1, 2005 (the "2005 Supplement") between the City, as purchaser and the Roseville Finance Authority (the "Authority"), as seller, which is a supplement to a Master Installment Purchase Contract dated November 1, 1997 (the "Master Contract") by and between the City and the Authority. Under a Trust Agreement dated as of June 1, 2005 (the "Trust Agreement"), by and between the Authority and BNY Western Trust Company, as trustee (the "Trustee"), the Trustee has executed and delivered $202,900,000 aggregate principal amount of Electric System Revenue Certificates of Participation, Series 2005 evidencing and representing proportionate interests of the owners thereof in the payments to be made by the City under the 2005 Supplement (the "Installment Payments"). We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the 2005 Supplement and the Trust Agreement, and in certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation.

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

1. The City is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, with the full power to enter

into the 2005 Supplement and the Trust Agreement and to perform the agreements on its part contained therein.

2. The 2005 Supplement and the Trust Agreement have been duly approved by the City and constitute valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

3. The Certificates have been validly executed and delivered by the Trustee under the Trust Agreement and, by virtue of the terms thereof and of the 2005 Supplement and the Master Contract, the owners of the Certificates are entitled to the benefits of the 2005 Supplement.

(c) The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the delivery of the 2005 Supplement in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the 2005 Supplement and other instruments relating to the Certificates to comply with each of such requirements. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of delivery of the 2005 Supplement. We express no opinion regarding other federal tax consequences arising with respect to the 2005 Supplement and the Certificates.

5. The portion of the Installment Payments designated as and comprising interest and received by the owners of the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the 2005 Supplement, the Trust Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

Respectfully submitted,

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

CITY OF ROSEVILLE
ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2005A, SERIES 2005B, and SERIES 2005C

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the CITY OF ROSEVILLE (the "City"), for and on behalf of itself and the Roseville Finance Authority (the "Authority"), in connection with the execution and delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are being executed and delivered by The Bank of New York Trust Company, N. A., as trustee (the "Trustee"), in accordance with a Trust Agreement, dated as of June 1, 2005 (the "Trust Agreement"), by and between the Authority and the Trustee. The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the holders and beneficial owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms have the following meanings:

"*Annual Report*" means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Dissemination Agent*" means The Bank of New York Trust Company, N. A., or any successor Dissemination Agent designated in writing by the City and which has filed with the City and the Trustee a written acceptance of such designation.

"*Listed Events*" means 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, as they may be designated from time to time pursuant to the Rule. Any filing under this Disclosure Certificate with a National Repository may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange

Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

"*Official Statement*" means the Official Statement relating to the Certificates.

"*Participating Underwriter*" means Morgan Stanley & Co. Incorporated, the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"*Report Date*" means seven months after the end of the City's fiscal year, (currently January 31 of each year based on the City's June 30 fiscal year end).

"*Repository*" means each National Repository and each State Repository.

"*Rule*" means 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*" means any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than the Report Date, beginning on January 31, 2006, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Trustee, the Certificate Insurer and the Participating Underwriter. Not later than 15 business days before the Report Date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). 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. The audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the Report Date, if not available by the Report Date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent and the Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the City under this Disclosure Certificate.

(b) If the City is unable to provide to the Repositories an Annual Report by the Report Date, the City shall, by written direction, cause the Dissemination Agent to provide to each Repository and to the Municipal Securities Rulemaking Board and each State Repository (with a copy to the Trustee and the Certificate Insurer) a notice, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the Report Date the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

Section 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following:

(a) Audited Financial Statements of the City, which shall include financial statements of the City's municipal electric power utility (the "Electric System") prepared in accordance with Generally Accepted Accounting Principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City's audited financial statements are not available by the Report Date, 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) Unless otherwise provided in the audited financial statements filed on or prior to the Report Date, the following financial information and operating data with respect to the City and the Electric System for the preceding fiscal year as of June 30 of the previous fiscal year:

(1) The principal amount of the outstanding Certificates.

(2) The balance in the Parity Reserve Fund.

(3) The Reserve Fund Requirement for the Certificates and all outstanding Prior Certificates.

(4) The balance in the Rate Stabilization Fund.

(5) An updated table substantially in the form of Table 1 in the Official Statement entitled "Customers, Sales and Demand."

(6) An updated table substantially in the form of Table 2 in the Official Statement entitled "Ten Largest Customers."

(7) An updated table substantially in the form of Table 3 in the Official Statement entitled "Sources of Power Supply."

(8) An updated table substantially in the form of Table 7 in the Official Statement entitled "City Share of Outstanding Joint Powers Agencies Debt."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the City shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.

(v) Substitution of credit or liquidity providers, or their failure to perform.

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.

(vii) Modifications to rights of Certificates holders.

(viii) Contingent or unscheduled prepayment of Certificates.

(ix) Defeasances.

(x) Release, substitution, or sale of property securing repayment of the securities.

(xi) Rating changes.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the City shall, by written direction, cause the Dissemination Agent to promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository with a copy to the Trustee, the Participating Underwriter and the Certificate Insurer, together with written direction to the Trustee whether or not to notify the Certificate holders of the filing of such notice. In the absence of any such direction, the Trustee shall not send such notice to the Certificate holders. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates pursuant to the Trust Agreement.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be The Bank of New York Trust Company, N. A.. Any Dissemination Agent may resign by providing 30 days' written notice to the City and the Trustee.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Certificates, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions of this Section, the first annual financial information filed pursuant to this Disclosure Certificate containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Repositories in the same manner as for a Listed Event under Section 5(c).

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City or the Dissemination Agent to comply with any provision of this Disclosure Certificate the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Certificates, shall, but only to the extent moneys or other indemnity, satisfactory to the Trustee, has been furnished to the Trustee to hold it harmless from any loss, costs, liability or expense, including fees and expenses of its attorneys and any additional fees of the Trustee or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the City or the Dissemination Agent 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 and the Trustee shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they 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 or the Trustee's respective negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Certificate holders or any other party. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent, but shall terminate upon the termination of the City's obligations under this Certificate pursuant to Section 6 of this Certificate.

Section 12. Notices. Any notice or communications to be among any of the parties to this Disclosure Certificate may be given as follows:

To the City:	City of Roseville 311 Vernon Street Roseville, California 95678 Attention: Administrative Services Director Fax: (916) 774-5514
To the Trustee:	The Bank of New York Trust Company, N. A. 550 Kearny Street, Suite 600 San Francisco, California 94108 Attention: Corporate Trust Department Fax: (415) 399-1647
To the Participating Underwriter:	Morgan Stanley & Co. Incorporated 555 California Street, Suite 2130 San Francisco, California 94104 Attention: Municipal Finance Department Fax: (415) 591-4582

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _______________, 2005

CITY OF ROSEVILLE

By ____________________________________
Administrative Services Director/Treasurer

ACCEPTED AND AGREED:

The Bank of New York Trust Company, N. A.,
as Dissemination Agent

By _________________________________
Authorized Representative

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: CITY OF ROSEVILLE

Name of Issue: $202,900,000 City of Roseville Electric System Revenue Certificates of Participation, Series 2005A, Series 2005B and Series 2005C

Date of Issuance: _______________, 2005

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by the Continuing Disclosure Certificate dated as of ______________, 2005. The City anticipates that the Annual Report will be filed by ________________.

Dated:_____________

DISSEMINATION AGENT

By: ____________________________________

Title: ___________________________________

cc: Trustee

APPENDIX H

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company ("DTC"), the procedures and record keeping with respect to beneficial ownership interests in the 2005 Certificates, payment of principal, interest and other payments with respect to the 2005 Certificates to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the 2005 Certificates and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, the entities responsible for the execution and delivery of the 2005 Certificates (the "Issuer") makes no representations concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

No assurances can be given 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 2005 Certificates, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2005 Certificates, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2005 Certificates, 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.

DTC and its Participants. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2005 Certificates. The 2005 Certificates 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 2005 Certificates, 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.

Book-Entry Only System. Purchases of the 2005 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2005 Certificates 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 2005 Certificates 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 2005 Certificates, except in the event that use of the book-entry system for the 2005 Certificates is discontinued.

To facilitate subsequent transfers, all Certificates 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 2005 Certificates 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 2005 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates 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 2005 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2005 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of the 2005 Certificates may wish to ascertain that the nominee holding the 2005 Certificates 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.

Prepayment notices shall be sent to DTC. If less than all of the 2005 Certificates within an issue are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2005 Certificates 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 2005 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest evidenced by the 2005 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest evidenced by the 2005 Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the 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 2005 Certificates at any time by giving reasonable notice to the Issuer 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 Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

Discontinuance of DTC Services. In the event that (a) DTC determines not to continue to act as securities depository for the 2005 Certificates, or (b) the Issuer determines that DTC will no longer so act and delivers a written certificate to the Trustee to that effect, then the Issuer will discontinue the Book-Entry Only System with DTC for the 2005 Certificates. If the Issuer determines to replace DTC with another qualified securities depository, the Issuer will prepare or direct the preparation of a new single separate, fully registered Certificate for each maturity of the 2005 Certificates registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Trust Agreement. If the Issuer fails to identify another qualified securities depository to replace the incumbent securities depository for the 2005 Certificates, then the 2005 Certificates will no longer be restricted to being registered in the 2004 Certificate registration books in the name of the incumbent securities depository or its nominee, but will be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the 2005 Certificates designates.

If the Book-Entry Only System is discontinued, the following provisions would also apply: (i) the 2005 Certificates will be made available in physical form, (ii) principal, and prepayment premiums, if any, with respect to the 2005 Certificates will be payable upon surrender thereof at the corporate trust office of the Trustee, (iii) interest on the 2005 Certificates will be payable by check mailed by first-class mail or, upon the written request of any Owner of $1,000,000 or more in aggregate principal amount of Certificates received by the Trustee on or prior to the 15th day of the calendar month immediately preceding the interest payment date, by wire transfer in immediately available funds to an account with a financial institution within the continental United States of America designated by such Owner, and (iv) the 2005 Certificates will be transferable and exchangeable as provided in the Trust Agreement.

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APPENDIX I

SPECIMEN CERTIFICATE 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:**

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

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

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.

Frank Burr

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

SPECIMEN

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.

Frank Burr

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
U.S. Bank Trust National Association, as Fiscal Agent

Financial Guaranty Insurance Company
Doing business in California as FGIC Insurance Company
125 Park Avenue
New York, NY 10017
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.

Frank Bivona

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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T 212·312·3000
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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.

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.

Frank Bivona

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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CITY OF ROSEVILLE • ELECTRIC SYSTEM REVENUE CERTIFICATES OF PARTICIPATION SERIES • 2005A, 2005B, AND 2005C

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